

From Landlocked to Landlinked: Transport Connectivity Development in Laos

In December 2021, after five years of construction work, the Lao People's Democratic Republic (PDR) inaugurated its first major high-speed railway line. A feat of technology in a landlocked, mountainous country, the Laos-China railway links the capital Vientiane to the Chinese border in less than three hours. A year and a half later, in April 2022, the section was extended by almost 1,000 km to connect the Laotian capital with Kunming, the capital of Yunnan province in southern China. Designed to open up the country economically to its partners in Southeast Asia, this railway line is shaping the future of Laos as a country at the confluence of many regional and international influences.

This Policy Brief assesses recent developments in Lao PDR's transport infrastructure network, taking the Laos-China railway as a focal point, demonstrating that this railway line is a source of economic opportunities as well as dependencies that could contribute to transforming Lao PDR from a landlocked to a landlinked country. It also explores the possibility of complementarity between the Chinese Belt and Road Initiative (BRI) and the EU's Global Gateway, and the potential impact on regional integration in Laos.

The main findings include that Lao PDR has a limited transport infrastructure network, based mainly on road connections, while the rail network is still in its early stages of development. Dependent on its trade connections with neighbouring countries, the development of a reliable and multi-faceted transport connectivity infrastructure network is therefore essential for Lao PDR to pursue its economic and social development and strengthen its regional integration. To achieve this objective, Lao PDR is actively involved in regional initiatives initiated by the Association of Southeast Asian Nations (ASEAN) and favours joint cooperation with foreign players, particularly China, which is becoming increasingly involved in Southeast Asia. As one of the most visible parts of the BRI in Southeast Asia, the Laos-China railway represents both a source of potential economic benefits and a risk of dependence on Beijing, as Lao PDR's public debt has reached a worrying level. In this context, the EU aspires to play a greater role in the region through its Global Gateway initiative, offering an alternative to the BRI. Despite different development agendas, the most beneficial scenario for Lao PDR, China and the EU would be for the initiatives financed by the BRI and the Global Gateway to be complementary to each other and benefit from the mutual synergies of various transport connectivity infrastructure projects.

Lao PDR: A Landlocked Country In The Heart Of Southeast Asia

The Lao People's Democratic Republic is a landlocked nation that covers 236,800 km² in mainland Southeast Asia and is populated by seven million inhabitants, making the country one of the least densely populated in the region. It is bordered by Myanmar, Cambodia, Thailand, Vietnam, and its Chinese neighbour in the north. It is the only country in Southeast Asia without direct access to the sea. Its topographical features also make it a country with steep, mainly mountainous terrain and transport routes that are difficult to drive on, as only 16% of its national territory is below 2,000 metres in altitude. Laos is typically characterised by narrow river valleys and a lack of arable land. The country stretches more than 1,700 km along a north-south axis while some 80% of the country's area is composed of hills and mountains. Although the country is not linked to the sea, it is crisscrossed by the wide Mekong River, the 10th largest in the world and 4,350 km long, including 1,898 km in Lao PDR alone. However, the river is difficult to navigate all year round due to unstable weather conditions.

This unique geographical situation implies that Lao PDR is dependent on the external connections it maintains with its regional neighbours, which serve as economic interfaces. It is in great need of connectivity infrastructures able to generate viable economic flows and exchanges. Nevertheless, despite its harsh geography, Lao PDR enjoys a strategic position at the heart of Southeast Asia, at the crossroads of dynamic activities and trade networks. In fact, Lao PDR has numerous natural resources at its disposal, enabling it to exploit hydroelectricity, mining and high-intensity agricultural land, including products such as sugar cane, manioc, and eucalyptus. Exploiting these resources and trading them with its direct neighbours are fundamental vectors of regional integration for Lao PDR, especially as these resources are less present in the territories of its neighbours. This demonstrates the importance for Lao PDR of having functional trade routes with neighbouring countries.

