

Getting the Laos-China Railway on the Right Track: A Human Security Perspective

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Introduction

The Laos-China Railway is scheduled to begin operation in December 2021. The 414km high-speed railway will run the length of the country, from Boten (bordering China) to Vientiane (bordering Thailand). The railway will cut the Boten-Vientiane journey from fifteen to four hours. The railway is part of landlocked Laos' strategy of becoming a "land-linked" hub (Rigg, 1998), as well as a key link in China's Belt and Road Initiative and the first link in the Pan-Asian Railway Network which ASEAN has promoted since 2000.

While trade between China and ASEAN is significant – US\$144 billion of exports from ASEAN to China in 2016, and US\$225 billion from China to ASEAN – it relies mainly on maritime transport, thereby bypassing Laos. Of the more than 40 million tonnes of trade between China and Thailand, Malaysia, and Singapore, only 5 percent is transported by land via Laos. Even the bulk (70%) of trade between China and Laos is transported by sea. Thus, with the launch of the Laos-China Railway, Laos has the potential to capture significant amounts of China-ASEAN trade (World Bank, 2020).

Notwithstanding this potential to transform and expand trade, the Laos-China Railway, like many large-scale infrastructure projects, has been both heralded for its potential to invigorate the Lao economy and vilified for its harmful, irreversible social and environmental impacts. This article applies the human security paradigm to examine different pathways through which the Laos-China Railway could lead to more, or less desirable development outcomes. In so doing, it aims to provide constructive ideas for Lao, Chinese, and international actors to contribute to the responsible, human-centered development of Laos.

Econophoria: Linking Laos to Markets and Investors

The Laos-China Railway is heralded as a pivotal opportunity to spur economic development of landlocked Laos. There are various pathways along which the Laos-China Railway could contribute to national economic development (Freeman, 2019; World Bank, 2019). First, as described above, the railway will reduce the time and costs of transporting goods via Laos. The World Bank (2020) estimates that the railway could reduce transport costs between Kunming and Vientiane by 40-50 percent; between Kunming and the Port of Laem Chabang in Thailand by 30-50 percent; and within Laos by 20-40 percent. This, together with the significant decrease in transport time (from 15 hours by road from Boten to Vientiane to 4 hours by rail), will make land-based transport through Laos a competitive alternative to the current, dominant maritime routes. Laos could then capture a portion of the transit trade between China and ASEAN, as well as transport its own goods more time- and cost-effectively to China and Thailand, its two largest trading partners (World Bank, 2020).

Second, overcoming infrastructure constraints is seen as critical to attracting more, and more diverse foreign direct investment (FDI) (Nanhtharath and Kang, 2019). While FDI in Laos has increased steadily since it opened its economy in 1986, investments are concentrated in "jobless" resource extraction activities, with energy (particularly hydropower) and mining accounting for 60-70 percent (Kyophilavong and Nozaki, 2015; World Bank, 2020). FDI in the more labor-intensive manufacturing sector has been limited, accounting for only 5-7% of total investment, despite the establishment of special economic zones (SEZs) designed to attract such investment (Kyophilavong and Nozaki, 2015; World Bank, 2020).

The World Bank (2020) is cautiously optimistic that the railway, coupled with improvements to the business environment, can make Laos' SEZs more attractive to investors and bring new industrial factories, technologies, and jobs. With the railway providing fast and reliable transport, there is also potential for significant expansion of the agriculture sector. Chinese investors, already the largest foreign investors in Lao agriculture, have recently committed to investing \$1.5 billion over five years to develop commercially nine agriculture products for export to China (Thanabouasy, 2021). The World Bank, FAO, and JICA are also supporting commercial agriculture development in Laos, as they see opportunities for Lao farmers (the majority of which produce at small scale or subsistence levels) to expand agriculture production for both domestic and export markets (FAO, 2021; JICA, 2021; World Bank, 2018).

Finally, the Government of Laos and the World Bank anticipate that the railway will facilitate growth of the tourism industry. The railway traverses the five most touristed provinces in Laos (Vientiane Capital, Vientiane Province, Luang Prabang, Oudomxay, Luang Namtha), which together host about half of all international visitors to Laos (World Bank, 2020). In addition to international (particularly Chinese) tourists, domestic travel and tourism are expected to increase in line with rising per capita incomes. Increased tourism is eagerly anticipated as a source of new jobs and income. Recognizing this potential, many international donors in Laos, including the World Bank, the Asian Development Bank, JICA, GIZ, LuxDev, and NZ Aid, are supporting efforts to develop the tourism industry in Laos.

Through the above-described pathways, the World Bank estimates the railway has the potential to increase Laos' national income by up to 21 percent (World Bank 2020). Critics of this "econophoric" vision of trickle-down growth point to the human development challenges that the railway may bring, notwithstanding its contribution to economic growth (Howe and Park, 2015; Howe, 2016).

