



## CRS Report for Congress

# Laos: Background and U.S. Relations

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### Summary

For several years, U.S.-Laos relations were dominated by the debate over whether to grant normal trade relations status to Laos. On November 19, 2004, Congress approved legislation that granted nondiscriminatory treatment to the products of Laos. The Lao government's alleged poor treatment of former CIA-trained Hmong guerillas was a key factor in the debate and remains a point of contention between the two countries. The United States and Laos cooperate in important areas, including recovering remains of Americans missing in action (MIAs) from the Vietnam War, counter-narcotics and de-mining efforts.

### Congressional Interests

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 the Lao People's Democratic Republic (LPDR) 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.<sup>1</sup> 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.<sup>2</sup> 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.

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<sup>1</sup> 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.

<sup>2</sup> 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.

108-429). Congressional concerns about human rights conditions and former Hmong guerillas in Laos have persisted, as reflected in legislation in the 109<sup>th</sup> Congress.<sup>3</sup>

Significant areas of bilateral cooperation include the recovery of Americans missing in action (MIAs),<sup>4</sup> counter-narcotics efforts, and the removal of land mines. 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. Policy options for Congress include pressuring the Lao government to accept international monitoring of the resettlement of former Hmong militia members and their communities, appropriating Economic Support Funds (ESF) for judicial and economic reforms, granting trade preferences to least developed countries, including Laos, and supporting International Military and Education Training (IMET) for English language programs for Lao citizens involved in joint MIA accounting efforts.

### Laos in Brief

**Chief of State:** President Gen. Choummaly Sayasone (2006)  
**Prime Minister:** Bouasone Bouphavanh (2006)  
**Population:** 6.2 million  
**Per Capita Income:** \$390 or \$1,900 (purchasing power parity)  
**Life Expectancy:** 55 years  
**Literacy:** 66%  
**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.*

U.S. foreign assistance to Laos remains relatively limited and channeled through NGOs rather to the government of Laos due to strained bilateral relations and to the country's status as a Tier 3 country on the U.S. State Department's 2006 Trafficking in Persons Report.<sup>5</sup> U.S. foreign assistance to Laos focuses on counter-narcotics and de-mining programs. Total U.S. assistance to Laos in FY2006 was estimated to be \$4.3 million compared to \$4.5 million in 2005, reflecting an increase in de-mining funds offset by a decrease in counter-narcotics assistance. Opium production and use reportedly dropped dramatically between 1998 and 2005. However, the loss of the crop reportedly has resulted in greater poverty in some areas, the possibility of farmers reverting to opium production remains high, and the drug is still available via Burma and China.

<sup>3</sup> On November 19, 2004, the Senate agreed to S.Res. 475, "A Resolution to Condemn Human Rights Abuses in Laos." Other related legislation in the 109<sup>th</sup> Congress, which did not make it out of committee, would honor Lao and Hmong veterans from the Vietnam War (H.Res. 317) and would amend the Hmong Veterans' Naturalization Act of 2000 to eliminate application deadlines (H.R. 3018).

<sup>4</sup> Since 1985, the United States and Laos have conducted 102 joint field searches to locate U.S. soldiers' remains. "Laos Repatriates U.S. Soldiers' Remains," *Organization of Asia-Pacific News Agencies*, December 5, 2006.

<sup>5</sup> Under the Trafficking Victims Protection Act of 2000, countries in Tier 3 may face U.S. sanctions or withholding of non-humanitarian assistance. See Department of State, Office to Monitor and Combat Trafficking in Persons, *Trafficking in Persons Report, 2006*.

Furthermore, methamphetamine use has risen among Lao youth.<sup>6</sup> The LPDR also receives assistance through the Leahy War Victims Fund (\$917,000 in 2004-2007) to assist victims of unexploded ordnance from the Vietnam War.<sup>7</sup> The largest providers of bilateral development assistance to Laos are Japan, Germany, Sweden, France, and Australia.

## Political and Economic Situation in Laos

**Politics.** The Lao People's Revolutionary Party (LPRP), a secretive, Leninist political organization, 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, 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 influence is growing. Since the late 1990s, China has provided Laos with critical grants, low-interest loans, technical assistance, foreign investment, and high profile development projects. Laos also maintains important economic ties with Thailand, participates in regional organizations,



<sup>6</sup> "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 Use," *VOA*, October 26, 2006.

<sup>7</sup> 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. Unexploded ordnance causes an average of 120 deaths per year (and over 11,000 casualties, including nearly 4,000 deaths, since 1975). UXO also takes a significant economic toll on rural areas. 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.

and depends upon Japan and European countries for foreign aid and trade. In a display of growing maturity as a member of the Association of Southeast Asian Nations (since 1997), Laos successfully hosted the 10<sup>th</sup> ASEAN Summit in November 2004 and the ASEAN Ministerial Meeting in July 2005. Vientiane has made some efforts to heed U.S. pressure on human rights, particularly regarding religious freedom, and welcomed NTR status as a step toward better bilateral relations.