Structuring the national economy around the intensive exploitation of its natural resources has enabled Lao PDR to generate significant revenue and stimulate economic growth. Indeed, the country's export volume has risen from 1.85 billion USD in 2011 to 8.37 billion USD in 2023. Also worth noting is the explosion in the volume of exports in the mining sector, which has risen from 812 million USD in 2011 to 2.5 billion USD in 2023. However, this apparent economic progress needs to be qualified, as the Asian Development Bank (ADB) highlights that among its Southeast Asian neighbours Lao PDR has been the least able to take advantage of trade to support a policy of economic diversification, employment growth, and improved living standards. Similarly, Lao PDR remains one of the poorest countries in Southeast Asia, with

18.3% of its population living below the poverty line according to the World Bank data from 2018. The country's poorest people are concentrated in rural areas, with a poverty rate of 24% compared with 7% in urban areas.

Yet there is a direct, quantifiable link between the development of transport infrastructure for goods and people, and economic development and improved living conditions for the population. Lao PDR is prone to flooding and landslides which hampers the development of national connectivity projects. The lack of funding and inefficient maintenance of transport links reduces the potential for converting existing roads into genuine economic corridors. Similarly, the economic benefits that can be generated from already installed connectivity infrastructure, such as railways, are limited by an inadequate and unreliable road network, as also evidenced by the many fatal road accidents that claimed the lives of 800 people in 2023 alone. As a result, there is an urgent need to improve, develop and upgrade connectivity infrastructure, particularly roads. The lack of a viable road network and connectivity solution is also leading to a lack of access to healthy food for the rural part of the population and, in the worst cases, food shortages, as 7% of villages in Lao PDR have no road connection.

The predominant mode of transportation in Lao PDR is by road, which represents 98% of total passenger kilometres travelled and 86% of all freight moved in the country. Lao PDR has a road network of 5,100 km, only 22% of which is paved, leaving the rest of the network vulnerable to extreme weather conditions such as intense heat waves, landslides, and flooding. Lao PDR's logistic performance Index (LPI) rank is 115 with a score of 2.4, one of the lowest scores in Southeast Asia. Its road density is about 30% lower than the ASEAN average and closer to that of the Philippines and Myanmar, due in part to a lack of funding and maintenance. For example, the NR13 road, the backbone of Lao PDR's road network connecting the country with China to the north and Cambodia to the south, was completed in 1997 and has still not been fully renovated, work underway since 2019. This situation is leading to a proliferation of emergency repairs and the mobilisation of additional funds that are already scarce.

As far as rail infrastructure is concerned, Lao PDR also suffers from a lack of railway lines, both for freight and commuters. Prior to the inauguration of the Vientiane–Boten high-speed railway line in December 2021, followed by its extension to Kunming, Lao PDR had only a limited portion of this type of track. Since 2009, only a 3.5 km track has linked the town of Nong Khai in Thailand to a station near Vientiane. Just recently, on 19 July 2024, the first Lao PDR-Thailand cross-border passenger train officially started operation, linking Vientiane to

Bangkok in 12 hours, finally enabling efficient mobility for people between the two countries and paving the way for a trade route that is crucial for the Laotian economy.

Air connectivity is also vital for economic and social cohesion in Lao PDR. In 2019, the International Air Transport Association (IATA) air connectivity index ranked Lao PDR 93rd out of 219 countries studied. Despite the fact that the Laotian air transport market is relatively small, its air connections play a critical role in the country's access to global and regional economic centres. Although Lao PDR has 13 airports, only four handle international services, and the development of air connectivity is also slowed because the low population density limits the country's airport catchment areas. Given the infrastructure network in Lao PDR and its geoeconomic situation, the need to develop large-scale connectivity projects is essential to open up the country and contribute to its economic and social development, as well as its regional integration in Southeast Asia.

Towards the Creation of a Large-scale Logistics Hub?

