

INDIA LAO PDR BILATERAL RELATIONS

LAO PDR - HISTORY



Lao PDR is one nation in ASEAN region that has a long history of development. Patriotic heroes and Lao people from one generation to another have continuously fought for the construction and protection of their motherland. Chao Fa Ngum is the first king who successfully united numerous medieval city states and subsequently founded the Lanexang, which was a unified kingdom (a unified State). The Lanexang Kingdom had a large territory that encompasses the Mekong River in the middle from North to South. Luang Prabang was the capital city of the Lanexang Kingdom; the legacy of its unique cultural development was the reason why UNESCO listed it under its World Heritage Site.

In the middle of the 16th century, King Saya Setthathirat transferred the capital from Luang Prabang to Vientiane. This propelled the growth of the economy. At the same time, the culture flourished and the country was able to protect itself from foreign invasion.

In the middle of the 17th century under the reign of King Suliyavongsa, the Lanexang Kingdom reached its golden age. A Dutch delegation led by Van Wuysthoff officially negotiated the establishment of a trade relation.

The eighteenth century brought the decline of the Lane Xang monarchy. The Kingdom split into three hostile dynasties and was invaded and controlled by Siamese feudalism. However, the Lao people maintained their unity, frequently rebelling against Siamese dominance. The most outstanding movement was the nation-wide campaign led by King Anouvong, a national hero (1827-1828). Though the uprising was quelled, the movement was a significant page in Lao history in the cause of national defence and has ever since been remembered as such.

Being strategically located and blessed with natural resources, Laos became a target of feudalists in the neighbouring countries as well as superpowers of the West. At the end of the 19th century, the French colonialism fought to take over the world market, and in 1893, it conquered Laos. This altered the borders of the country. However, many patriotic national



heroes such as Father Kadouat, Ongkeo, Ongkomadam and Chaofapatchai organized anti-imperialism movements in many parts of the countries.

Since the 1930s, the battle of the Lao people has been closely connected to the battles of the three countries in Indochina, which eventually led to the end of World War II in 1945. Amongst the Indochina countries, Vietnam gained victory, Laos declared Independence in 1945 and made a mark in the world map for the first time.

However, the French colonialism came back to invade Laos for the second time and created tragedy in Thakhek on 21 March 1946. Since then, the battle of the Lao people for independence had commenced again. After the victory in Dien Bien Phu (Vietnam), the Geneva Accord was signed to restore peace in Indochina and to acknowledge the independence, sovereignty, unity and territorial integrity of Laos, Vietnam and Cambodia.

Not long after signing the Geneva Accord, the American replaced the French and created a so-called special war in Laos. From the beginning of 1964 the American Air Force bombarded Laos heavily, which resulted in the average Lao person to receive a ton of American bombs over the 20-year period. Dommen says that: 'When the bombing finally halted in 1973, U.S. aircraft had dropped 2,092,900 tons (1,898,260 metric tons) of bombs on Laos, approximately the total tonnage dropped by U.S. air forces during all of World War II in both the European and Pacific theatres' (1985, p.90). More than two tonnes of U.S bombs per inhabitant were dropped in the liberated zone (Pathet Lao zone). Laos had experienced a protracted war and suffered from 1964 to 1973 the heaviest aerial bombardment in world history. Thank to the victorious battle and solidarity among the Lao people of all ethnic groups, the Lao People's Democratic Republic (Lao PDR) was established on 2 December 1975. With the formation of the Lao People's Democratic Republic, Laos entered a new era.

Ever since then, Lao people of all ethnic groups have lived peacefully and done their part to develop the country. In 1986, the Lao PDR began to carry out a comprehensive renovation policy, shifting from a centralized economy to a market-oriented economy, carrying out marketing mechanism, opening up the country and cooperation with foreign countries, restoring the people's democracy. Today, the Lao PDR has the political stability, constant economic growth and favourable conditions of investment, strengthening and promoting the people's democratic regime, and bringing peace, equality and justice to her people.¹

GEOGRAPHICAL PRESENCE

Lao PDR is a Southeastern Asian nation situated northeast of Thailand and west of Vietnam. It is a landlocked country and most of it is mountainous and thickly forested. The Mekong River



forms a large part of the western boundary with Thailand. Natural resources like timber, hydropower, gypsum, tin, gold and gemstones can be found.²

BRIEF BIO – LAO PDR

Lao People's Democratic Republic, with **Vientiane** as its capital has a population size of **7,019,073 (July 2016 est.)**. The **Lao Kip** is the official currency and languages such as **Lao (official), French, English, various ethnic languages** are commonly spoken. On the economic front, main export partners include **Thailand 30.4%, China 26.9%, Vietnam 17.5% (2015)** whereas the main import partners are **Thailand 60.9%, China 18.6%, Vietnam 7.3% (2015)**. A statistical look from the economic stand point follows³.

