

CRS Report for Congress

Laos: Background and U.S. Relations

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Summary

The United States and the Lao People's Democratic Republic (LPDR) cooperate in important areas despite disagreements regarding human rights policies in Laos and the LPDR's strong ties with China and Vietnam. Areas of U.S.-Laos cooperation include: the recovery of Americans missing in action (MIAs), counter-narcotics efforts, the removal of land mines, and avian flu. The United States provides relatively little foreign assistance to Laos. Total U.S. assistance to Laos in FY2007 was estimated to be \$4.8 million compared to \$4.3 million in 2006. Most U.S. aid has focused on counter-narcotics and de-mining efforts. Funding for de-mining efforts declined in 2007 and is likely to decrease further in 2008. New aid program areas include public health, economic development, judicial reform, and civil society.

The United States government remains concerned about the plight of former and remaining Hmong insurgents and their families, with ties to the U.S.-backed Hmong guerilla army of the Vietnam War period, who now number some 2,000-3,000 persons. Some Hmong-American and international human rights groups claim that the "mountain Hmong" are virtually defenseless and continue to be subject to Lao army campaigns and political persecution.

Approximately 8,000 Hmong wishing to emigrate to the United States currently reside in a camp in Thailand's Phetchaboun province. The United States has urged the Thai government not to deport the Hmong unless they are interviewed for refugee status, and has encouraged the Lao government to allow international monitoring and humanitarian access to resettlement efforts. The Consolidated Appropriations Act, 2008 (P.L. 110-161, Section 691(b)) provides that, for the purposes of Section 212(a)(3)(B) of the Immigration and Nationality Act, the Hmong and certain other groups shall not be considered to be terrorist organizations and thus barred from entry into the United States.

Social and economic conditions in Laos reportedly have improved in some areas. The country was upgraded to Tier 2 on the U.S. State Department's trafficking in persons list (2007) for making significant efforts to curtail trafficking, although significant problems remain. Religious freedom reportedly has improved, particularly in urban areas. Opium production and use have dropped dramatically since 1998. The country reportedly has made progress in deepening economic reforms as it prepares to apply for membership in the World Trade Organization (WTO). This report will be updated as warranted.

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Laos: Background and U.S. Relations

U.S. Interests and Bilateral Cooperation

The United States and the Lao People's Democratic Republic (LPDR) cooperate in important areas despite disagreements regarding human rights policies in Laos and the LPDR's strong ties with China and Vietnam. Areas of U.S.-Laos cooperation include: the recovery of Americans missing in action (MIAs),¹ counter-narcotics efforts, the removal of land mines, and avian flu.

Social and Economic conditions in Laos reportedly have improved in some areas. The country was upgraded to Tier 2 on the U.S. State Department's trafficking in persons list (2007) for making significant efforts to curtail trafficking, although significant problems remain.² Religious freedom reportedly has improved, particularly in urban areas. Opium production and use have dropped dramatically since 1998.³ The country reportedly has made progress in deepening economic reforms as it prepares to apply for membership in the World Trade Organization (WTO).

U.S. Assistance Programs

The United States provides relatively little foreign assistance to Laos. Total U.S. assistance to Laos in FY2007 was estimated to be \$4.8 million compared to \$4.3 million in 2006. By comparison, the United States provided neighboring Cambodia, a country at a similar level of economic development, an estimated \$55 million in 2007. Most U.S. aid to Laos has focused on counter-narcotics and de-mining efforts. New program areas include public health, economic development, judicial reform, and civil society. For FY2008, the Administration requested \$70,000 to establish an International Military Education and Training (IMET) program focused on English language programs for Lao citizens involved in American MIA accounting efforts.

¹ Since 1985, the United States Joint POW/MIA Accounting Command (JPAC) recovery teams have carried out 100 missions in Laos with the cooperation of the Lao government. "Recovery Agency Teams Complete 100th Laos Mission," Department of Defense Documents, August 10, 2007.

² U.S. Department of State, *Trafficking in Persons Report 2007*, June 12, 2007.