When Lao PDR took over the rotating chairmanship of ASEAN in January 2024, the country chose to run its term under the theme “ASEAN enhancing connectivity and resilience”, reflecting its ambition to create a more connected and resilient bloc of member states. One of the three main pillars of this presidency revolves around the desire to promote infrastructure connectivity and reduce the development gap between member countries to promote the region's economic integration. Although Lao PDR has chosen this theme for its 2024 ASEAN presidency, it has already been a priority for the country at the national level for several years. Through international organisations such as ASEAN, Lao PDR is pursuing a pragmatic and assertive policy of regional integration, to transform the country from a landlocked country into a landlinked one. The project to become a large-scale logistics hub therefore necessarily involves ASEAN.

Although ASEAN was created for geopolitical reasons, i.e. to stabilise the region and contain the spread of communism, the end of the Cold War transformed the association into a key economic project. Lao PDR, initially an observer member at the signing of the ASEAN Treaty of Friendship and Cooperation in 1992, became a full member in 1997. The consequences for the country are manifold, allowing it to become politically integrated into the regional sphere of Southeast Asia, giving it political weight and guarantees of security. However, it is particularly in terms of economic development that Lao PDR benefits most from its ASEAN membership,

enabling it to take advantage of regional initiatives such as the Master Plan on ASEAN Connectivity 2025. Ratified in 2016 under Lao PDR's chairmanship of ASEAN, this plan aims “to achieve a seamlessly and comprehensively connected and integrated ASEAN that will promote competitiveness, inclusiveness and a greater sense of community.” In concrete terms, this long-term project promotes, for example, the construction of sustainable connectivity infrastructure and the facilitation of commuter mobility. Initiated several years ago with the Master Plan on ASEAN Connectivity 2010, these two projects have led to the upgrading of numerous transport infrastructures, notably highways, and have developed institutional connectivity between ASEAN member countries.

The strategy of regional integration and development of its transport connectivity network also extends outside ASEAN, on a more local scale, through the Greater Mekong Subregion (GMS) initiative. Launched in 1992 and steered by the ADB, the GMS brings together the five countries of peninsular Southeast Asia (Myanmar, Vietnam, Thailand, Cambodia, and Lao PDR) through six areas of cooperation. In particular, the transport component of this initiative supports the creation of physical connectivity infrastructure such as roads and bridges, with the aim of stepping up the development of cross-border trade. In this respect, three major economic corridors were created well before the advent of China's Belt and Road Initiative (BRI): a North-South corridor, a Central corridor, and an East-West corridor. These corridors cross Lao PDR on both sides and have enabled road infrastructure development projects to be carried out. For example, one of the most visible infrastructure projects in the Central Corridor is the first Friendship Bridge between Lao PDR and Thailand, built in 1994 to link Vientiane to Nong Khai in Thailand, thanks to financing from the Australian government. For the Laotian government, “these major transport routes will finally open up the country - thanks to the re-establishment of infrastructure (roads, bridges, railways) which will eventually give it access to the sea.”

At the same time, Lao PDR is pursuing regional economic integration. Lao PDR is a member of the ASEAN Free Trade Area (AFTA), an initiative launched in 1992 by ASEAN with the aim of eliminating tariff barriers among the Southeast Asian countries, integrating the ASEAN economies into a single production base, and creating a regional market. However, of all these initiatives, the one with the greatest potential to open up Lao PDR is the China-Indochina Economic Corridor project of the Belt and Road Initiative (BRI). Xi Jinping's BRI project was launched in 2013 during a visit to Astana, the capital of Kazakhstan. Originally named the New Silk Roads, this project adopted the official terminology of “Belt and Road Initiative” in 2017 and aims to provide an economic link between China and Europe by financing and building a

chain of ports, pipelines, highways, high-speed rails, land bridges, industrial parks, and digital connectivity centres. This huge project has become central to Chinese international economic policy, involving no less than 68 countries and including more than four billion people.

