Belt and Road: How Laos Exemplifies Preconditions for Global Success

More than eight years ago, in September 2013, Chinese leader Xi Jinping announced the launch of China’s global transport initiative, One Belt One Road (OBOR). The project implies the unification of all major world transport routes into a single system and removing all economic and political barriers to the free circulation of goods through this system. In return for agreeing to join the OBOR, the states through which the routes of interest to the Chinese pass began to receive generous investments and loans from China.

China’s critics immediately suggested that Beijing needs the OBOR project to subjugate states and use soft power to spread its economic influence worldwide. And that this economic influence, once it has gained enough strength, will quickly turn into a political one. When receiving huge Chinese loans, poor countries that cannot repay their debts will be forced to pay back their support to China in all international issues that concern them.

Due to these disturbing rumors, China renamed “One Belt One Road” simply “Belt and Road” (BRI) to remove any hint of sole domination from the project’s name.

Nevertheless, disturbing rumors that China is quietly taking over the world are not going away. China’s main regional competitor, India, around which Chinese strongholds, such as the port of Hambantota in Sri Lanka and the port of Gwadar in Pakistan - states neighboring India - are emerging as part of the BRI project, is a major concern. China has taken both facilities on long-term leases from the countries they belong to. Despite assurances from the Chinese side that they would only be used to transport cargo along the maritime routes of the BRI, India believes that these ports could be turned into bases for the Chinese Navy. Of course, India is echoed by China’s leading...
global competitor, the USA.

Such rumors may discourage some countries from participating in BRI. After all, countries even suspected of having Chinese military facilities on their territory may come under attack by China’s adversaries in the event of a military conflict.

In practice, however, we see that the desire to address immediate concerns outweighs fears of hypothetical dangers as small and poor countries in Asia and Africa are joining the BRI en masse. Latin American countries are also gradually catching up.

As an example of an Asian underdeveloped country that is willing to consciously sacrifice part of its independence and fall into Chinese dependence in exchange for economic aid and welfare, the Lao People’s Democratic Republic (Laos) can be cited.

This small country has long been on the official UN List of Least Developed Countries. Laos is located in the center of the Indochinese peninsula. The country’s central location is a disadvantage rather than an advantage. Unlike its neighbors, China, Myanmar, Thailand, Cambodia, and Vietnam, Laos is landlocked, seriously affecting its ability to trade internationally. There is a network of highways linking Laos with neighboring countries. However, the transportation of huge goods requires railways. It is railroad construction that is the best way to overcome Laos’ isolation, increase its presence in the international market, and consequently its material well-being.

However, Laos still cannot boast a developed railway system. Until the 1940s, the country was a colonial dependence on France, worked only one 7-kilometer railroad, which the French built to carry ships that moved along the Mekong River, bypassing the rapids. But even this road stopped working in the 1940s. Laos gained independence in 1949. There was no railway construction in the country until the 2000s. Laos’ rugged mountainous terrain played a role, making railway construction technically challenging and costly.

A small branch connecting Laos and Thailand was built and started operation in 2007-2008 with Thai funding, but it carries mainly passenger traffic.

Thanks to China, the hope of establishing a large-scale rail connection to the outside world has come to Laos. China has both the financial means and the technology to build in the rugged Lao terrain.

In 2015, the two countries signed an agreement to build a 1,035-km railway linking the Lao capital of Vientiane with Kunming, the central city of China’s Yunnan province bordering Indochina.

Construction was led by Chinese companies who promised to conduct the work according to the latest technological standards of China.

In December 2015, construction began on the Chinese portion of the Road connecting Yuxi and Mohan, which stands on the China-Lao border. A year later, in December 2016, construction began on the Lao section from Boten at the Chinese border to Vientiane.

In November 2017, Laos was visited by Xi Jinping. The Chinese leader said that the China-Laos railway is critical for the Lao development strategy and the Chinese BRI project.

Indeed, this road is essential for the BRI, as it can be extended to other states on the Indochinese peninsula if successfully launched.

On December 3, 2021, the China-Lao Railroad was inaugurated. Xi Jinping and Lao President Thonglong Sisulit watched the ceremony via video link. The first train, including passenger and freight wagons, was soon dispatched from Laos to China.

Due to the rugged terrain mentioned above, more than 80% of the road goes over mountain bridges or tunnels, which Chinese and Laotian specialists had to construct. This included the construction of a more than 9.5 km long Friendship Tunnel connecting the Chinese and Lao parts of the Road.

Not surprisingly, the construction cost was $5.9 billion, of which $3.54 billion was a loan from the Export-Import Bank of China. Another $1.63 billion was provided by the Chinese government. The Lao government contributed $730 million. However, even out of this amount, $480 million in Laos’s loan from the same Export-Import Bank of China. At the same time, Laos’ GDP for 2020 was just over $19 billion.
So critics of the BRI have been given another reason to argue that Laos has fallen into the debt trap through cooperation with China. As mentioned above, critics see China as colonizing the world.

The critics’ position is not entirely clear. Laos needed a railroad and did not have the means to do so. No one but China could finance and build this Road. Both sides are happy, and Laos knew what it was doing when it took the loan.

Critics argue that Laos will now have to pay for its natural resources for many years to come: in addition to well-developed agriculture, the country has deposits of potash, bauxite, copper, and even gold. However, we can see that without an adequate transport system, all this natural wealth has so far failed to help the country overcome poverty. But one can hope that with the new railway, Laos will finally benefit from its resources. And the fact that some of the benefits will go to China for some time looks quite fair.

By the way, China helped Laos not only with the construction of the railway: a Sino-Laos joint venture to produce chemical products based on potash, Sino-Agri International Potash Company, was being built in parallel with its construction. And one of the first batches of the company’s finished products left for China on December 3 on the first running train.

No matter what China’s detractors may say, BRI offers opportunities for growth for many countries with low levels of socioeconomic development. Every small, poor, and not very influential state is forced to seek support by entering the sphere of influence of another powerful player in the international arena. If the USA or India is concerned about small developing countries moving into China’s sphere of influence, they could offer those countries something comparable to the BRI. So far, they have done nothing of the sort. As long as no one offers better terms than China and does not contribute more to solving their pressing problems, small states in Asia, Africa, and Latin America will choose Beijing’s patronage.

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