³ The loss of the opium crop reportedly has resulted in greater poverty in some areas, and the possibility of farmers reverting to opium production remains high. Furthermore, use of smuggled methamphetamine reportedly has risen among Lao youth: "More Work Needed in Opium Eradication," *Organization of Asia-Pacific News Agencies*, October 18, 2006; Songrit PhonNgern, "Laos Admits Increase in Use of Methamphetamine Among Lao Youth," *VOA*, October 26, 2006.

Despite the heavy toll that unexploded ordnance (UXO) from U.S. bombing continues to wreak on the Lao countryside, funding for de-mining activities is likely to decrease by 40% between 2006 and 2008. The LPDR also receives assistance through the Leahy War Victims Fund (\$1.5 million during the 2004-2009 period) to assist victims of UXO. The United States dropped more than 2.5 million tons of ordnance on Laos during the Vietnam War, more than the total used against Germany and Japan in World War II. Mines cause an average of 120 deaths per year (nearly 4,000 deaths, and over 13,000 casualties, since 1975). UXO also takes a significant economic toll on rural areas, affecting 25% of villages or one-third to one-half of the nation's land area.⁴

Laos has reported two confirmed cases of avian influenza. In October 2005, the United States signed a cooperation agreement with Lao officials in which it pledged \$3.4 million to the LPDR for controlling outbreaks of avian flu. As of 2007, the United States has donated more than \$7 million to fight avian flu in Laos. Half a million birds reportedly have been culled. On November 27, 2007, the United States government donated 6,000 sets of personal protective equipment worth \$75,000 for Lao health workers.

Policy Options

Policy options for Congress include: pressuring the Lao government to accept international monitoring of the resettlement of former Hmong militia members and their communities; increasing support for de-mining activities; supporting IMET English language programs; appropriating Economic Support Funds (ESF) for economic reforms (building capacity to meet WTO requirements); and granting trade preferences to Laos and other least developed countries.⁵

Laos in Brief

Chief of State: President Gen. Choummaly Sayasone (2006)

Prime Minister: Bouasone Bouphavanh (2006)

Population: 6.5 million

Per Capita Income: \$2,200 (purchasing power parity)

Life Expectancy: 58 years

Literacy: 68%

Religious Affiliations: Buddhist — 60%; Animist — 30%; Christian — 1.5%.

Ethnic Groups: Lao (lowland and upland) — 90%; Highland (Hmong and Yao) — 9%; Vietnamese and Chinese (1%).

Sources: *CIA World Factbook*; *Economist Intelligence Unit*.

⁴ United Nations Development Program, *Laos PDR E-Update* (August 2006); Paul Wiseman, "30-Year-Old Bombs Still Very Deadly in Laos," *USA Today*, December 12, 2003.

⁵ See S.652, Tariff Relief Assistance for Developing Economies Act of 2007.

Developments of the Past Year

Hmong-American Leader Vang Pao Arrested

In June 2007, U.S. prosecutors arrested Vang Pao and charged him and ten other Hmong-Americans with conspiring to violently overthrow the government of Laos, after they allegedly attempted to purchase weapons from a federal undercover agent. Vang pleaded “not guilty” to the charge. French-trained General Vang Pao, chosen by the CIA during the Vietnam War to lead the covert guerrilla war in Laos, helped many Hmong to emigrate to the United States after the communist takeovers of Saigon and Vientiane, and became an anti-communist leader of the Hmong in the United States.

Congressional Act Removes Terrorist Label on Hmong

The Consolidated Appropriations Act, FY2008 (P.L. 110-161, Section 691(b)) provides that, for the purposes of Section 212(a)(3)(B) of the Immigration and Nationality Act, the Hmong and certain other groups shall not be considered to be terrorist organizations and thus barred from entry into the United States. The Patriot Act (P.L. 107-56) of 2001 amended the Immigration and Nationality Act to bar terrorist and other armed organizations, and those who provided material support to such groups, from entry into the United States. Some Hmong refugees were denied entry into the United States or permanent residency status under Section 212(a)(3)(B) due to their possible connections to insurgent activity in Laos.⁶ Approximately 8,000 Hmong wishing to emigrate to the United States currently reside in a camp in Thailand’s Phetchaboun province. The United States has urged Thailand not to deport them to Laos unless they are interviewed for refugee status.