Within the BRI, six economic corridors have been designed to link countries in different regions of the world like Europe, Central Asia or Southeast Asia. In particular, the China-Indochina Economic Corridor (CIPEC) aims to connect China to the six countries of the peninsula (Vietnam, Lao PDR, Cambodia, Thailand, Malaysia, and Singapore) through the development of a series of transport infrastructures in which Lao PDR plays a leading role. Indeed, one of the BRI's flagship projects and a CIPEC forerunner is the Kunming-Singapore Railway, also known as the Pan-Asia Railway.

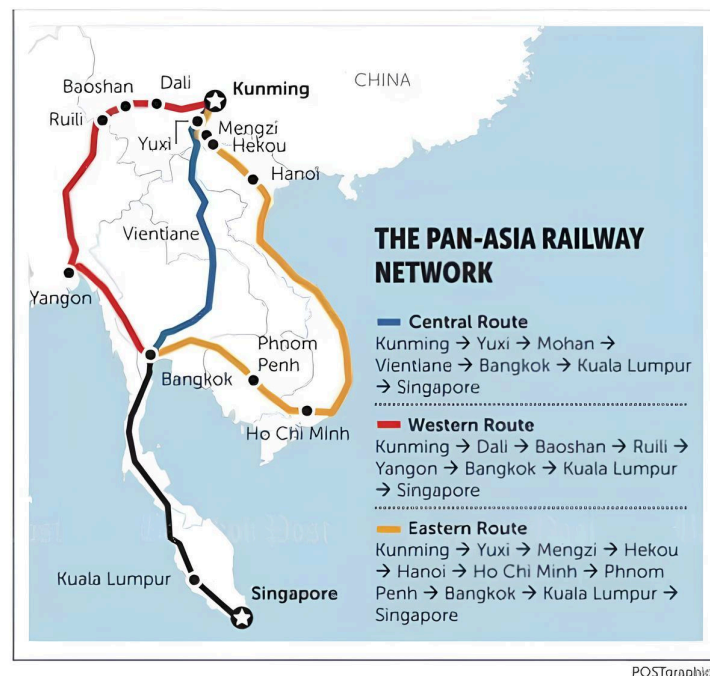


Figure 1 – Routes of the Pan-Asia high-speed railway project

Source: [POSTgraphics](#)

Divided into three routes, the aim of this project is to create a vast network of railways that will eventually link the Chinese city of Kunming with Singapore. For the moment, the Laotian section of the pan-Asian railway network appears to be the most ambitious and the most visible, due to the fact that the western and eastern sections have been delayed by geopolitical tensions and negotiation difficulties. Completed in December 2021, this section was initially limited to linking Vientiane to Boten, a town on the Chinese border. This railway line was the first China-funded Southeast Asian rail to be connected directly with China's high-speed rail system. A year and a half later, in April 2022, the international section of this railway line

opened, allowing goods to transit between Vientiane and the Chinese city of Kunming. However, the first passengers had to wait until April 2023 to make this 1035 km cross-border trip, which can now be completed in just 10 hours, compared with more than 30 hours by road previously. The Laotian section is intended to be extended and to pursue the pan-Asia railway network project under the aegis of the BRI. With the opening of the Vientiane-Bangkok railway line on 19 July 2024, despite lengthy negotiations and numerous delays, the pan-Asia railway project is becoming even more tangible, significantly strengthening the interconnectivity between Lao PDR and Thailand.