**Economic Conditions and Trade.** Laos is a small, mountainous, landlocked country bordering Burma, Cambodia, China, Thailand, and Vietnam. One of the poorest countries in Asia, with a per capita annual income of \$390, Laos ranks 133<sup>rd</sup> on the United Nations Development Program's *Human Development Index*, which measures life expectancy, education, literacy, and gross domestic product (GDP) per capita. 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 18% 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 grew by roughly 7% in 2005-2006 and is expected to expand by 6.7% in 2006-2007.<sup>8</sup> 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. Chinese and Vietnamese companies have entered the mining sector, investing in the exploration and manufacture of iron ore, copper, zinc and other minerals and precious metals. However, the country reportedly has made slow progress toward meeting requirements under the U.S.-Laos BTA and in preparing for accession to the World Trade Organization (WTO).

The LPDR's principal trading partners are Thailand, Vietnam, and China. Vietnam, China, and Australia are major investors. In 2005, Laos exported \$4.1 million worth of goods to the United States, about two-thirds of which were garments. In 2006, exports to the United States were nearly double that of the previous year.<sup>9</sup> By contrast, the EU, the LPDR's largest export market, imported \$180 million worth of Laotian merchandise in 2005 — mostly apparel and accessories. Laos is a member of the 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.<sup>10</sup> With the help of foreign investment, the LPDR has built several large hydroelectric projects since the late 1990s. In 2005, construction began on the \$1.2 billion Nam Theun II Dam, with loans from the World Bank and Asian Development Bank and investment from France and Thailand. Many

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<sup>8</sup> "Country Outlook: Laos," *The Economist Intelligence Unit* (October 2006).

<sup>9</sup> United States International Trade Commission.

<sup>10</sup> 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.

environmental and human rights groups had opposed the project because of its potential adverse impact on the environment and livelihoods and the displacement of roughly 5,000 people.

## Human Rights Issues

Following the assumption of power by the Lao communists (Pathet Lao) 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 remains “poor” with continued serious abuses. The 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. In addition to an unknown number of political detainees, there were five known political prisoners as of March 2006.<sup>11</sup> According to former prisoners, extremely harsh conditions and the use of torture in Lao jails are common. 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. However, non-mainstream religious activities, particularly among ethnic minorities, often have experienced repression at the local level. In 2006, the U.S. State Department reported that “in most parts of the country officials generally respected the constitutionally guaranteed rights of members of most faiths to worship;” however, in some rural areas, forced renunciations of faith, detentions, and arrests of Christians, especially evangelicals, or destruction of their property have occurred. In many cases, conflicts reportedly have arisen as officials and Christian groups clashed over local resources, officials felt politically threatened, or they overzealously applied communist orthodoxy.<sup>12</sup> 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.<sup>13</sup> 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.

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<sup>11</sup> Department of State, Bureau of Democracy, Human Rights, and Labor, *Country Reports on Human Rights Practices - 2005: Laos* (March 8, 2006).

<sup>12</sup> U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, *International Religious Freedom Report 2006 — Laos* (September 15, 2006); U.S. Commission on International Religious Freedom, *Annual Report* (May 2006).

<sup>13</sup> 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.

**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.<sup>14</sup> The Lao army then allegedly carried out a war of attrition in the northern mountains against remaining Hmong militias and communities that resisted cooperation with the government, and who currently number an estimated one thousand to a few thousand persons divided into approximately one dozen groups.<sup>15</sup> Some human rights organizations claim that the Lao military has committed atrocities against the Hmong. In April 2006, 26 unarmed Hmong, most of them children, reportedly were killed in a military attack, which the government denies<sup>16</sup> LPDR officials state that they have begun a process of voluntary resettlement of former Hmong insurgents and their families. According to reports, in 2006, from several hundred to over one thousand lightly-armed Hmong, many of them malnourished, surrendered to Lao authorities and registered for resettlement. However, critics maintain that the Lao government has allowed some foreign assistance for Hmong resettlement but has barred international groups from monitoring the process to confirm that former militia members are not being mistreated.<sup>17</sup>

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.<sup>18</sup> In the 1990s, about 29,000 Hmong Lao were repatriated from camps in Thailand to Laos. In 2004-2006, the United States accepted 15,000 Hmong refugees who were living at the Wat Tham Krabok temple in central Thailand. In May 2005, Thailand closed its last camp for Hmong refugees. In December 2006, Bangkok announced that it would deport about 6,500 recent Hmong Lao migrants under the supervision of the United Nations High Commissioner for Refugees (UNHCR).<sup>19</sup> Some returning Hmong claim that they face persecution in Laos. Many observers argue that although societal discrimination likely persists, the Lao government does not engage in systematic persecution of the Hmong minority, and that Hmong returnees have largely reintegrated into society.

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<sup>14</sup> 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.

<sup>15</sup> Andrew Perrin, "Welcome to the Jungle," *Time Asia*, May 5, 2003; Amnesty International *Public Statement*, No. 224, September 13, 2004.

<sup>16</sup> "U.S. Calls on Laos to Investigate Alleged Massacre of Hmong Civilians," *VOA News*, June 2, 2006.

<sup>17</sup> [<http://www.factfinding.org/mission.html>]; "Hill Tribe Surrenders to Laotian Government after Three Decades," *The Vancouver Sun*, June 6, 2005.

<sup>18</sup> According to some estimates, the U.S. Hmong -Lao population totals approximately 250,000 persons and constitutes slightly over half of the U.S. Laotian population. See also Donna Kennedy, "Between Two Worlds," *The Press — Enterprise* (Riverside, CA), July 9, 2000.

<sup>19</sup> "Thailand to Deport over 6,500 Ethnic Hmongs to Laos," *BBC Monitoring Asia Pacific*, December 19, 2006.