Figure 1. Map of Laos



⁶ Under the new provision, Hmong refugees are not automatically considered as “terrorists,” but are still subject to U.S. immigration screening and refugee quotas.

Political and Economic Situation in Laos

Politics

The Lao People's Revolutionary Party (LPRP) is a secretive, Leninist political organization that has sole authority over the government and society of Laos. According to many experts, its hold on power remains firm. Despite the existence of factions, including reformist and conservative groups, the Party appears to be united against fundamental political change or democratization.

Anti-government activities, such as public protests and bombings, have subsided since the 1999-2004 period. During that time, university students and teachers staged two demonstrations for democratic reforms. Rebel militias operating out of Thailand carried out several attacks on Lao border posts. Anti-government groups detonated over a dozen small bombs in the capital, Vientiane, and other cities, killing several people. Several ambushes of highway buses and other vehicles, in which over 40 people were killed, were reported. These isolated attacks, which the Lao government either downplayed or for which it blamed Hmong insurgents, did not spark widespread anti-government activity.

Foreign Relations. According to some analysts, Vietnam and China are competing to exploit the LPDR's strategic and economic assets. Vietnam's influence on Laos remains strong, particularly in political and military affairs and among the Revolutionary Party's old guard, although China's economic influence is growing. Laos' northern provinces reportedly are becoming economically integrated with China's Yunnan province.⁷ China is considered by some analysts as the "primary economic patron" of Burma, Cambodia, and Laos.⁸ Some observers believe that Hanoi has encouraged the Lao government to improve relations with the United States in an effort to counteract Chinese influence.

Although Laotians reportedly are sometimes resentful of Thailand's historical political influence, Laos shares cultural and religious traditions and maintains close economic ties with Thailand. The two countries signed a joint communique in March 2007, the first in 20 years, covering infrastructure development, border control, Hmong migration issues, and avian influenza. The LPDR's relations with neighbors Cambodia and Burma (Myanmar) are cordial. In a display of growing maturity as a member of the Association of Southeast Asian Nations (since 1997), Vientiane successfully hosted the 10th ASEAN Summit in November 2004 and the ASEAN Ministerial Meeting in July 2005.

⁷ Economist Intelligence Unit, "Country Report — Laos," October 2007.

⁸ Catherin E. Dalpino, "Consequences of a Growing China," *Statement before the Senate Committee on Foreign Relations Subcommittee on East Asian and Pacific Affairs*, June 7, 2005.

Economic Conditions, Trade, and Foreign Aid

One of the poorest countries in Asia, with an annual per capita income of \$2,200 (purchasing power parity), Laos ranks 130th on the United Nations Development Program's *Human Development Index*.⁹ The country's road and communications systems are underdeveloped. Subsistence agriculture accounts for about half of GDP and involves over 80% of the country's labor force. About 31% of GDP comes from manufacturing.

The Lao economy experienced a relatively brief period of collectivization (1975-1985). In 1986, the LPDR government began a policy of economic reform — disbanding collective farms, legalizing private ownership of land, allowing market forces to determine prices, and encouraging private enterprise in all but some key industries and sectors. Between 1988 and 2004, the country's economy grew by a healthy 6% per year, with the exception of 1997-1998 due to the Asian financial crisis. GDP expanded by roughly 8% in 2006 and 7% in 2007, and is expected to increase by 6.5% in 2008.¹⁰ Prime Minister Bouphavanh is known as an economic reformer. The government has received praise from foreign donors for its policy initiatives and general improvement in the investment climate. Tourism has become the country's single biggest earner of foreign exchange. Hydroelectric power and textiles account for over two-thirds of country's exports. Coffee is also a major export item.

Laos is becoming economically integrated with its neighbors. The LPDR's principal trading partners are Thailand, Vietnam, and China. Total Laos-Thailand trade was nearly \$1.5 billion in 2006 while total Laos-Vietnam trade was \$260 million and Laos-China trade was \$217 million.¹¹ The Lao government signed an agreement with Bangkok to triple Lao exports (mostly natural resources and electricity) by 2010. Major investors in Laos are China, Thailand, Vietnam, and Australia while South Korea has begun to invest in manufacturing and natural resources. Both Chinese and Vietnamese companies have invested in hydroelectric power, rubber plantations, and mining of minerals and precious metals. A Chinese company reportedly has plans to build an industrial park in Vientiane.¹² Vietnam has supported road and railway projects linking the two countries.