The Laos-China Railway, and more generally the pan-Asia railway network project, is described as a major initiative capable of transforming Lao PDR from a landlocked country to a landlinked country. One year after its inauguration, the Vientiane-Kunming international line handled more than 180,000 cross-border passenger journeys from 87 countries and regions, carrying around 3.1 million passengers. This railway line therefore plays a pivotal role in the mobility of people across borders, particularly for a country like Lao PDR whose economy depends in part on international and Chinese tourism. Indeed, the Laotian government has also declared 2024 as "the year of tourism in Lao PDR" and aims to attract over 2.7 million international tourists throughout the year, with a targeted revenue generation of 401 million USD. At the same time, in November 2023, the Beijing-Vientiane railway line was inaugurated. This new line passes through Chinese tourist sites before crossing the Laos-China railway line. In terms of rail freight, in the first quarter of 2024, the Laos-China Railway handled around 1.38 million tonnes of import and export goods, representing a year-on-year increase of 33.6%. Although the success of the railway will depend primarily on the country's ability to attract large numbers of goods and passengers, the early results appear encouraging. This railway line will also ultimately reduce transport costs and improve the competitiveness of Laotian trade. Indeed, 70% of the road network in northern Lao PDR is located in a mountainous area where the poor quality of the road infrastructure, coupled with speed limits and the risk of accidents, leads to higher freight costs and numerous delays. The Laos-China railway is therefore making a major contribution to reducing this problem and boosting the economic dynamism between the two countries.

The Laos-China Railway has the potential to raise Lao PDR national income by up to 21% over the long term. However, the construction of this infrastructure cannot reach its full potential without key supporting infrastructure and complementary policy reforms. A World Bank report identified a number of priority reform areas in which Lao PDR needs to improve its connectivity infrastructure including cargo handling equipment at railway stations and

sufficient road connectivity between stations and centres of production and consumption. The implementation of an efficient transit system for goods by streamlining customs operations, simplifying inter-border tourism, and reducing procedures for controlling population movements also appears to be primordial. The Lao PDR government has already taken a number of initiatives in this direction. With more and more Chinese tourists travelling to Lao PDR on the Laos–China Railway, the Laotian government has announced a 15 day visa-free policy for Chinese tourists from July 2024. At the same time, road infrastructure complementary to the Laos–China railway continues to be developed in Lao PDR.

The Lao government has approved the construction of the fourth section of the Laos–China expressway allowing it to connect Oudomxay Province to Boten at the Chinese border in Luang Namtha Province. The Laotian and Thai authorities are also planning to build a 160 km highway linking the Laotian province of Savannakhet, which borders Thailand, to the Vietnamese border at Lao Bao. Lao PDR is also strengthening its legal and institutional framework. The development of connectivity infrastructure is one of the priorities of the 9th five-year National Socio–Economic Development Plan (NSEDP) of Lao PDR for the period 2021-2025. This plan emphasises the need to develop infrastructures that connect the regional and domestic economic corridors and the Laos–China Railway with production areas and service industries, develop modernised transport systems, improve the safety and climate resilience of roads, and finally support the implementation of cross-border agreements. If all these projects are completed, Lao PDR could become both a hub and an interconnector for the regional actors.

Navigating Between Debt Distress and Chinese Engagement

The major challenge facing Lao PDR in its effort to become a logistics hub is to successfully combine the economic benefits of such connectivity infrastructure with a balanced management of its public debt. Indeed, the development of such projects has been a capital-intensive endeavour, with Lao PDR consequently amassing significant amounts of national debt, most of which owed to China. The Laos–China Railway cost a total of 6 billion USD, financed 30% by Lao PDR and 70% by China, mainly in the form of loans from the Export–Import Bank of China and equity from several Chinese state-owned firms and the Laotian government. This project therefore raises doubts about the Laotian government's financial capacity to repay its debt. An International Monetary Fund (IMF) report explains that Lao PDR's total public debt is estimated to be 92.4% of GDP as of the end of 2021. The report

also points out that almost all of this debt is external, highlighting the fact that it relies mainly on bilateral loans in which China is the largest creditor, accounting for 37% of total public debt. Lao PDR's dependence on bilateral loans has therefore worsened in recent years, placing the country in a situation of debt distress, whereas in 2019 this possibility was only high.