GDP INDICATORS	GDP: \$40.96 billion (2016 est.) External Debt: \$11.98 billion
TRADE	Exports: \$3.075 billion Imports: \$3.936 billion
MISCELLANEOUS	Unemployment Rate: 1.3% (2012 est.) Inflation Rate: 1.3%

**2016 (est)*

INTRODUCTION – INDIA & LAO PDR RELATIONS

India has enjoyed longstanding, friendly and mutually supportive relations with Lao People’s Democratic Republic (PDR). This relationship is based upon profound historical and civilizational foundations. Lao PDR admires the historic role played by India in Indochina towards promoting national liberation movements, the independence of colonized countries and the safeguarding of the newly acquired freedom. Pandit Nehru displayed considerable sensitivity and support for Laos when the latter found itself torn between foreign intervention, cold-war machinations and internal conflict. He paid a visit to Laos in 1954, which was later reciprocated by Lao leaders. The role played by India as Chairman of the International



Commission for Supervision and Control (ICSC) on Indo-China is still appreciated and remembered with gratitude by the Lao leadership.⁴

INDIAN COMMUNITY IN LAO PDR

The 400-strong Indian community has grown in profile over the years. It is engaged in jewellery trade, the restaurant and hotel industry, manufacturing, garments, mining, plantations and agarwood. A few members work for international organizations, multinationals, consulting organizations and private businesses. It is understood that the number of Indians in Laos was much higher during the sixties and early seventies. The only Indian association in Vientiane is INCHAM – the Indian Chamber of Commerce.⁵

INTRODUCTION – INDIA & LAO PDR TRADE RELATIONS

In 2009, India accorded the Duty Free Tariff Preference Scheme (DFTP) to Least Developed Countries including Lao PDR. The Scheme grants Laos duty free access to 94% of India's total tariff lines.

The trade balance which had been overwhelmingly in favour of India turned towards Lao. This development stems primarily from India's purchase of copper ores and concentrates of \$19.7 million from Lao. India's exports have increased on account of surge in sales of electrical and electronic equipment and pharma products to Lao. Kirloskar Brothers, the Aditya Birla Group, WAPCOS, Angelique International and Lao-SPG CMC Mining (P) Limited have offices in Lao PDR.⁶

INVESTMENT RELATIONS

India ranked 8th in FDI in Laos with total 33 projects and investments of US\$ 161 million. Some Major Indian investments include: (i) Birla Lao Pulp and Plantation, established in June 2006, is committed to investing US \$ 400 million in a Eucalyptus pulp and plantation project in Savannakhet province; (ii) The Lao SPG CMC Mining Company Limited, a subsidiary of GIMPEX India, obtained a license for an iron ore mine in 2008, with a commitment to invest US \$ 10 million and (iii) The HSMM Group has invested US \$ 13.8 million in agarwood plantations and two factories in Vientiane and Xaysomboun, Vientiane province.⁷

TRADE OVERVIEW (USD MILLIONS)⁸

Details	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
EXPORT	28.91	49.89	67.31	37.94	25.72
%Growth		72.56	34.9	-43.64	-32.2
IMPORT	138.64	39.4	85.28	180.03	207.38
%Growth		-71.59	116.46	111.11	15.19
TOTAL TRADE	167.56	89.29	152.58	217.96	233.1
%Growth		-46.71	70.89	42.85	6.94

Bilateral is significantly in favour of Laos for the past few years. The overall trade has seen positive growth with an exception in 2013-2014 where the exports exceeded imports and the overall trade also saw a dip. Lao is one of the countries in ASEAN with who the trade potential is yet to be explored. Although the country is small and there is not a big market, India has yet to make a decent trade figure looking at the close connectivity in the east.

FREE TRADE AGREEMENTS

India and the ASEAN (Association of South East Asian Nations) comprising Brunei Darussalam, Cambodia, Indonesia, **Lao PDR**, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam signed the Trade in Goods Agreement under the broader framework of Comprehensive Economic Cooperation Agreement (CECA) between India and the ASEAN on 13 August, 2009.⁹

CULTURAL RELATIONS

The Government of India has been providing over 200 scholarships to Lao nationals under various schemes. So far, under ITEC, GOI has trained about 1500 Lao nationals. The LIEDC (Lao-India Entrepreneurship Development Centre) set up in November, 2004, trains Lao entrepreneurs for setting up small and medium scale business. The LICELT [Lao India Centre for English Language Training] set up in Vientiane on June 2007 is one of our assistance projects in human resource development. India set up an IT centre in Vientiane in November 2004, as well as a National Data Centre in May 2006. Ten Rural Telecommunication Centres were set up in seven Provinces and three in the Ministry of Health, the Government's Office and in the office of the Governor of Vientiane.¹⁰



KEY INITIATIVES BY CII

Lao National Chamber of Commerce & Industry & Indian Chamber of Commerce in Laos are key institutional partners of CII in Laos. Some key interactions facilitated by CII are: -

- Mr Southam Sakonhninhom, Ambassador of Lao PDR to India led a twelve member strong delegation to the 4th India CLMV Business Conclave on 27-28th February which took place in Jaipur, Rajasthan.
- Business Delegation led by Mr Somchith Inthamith at 3rd India-CLMV Business Conclave held from 12-13 January 2016 at Tamil Nadu, India.
- As a part of the ASEAN students visit to India organised by CII, 25 students from Lao PDR visited India in 2013.
- As a part of the ASEAN students visit to India organised by CII, 25 students from Lao PDR visited Mumbai, Jaipur, Agra & Delhi from 11 – 21 December 2012.
- Business delegation to Lao PDR coinciding with the visit of Hon'ble President of India, 12 – 14 September 2010.
- CII Business Delegation to Lao PDR and Buyer-Seller Meet in Vientiane, 21-23 February 2010.

REFERENCES

- ¹ The Lao National APPF-17 Secretariat - Website
- ² CIA World Fact Book
- ³ IBID
- ⁴ Embassy of India, Vientiane, Lao PDR - Website
- ⁵ IBID
- ⁶ IBID
- ⁷ MEA Foreign Relations Portal
- ⁸ EXIM Data – Ministry of Commerce, India - Website
- ⁹ Department of Commerce, Ministry of Commerce, India
- ¹⁰ MEA Foreign Relations Portal