The Lao government is building a road to link Thailand, northern Laos, and China. The five countries of the Greater Mekong Subregion (GMS)¹³ are developing a power trade agreement based upon hydroelectric power. Laos is a member of the

⁹ The Human Development Index is based upon measures of life expectancy, education, literacy, and gross domestic product (GDP).

¹⁰ Ibid.

¹¹ EIU; Global Trade Atlas.

¹² China's Suzhou Industrial Park to Build Economic Zone in Laos, *Asia Pulse*, December 31, 2007.

¹³ The GMS countries are: Burma, Cambodia, Laos, Thailand, and Vietnam.

ASEAN Free Trade Area (AFTA), implemented in 2003, and the ASEAN-China FTA (ACFTA), which is to go into effect in 2010 for most member states.¹⁴

Laos-U.S. Trade. In 2006, Laos exported \$8.7 million worth of goods to the United States, about 90% of which were garments, and imported \$6.9 million in mostly electronic goods and machinery. In the first 10 months of 2007, exports to the United States were up nearly 2.6 times while imports were up 87%.¹⁵ By contrast, the EU-15, the LPDR's largest export market, imported \$175 million worth of Laotian merchandise in 2006 — mostly apparel and accessories — while exporting \$34.7 million.¹⁶

On November 19, 2004, Congress passed the Miscellaneous Trade and Technical Corrections Act of 2004, which extended nondiscriminatory treatment to the products of Laos (signed into law as P.L. 108-429). For several years, U.S.-Laos relations were largely shaped by the U.S. debate over whether to grant Laos normal trade relations (NTR) treatment. Since 1997, when the United States and Laos concluded a bilateral trade agreement (BTA), legislation to extend NTR status to Laos faced opposition from many Members of Congress concerned about human rights conditions in Laos and the plight of the Hmong Lao minority.¹⁷ Some prominent Hmong-American organizations strongly opposed enacting the trade agreement, although the Laotian-American community as a whole reportedly was split on the issue.¹⁸

Foreign Aid. Laos receives approximately \$250 million in foreign aid per year (20% of GDP), including loans from the Asian Development Bank (ADB) and the World Bank worth \$80 million and \$40 million, respectively.¹⁹ The top sources of official development assistance (ODA) to Laos, on an average annual basis (2004-2005), are Japan (\$65 million), France (\$21 million), Sweden (\$19 million), Germany (\$15 million), and Australia (\$12 million).²⁰ According to one report, in

¹⁴ Laos is required to meet tariff reduction goals by 2008 for the AFTA and 2015 for the ACFTA. ASEAN's newest and least developed members — Cambodia, Laos, Myanmar (Burma), and Vietnam — are allowed additional time in which to reduce tariffs. ASEAN's six original members are Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand.

¹⁵ United States International Trade Commission.

¹⁶ Global Trade Atlas. The EU-15 refers to 15 original countries of the European Union.

¹⁷ Before Laos was granted NTR status in November 2004, the LPDR was one of only three countries (Cuba, Laos, and North Korea) that did not have normal trade relations with the United States.

¹⁸ Vaudine England, "Laotians Are Divided over U.S. Trade," *Wall Street Journal*, September 1, 2004; Daniel Lovering, "Former Enemies Wage Battle over U.S. Trade with Laos," *Associated Press*, January 12, 2004; Frederic J. Frommer, "Free Trade Deal for Laos Splits Hmong Community," *Associated Press*, May 6, 2003.

¹⁹ Asia & Pacific Review World of Information, July 30, 2007.

²⁰ OECD data.