It is also not certain that the economic impact of the Laos–China Railway will cover the loans made by Lao PDR and enable it to repay its debt, at least in the short term. Indeed, the Laos–China Railway is said to have created more than 110,000 jobs since its inception. However, there has been much criticism of the fact that this project heavily relied on the Chinese workforce and created few employment opportunities for the local population. For example, by December 2018, while a total of 17,115 workers were employed for the construction of the railway tracks, tunnels and other necessities, only 4,032 Lao workers were employed by the project. Lao PDR is also struggling to develop a skilled workforce capable of actively engaging in railway operations, with the first graduating class of Lao Nationals Certified train drivers only having graduated on 5 August 2024. The implementation of the Laos–China Railway could also increase the economic pressure on domestic industries by opening up the domestic market to Chinese imports, leading de facto to tougher and more intense competition.

Beyond the purely financial aspect, the construction of this railway line has also significant social and environmental consequences. For several years, the local populations living near the Laos–China Railway have been subjected to numerous nuisances, such as the noise of explosions caused by the construction of tunnels and heavy environmental pollution. In total, in the four provinces crossed by the 414 km of the railway line on Lao territory, almost 4,411 families have been affected, 3,832 hectares expropriated and 3,346 buildings destroyed. Although people who have been displaced or have lost land are legally entitled to compensation, as of December 2022 more than 1,000 families had still not received any compensation from the Laotian government. The slowness of the compensation process can be explained by the fact that the Laotian government lacks the necessary funds to compensate the remaining families, an amount of around 300 million USD. Because of this, Lao PDR found itself obliged to contract a loan of 160 million USD from the Chinese government, thereby reinforcing its financial dependence on the latter.

The more Lao PDR is indebted to China, the greater Beijing's involvement in the development of the country's connectivity infrastructure networks will become. Indeed, for China, Lao PDR is seen as a strategic hub providing access to the Southeast Asian trade market and

strengthening its road and rail interconnections in the region. Lao PDR therefore needs to avoid falling into the debt trap, a relatively new policy concept involving intentionally excessively lending money to low-income indebted states that cannot repay later. Despite the fact that the Lao PDR President has declared that the Laos–China Railway “will contribute meaningfully to our efforts in transforming our (Lao PDR) country from landlocked to land-linked”, the Laotian government is struggling to repay its debt to China. In September 2020, the private Chinese firm China Southern Power Grid Company acquired a majority share in Électricité du Lao PDR Transmission Company Limited, responsible for the nation’s domestic electricity grid. Several months later, in March 2021, the Lao PDR and a majority Chinese-owned company signed a 25-year concession agreement, allowing the company to build and manage its power grid. This agreement allows a Chinese company to control how electricity is supplied to Lao PDR and who buys it. When it comes to letting Chinese companies privatise companies that are vital to the country, Lao PDR's rich natural resources are also used as a guarantee for repaying Chinese loans. For example, faced with the impossibility of repaying a debt of 80 million USD to China for the construction of a stadium for the 25th Southeast Asian Games, the government agreed to cede 300 hectares of national territory to the Chinese company responsible for its construction.

The Laos–China Railway thus appears to be a landmark for Lao PDR, with the potential to open up the country and achieve its goal of becoming a regional logistics hub. However, beyond the positive economic impact it seems to bring to the country, the establishment of this railway line has come at the price of greater Chinese strategic influence in the country and a growing involvement in its development of transport connectivity infrastructures.

What Role Can the EU Play?

Against this background, the European Union (EU) intends to play a greater role in Lao PDR's transition to a regional logistics hub. The EU's interest in developing connectivity in Asia is not new and is part of its Global Strategy for the European Union's Foreign And Security Policy defined by the European External Action Service in 2016. In this context, on 19 September 2018, the EU published its joint communication “Connecting Europe and Asia - Building blocks for an EU Strategy”, which includes policy proposals and initiatives to improve the connectivity between Europe and Asia, with three watchwords guiding the European strategy: sustainable, comprehensive and international rules-based connectivity. This was the first combined effort by the European institutions to engage in closer cooperation with the countries of the Asian

continent in the field of connectivity, including interoperable transport, energy and digital networks. In terms of land transport, the EU has recognised for example that efforts to develop rail transport are necessary, as well as the development of road safety and the use of roads as a complementary transport network to other means of transport, which also concerns Lao PDR. In addition, the joint document stresses the importance of cooperation at the regional level, in particular with ASEAN, with which the EU has played a technical support role in the Master Plan on ASEAN Connectivity 2025.