Human Development Challenges: Poverty and Inequality

Given the track record of many large-scale infrastructure projects in Laos, many are justifiably concerned that the Laos-China Railway will degrade rather than enhance human development. Such has been the case for many Lao hydropower projects, such as Nam Theun 2 and Xe Pian Xe Nammnoy (Scudder, 2019; Shoemaker and Robichaud, 2019; IDI, 2019). The Laos-China Railway, likewise, has already and may continue to put Lao people at risk. More than 4,000 households have had to cede land to make way for its construction, at rates which are reportedly insufficient to compensate for loss of agriculture income (Macan-Markar, 2018; Zsombor, 2021). Land dispossession may have more serious, long-term consequences, such as declining food security for the large rural Lao population (Nanhthavong et al., 2020). Land loss in Laos, particularly loss of individual household agriculture land and even when compensated, is correlated with higher poverty (Nanhthavong et al., 2020).

Moreover, the anticipated influx of foreign investors, facilitated by the railway, may bring insurmountable competition to Lao farmers, the majority of which are small-scale, subsistence producers. Even those who maintain access to land and continue to produce, may be out-produced and undercut by large-scale, foreign-invested commercial plantations (De Schutter, 2011). In Laos, this phenomenon has been documented for coffee production (Delang, Toro, and Charlet-Phommachanh, 2013; Nanhthavong et al., 2020). The expansion of large-scale commercial farming, particularly when foreign-invested and export-oriented,

could also negatively impact poverty reduction; smallholder farms have much greater potential to reduce poverty (De Schutter, 2011).

Finally, studies of other BRI infrastructure investments highlight the risk of increasing inequality (Lall and Lebrand, 2019). The railway is likely to benefit urban areas near railway stations far more than rural areas which are not well-connected to railway access points. This would exacerbate the trend of growing and FDI-accelerated (Nolintha and Lau, 2016) inequality in Laos. Laos' Gini coefficient measure of income inequality increased from 0.311 in 1990 to 0.388 in 2018 (Warr, Rasphone, and Menon, 2015; World Bank, 2021) – making it one of only four ASEAN countries in which inequality increased rather than decreased (UNESCAP 2018). While poverty declined during this period, inequality slowed poverty reduction by 28 percent (Warr, Rasphone, and Menon, 2015). Similarly, Laos' Human Development Index score of 0.613 (in 2019) falls by almost 25 percent to 0.461 when adjusted for inequality. A shift towards large-scale land conversion as described above, could further entrench this pattern of inequality, with a small tranche of business and business-connected elites benefitting at the expense of the small-scale farmers who comprise the majority of the Lao population.

Human Security: Getting All Aboard the Laos-China Railway

As currently framed, the debate on whether the railway will drive, or derail development is intractable. The same challenge exists regarding the operationalization of Environmental, Social, and Governance (ESG) standards and achieving all Sustainable Development Goals (SDGs). That is, once we recognize that there are indeed trade-offs, that win-win (or win-win-win, as some companies' triple bottom line approach would have it) is not always possible, we must seek a basis for prioritizing between desired economic and human developmental ends.

Human security provides a constructive and legitimate framework for prioritization. The human security paradigm prescribes that those that govern do so in the interests of all those they govern, and, in particular, the most vulnerable. It encapsulates two categories of fundamental entitlements: freedom from fear of being killed, left to die, or seriously harmed; and freedom from want of basic human needs, which, if not met, would dramatically foreshorten human lives. (Howe, 2013). It entitles all human beings to live their lives free of “generalized poverty” (King and Murray, 2001). These existential entitlements have received widespread support through international legal and normative instruments, including the Universal Declaration on Human Rights, International Covenant on Economic, Social and Cultural Rights, International Covenant on Civil and Political Rights, and UNDP Human Development Report 1990 (Howe 2013).

Human security shares with human development the principle that the ultimate aim of development is to produce better outcomes for human beings rather than to produce economic growth. Thus, the railway-forged paths to economic growth outlined by the World Bank (2020) are only way stations on the path to human development. At the same time, human security calls for prioritization of and commitment to achieving a more limited set of entitlements than for example the SDGs or ESG. A recent study of 174 land acquisitions in Laos found that 21% increased human security, 28% decreased human security, and 38% produced no change or were inconclusive (Nanthavong et al., 2021). A poor track record. We urge that Laos-China Railway be incorporated into the Lao economy and society with a view to maximizing (and in no way abrogating) human security for all Lao people. This is not to deprecate or shun economic growth, but to advocate responsible, human-centered growth.

The Laos-China Railway is now an inevitability. What remains to be seen and influenced is whether the railway brings exploitative investment, inequality, and human insecurity to Laos or leads towards greener and more (human) secure pastures. Despite the generation of its own elements of insecurity, the Korean development model may be of interest to Laos. Korea's developmental state was lauded for its ability to achieve decades of "economic growth with equity" (World Bank, 1993). Land reform (which ensured high levels of smallholder access to land and reduced land inequality), rural development (which reduced urban-rural inequality and facilitated an orderly transition from an agricultural to industrial economy), human resource development (which reduced income inequality), and social protection (which reduced income and health inequality) all contributed to Korea's human development success. Such approaches may help set the Laos-China Railway on the track towards human security.

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