2001-2002, China was the second biggest aid donor to Laos.²¹ However, this estimate likely reflects a much broader range of assistance than that normally counted as ODA provided by developed countries. Since the late 1990s, Chinese aid has included grants (nearly \$300 million), loans worth \$350 million, pledges of trade, and investments worth \$876 million, technical assistance, and high profile public works projects, such as the National Cultural Hall in Vientiane.²²

Human Rights Issues

Following the assumption of power by the Lao communists (the Pathet Lao political movement which became the Lao People's Revolutionary Party) in 1975, the Lao government dealt harshly with its perceived political opponents, including Royal Lao Government and Army officials, the royal family, and U.S.-trained Hmong guerrilla fighters, sending 30,000-50,000 of them to "reeducation centers." Nearly all remaining political prisoners reportedly were released by the late 1980s. According to the U.S. Department of State, the LPDR's human rights record, already considered "poor," worsened in 2006.²³ The State Department's annual report on human rights stated that the Lao government does not allow the independent organization of political, religious, or labor groups, severely curtails free speech and association, controls the country's judiciary, and regularly denies due process. There are no domestic human rights non-governmental organizations (NGOs). In addition to an unknown number of political detainees, there were three known political prisoners as of March 2007.²⁴ Prison conditions have been reported as generally harsh and very difficult to monitor. The LPDR has signed but not ratified the U.N. International Covenants on Civil and Political Rights (ICCPR) and Economic, Social, and Cultural Rights (ICESC).

Religious Freedom

According to most experts, the LPDR does not engage in widespread persecution of religious groups. Religious freedom reportedly has improved, particularly in urban areas. However, non-mainstream religious activities, particularly among religious and ethnic minorities, often continue to experience repression at the local level. Many conflicts reportedly have arisen as officials and Christian groups have clashed over local resources. In some cases, officials have felt politically threatened or overzealously applied communist orthodoxy. In 2002, the Lao government promulgated Decree 92 on religious practice. Although this decree has contributed to greater religious tolerance in many cases, Lao authorities also have used it to restrict some aspects of religious practice. During the period covered by

²¹ Joshua Kurlantzick, "China's Charm: Implications of Chinese Soft Power," *Carnegie Endowment Policy Brief no. 47 (June 2006)*.

²² Songrit PhonNgern, "Chinese Assistance to Laos Steadily Increases," *NewsVOA.com*, July 18, 2007.

²³ Department of State, Bureau of Democracy, Human Rights, and Labor, *Country Reports on Human Rights Practices -- 2006: Laos* (March 6, 2007).

²⁴ *Ibid.*

this report, some local officials reportedly pressured minority Protestants to renounce their faith on threat of arrest or forceful eviction from their villages.²⁵

From 2000 through 2003, the United States Commission on International Religious Freedom (USCIRF) recommended that the U.S. State Department designate Laos as a “country of particular concern” (CPC) for systematic and egregious violations of religious freedom.²⁶ In 2004, the Lao government and the U.S. Embassy in Vientiane conducted a joint seminar on religious freedom issues, and the USCIRF upgraded Laos to its “watch list.” In 2005, the USCIRF removed Laos from the watch list, citing the re-opening of most of its closed churches, release of almost all religious prisoners, and official denunciation of campaigns to force renunciations of faith.

The Hmong Minority

During the Vietnam War, the United States Central Intelligence Agency (CIA) trained and armed an estimated 60,000 Hmong guerillas to fight the Vietcong. After the Lao communists took power in 1975, Lao and Vietnamese troops crushed most of the Hmong army.²⁷ The Lao People’s Army (LPA) then allegedly carried out a war of attrition in the northern mountains against remaining Hmong militias and communities that resisted cooperation with the government. Some human rights organizations claim that the Lao military has committed atrocities against the mountain Hmong, who currently number an estimated several hundred to a few thousand (2,000-3,000) persons divided among about a dozen groups.²⁸ U.S. officials in Laos have been unable to independently verify allegations of LPA or Vietnamese troop movements, mass killings, or the use of biological weapons against the Hmong. Reports of Lao military actions against Hmong insurgents, who appear to be vastly out-powered by the Lao army, continue but with decreasing frequency.²⁹

²⁵ U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, *International Religious Freedom Report 2006 — Laos* (September 14, 2007); U.S. Commission on International Religious Freedom, *Annual Report* (May 2, 2007).