When Federica Mogherini, the European Union's High Representative for Foreign Affairs and Security Policy at the time, presented the strategy to the press, she assured that "there is no link with the calendar nor with the timeline of others" and mentioned that both Europe and China share "strategic relevance". Nevertheless, analysts all identified the strategy as the EU's response to China's Belt and Road Initiative, particularly since the EU's strategy has since been extended into a more global and ambitious vision in the shape of the Global Gateway project. Launched in December 2021 by the European Commission, the Global Gateway is a massive 300 billion EUR investment plan designed to contribute to local development in developing partner countries. Divided into 5 areas of cooperation (digital, climate and energy, transport, health, education and research), the Global Gateway aims to accelerate the digital, energy and ecological transitions in partner countries by mobilising both the public and private sectors. By presenting the Global Gateway as an opportunity to establish links rather than create dependencies, and by insisting on how democratic values provide certainty and transparency for investors, the EU is endeavouring to create a different narrative to that of the Chinese BRI. The aim of proposing an alternative to development throughout the world is persistent, in that the Global Gateway is aligned with the Build Back Better World initiative, a project to finance infrastructure across the globe launched at the G7 in June 2021.

It is also important to note that Global Gateway investments are mainly concentrated on the African continent, with the Africa–Europe Investment Package accounting for around 150 billion EUR of the initial 300 billion EUR, as well as in the EU's neighbourhood, in particular in the Western Balkans, the southern neighbourhood and Central Asia. The budget for the Asia–Pacific and Latin America–Caribbean regions is around 45 billion EUR. In comparison, the World Bank estimates total BRI investment at 575 billion USD (520 billion EUR), of which 144 billion USD (131 billion EUR) is devoted to transport infrastructure projects. More than half of this funding is earmarked for the South Asia and East Asia–Pacific regions. Therefore, from a purely economic point of view, considering the Global Gateway as a tool capable of challenging China's leadership in Southeast Asia is not very relevant. The best way of linking the Global

Gateway and the BRI is to be complementary and seek mutually beneficial interests, as could be the case in Lao PDR.

Cooperation between the EU and Lao PDR is framed by the European Joint Programming for Lao's People Democratic Republic 2021-2025. Based on the 9th National Socio-Economic Development Plan (NSEDP) of the Lao PDR and with the support of European partners in the country (EU, Finland, France, Germany, Hungary, Ireland, Luxembourg and Switzerland), this cooperation programme defines three priorities: Green and Inclusive Economy, Human Capital, and Good Governance. With a funding budget of 550 million EUR, the programme focuses on areas such as sustainable agriculture, rural development, education, health, human rights, civic engagement and the rule of law. However, the development of transport infrastructure as such does not appear to be a priority area for cooperation. Under the Global Gateway mandate, only one project aimed at developing transport connectivity is underway in the Lao PDR, namely the rehabilitation of National Road 2, where work began in 2024. This national road is a main transport corridor that connects Lao PDR with Vietnam and Thailand but the lack of climate resilience is a key limiting factor for this road to fulfil its potential as a regional logistic corridor. The main backers of the project are the European Investment Bank and the World Bank, with the EU providing only 8.4 million EUR out of a total cost of 150 million EUR.

This infrastructure rehabilitation project is interesting from an economic point of view, as it is necessary to strengthen the country's transport connectivity, but it falls far short of the potential for opening up the country that could be achieved by the Laos-China Railway. This project also demonstrates that the development of transport infrastructure is not the investment priority of the Global Gateway in Lao PDR, with the EU instead pursuing other development objectives such as green growth and the rule of law. The search for complementarity between the Global Gateway and the BRI therefore seems relevant, as despite pursuing different objectives, these two investment programmes have a mutually beneficial goal: to open up the Lao PDR as well as its economic and social development. In 2023, the EU ranked as Laos's fourth-biggest trade partner, while the total trade amounted to around 550 million EUR. In the same year, bilateral trade between Lao PDR and China was estimated at 7.09 billion USD, with China expected to become Laos' largest trading partner. An opened-up Lao PDR, with sustainable, resilient and modern connectivity infrastructures, better integrated into the Southeast Asian regional market, would certainly result in increased trade with both China and the EU, regardless of the origin of these infrastructures. The search for synergies between the Global Gateway and BRI projects would therefore appear to be mutually beneficial for the EU and China.

The search for complementarities and mutually beneficial projects is already a reality within multilateral institutions such as the Asian Infrastructure Investment Bank (AIIB), where China and the EU work together indirectly to finance connectivity and other development projects. Indeed, Multilateral Development Banks (MDBs) such as the AIIB provide a platform for both players to engage in institutional dialogue and strengthen their strategic relationship. The Beijing-headquartered AIIB, beyond helping to finance connectivity projects such as the renovation of National Highway 13 mentioned above, also provides an opportunity for European stakeholders to engage more proactively in Southeast Asia. With a total of 19 EU Member States also being members of the AIIB and holding nearly a fifth of AIIB shares, they have a significant say in aligning the AIIB's activities more closely with the EU's development criteria and the Global Gateway agenda such as climate action. Although the AIIB's statutes do not allow a non-state actor such as the EU to become a member of the organisation, closer coordination between EU member states and the AIIB would give more weight to the EU's voice and better shape the standards and norms guiding AIIB-funded projects. China also has an interest in actively contributing to the process and engaging in dialogue with other AIIB member countries, particularly on the European side. Financing connectivity projects through a series of multilateral negotiations and an internationally recognised institutional framework could improve the narrative of China's engagement and reduce its reliance on bilateral agreements, which are sometimes the source of criticism, as in the case of the debt trap. Seizing the AIIB as an interface for informal dialogue between the EU and China could enhance the complementarity of transport infrastructure development projects in Lao PDR and other countries in the region.

Engaging with international actors such as European countries through multilateral frameworks gives Laos an opportunity to engage with a wider range of international partners and to balance Chinese strategic influence in the country. Indeed, Article 13 of the AIIB's statutes indicates that the bank is guided by the principle of sound banking principles in its operations, that it takes into account the social and environmental impact of its projects and ensures the repayment capacity of the beneficiary of a loan. Financing Lao PDR's connectivity infrastructure through the multilateral platforms offered by the AIIB or other MDBs rather than through bilateral agreements would contribute to reducing the financial risks for the country and provide environmental and social guarantees.

Overall, the Laos–China railway is a landmark, making a concrete contribution to regional integration in Laos, opening up the country and generating major economic gains in the long term. The Global Gateway, although less ambitious and pursuing a different development

agenda, has synergies with the BRI and enables the financing of complementary projects promoting connectivity in Lao PDR. Nevertheless, the completion of these major infrastructures is not in itself sufficient to transform Laos from a landlocked country to a land-linked one, as the country still faces serious challenges in terms of poverty, economic and social development, dependence on natural resources and debt management. Laos is thus at a turning point in its efforts to open up the country. Implementing a solid institutional architecture and a series of complementary reforms accompanying these major connectivity projects are necessary in order to fully exploit the potential of these infrastructures and reap the vital economic benefits that will be used to repay the national debt. However, the next challenges facing Laos will concern its capacity to maintain an independent foreign policy, to diversify its economic partners and to adopt pragmatic debt management, aspects in which the EU can play a key role.



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