²⁶ Since the U.S. State Department began submitting annual reports to Congress on religious freedom pursuant to Section 102(b) of the International Religious Freedom Act of 1998, it has highlighted violations of religious freedom in Laos but has never designated the LPDR as a CPC.

²⁷ Jane Hamilton-Merritt, *Tragic Mountains: The Hmong, the Americans, and the Secret Wars for Laos, 1942-1992* (Bloomington: Indiana University Press, 1992). Hamilton-Merritt suggests that as many as 30,000 Hmong soldiers and civilians died as a result of their involvement in the Vietnam War. According to another source, up to 100,000 Hmong or one-fifth of the Hmong population were killed during and immediately after the Vietnam War. Stephen Magagnini, “Hmong General Carries on Fight for His People in U.S.,” *The Sacramento Bee*, July 2, 1995.

²⁸ Andrew Perrin, “Welcome to the Jungle,” *Time Asia*, May 5, 2003; Amnesty International *Public Statement, No. 224*, September 13, 2004.

²⁹ Thomas Fuller, “CIA-Backed Soldiers Still on Run,” *New York Times*, December 24, 2007.

LPDR officials state that they have begun a process of voluntary resettlement of former Hmong insurgents and their families. Many observers contend that although societal discrimination likely persists, the Lao government does not engage in systematic persecution of the Hmong minority living among the general (lowland) population. In 2006, according to reports, from several hundred to over one thousand lightly-armed Hmong, many of them malnourished, surrendered to Lao authorities and registered for resettlement. However, some critics maintain that while the Lao government has allowed some foreign assistance for Hmong resettlement, it has barred international groups from monitoring the process to confirm that former militia members are not being mistreated.³⁰ Amnesty International and the U.S.-based Fact Finding Commission claim that on April 6, 2006, in Vientiane Province, Lao People's Army (LPA) troops killed 26 unarmed Hmong, 25 of them women and children, who were foraging for food. The government denied the allegations and refused to investigate them.³¹

Hmong Refugees. Following the communist takeover, up to one-third of the Hmong minority, which totaled 350,000 in 1974 by some estimates, fled to Thailand. Between 1975 and 1998, nearly 130,000 Hmong refugees were admitted to the United States.³² In the early 1990s, the United Nations High Commissioner for Refugees (UNHCR) began to close its camps in Thailand and offered the remaining Hmong in the country a choice between resettling in third countries or returning to Laos. Most Hmong (30,000 to 100,000) chose to stay in Thailand and assimilated into rural Thai society. About 30,000 returned to Laos. In May 2005, Thailand closed its last camp for Hmong refugees. About 15,000 Hmong took refuge at the Wat Tham Krabok Temple in central Thailand. When the Thai government threatened to close the camp, which it claimed harbored illegal drug activity, in 2003, the United States agreed to accept about 15,000 Hmong.

Approximately 8,000 Hmong from Laos wishing to emigrate to the United States currently reside in a camp in Thailand's Phetchaboun province. The Thai government has threatened to deport them to Laos while Vientiane has offered to take the migrants back. The United States has urged Thailand not to deport the Hmong unless they are interviewed for refugee status. Thailand is reluctant to request UNHCR involvement for fear of encouraging an influx of refugees from Laos and other countries. According to some experts, however, less than 25% of the migrants would likely qualify as political refugees by the UNHCR (those determined to likely face persecution in Laos), rather than economic migrants. The U.S. government has encouraged the Lao government to allow international monitoring and humanitarian access to resettlement efforts, and has also offered its assistance for these activities.

³⁰ [<http://www.factfinding.org/mission.html>]; "Hill Tribe Surrenders to Laotian Government after Three Decades," *The Vancouver Sun*, June 6, 2005.

³¹ "U.S. Calls on Laos to Investigate Alleged Massacre of Hmong Civilians," *VOA News*, June 2, 2006.

³² According to some estimates, the U.S. Hmong-Lao population totals approximately 250,000-350,000 persons and or slightly over half of the U.S. Laotian population. See also Donna Kennedy, "Between Two Worlds," *The Press — Enterprise* (Riverside, CA), July 9, 2000.