



U.S.-Laos Relations: Opportunities in Development Cooperation

19 September 2021-19 March 2022

CSIS Final Report, March 1st, 2022

I. Description of Activities

The Project on Prosperity and Development (PPD) at the Center for Strategic and International Studies (CSIS) partnered with the USAID Mission in Laos to analyze the future of U.S.-Laos economic and development relations and examine the digital, economic, health, and development dimensions of a post-Covid recovery in Laos.

Throughout the course 6 months (September 2021-March 2022), CSIS convened a working group of 50 experts and stakeholders to discuss the biggest priorities, sectors, and opportunities in U.S.-Laos relations, in recognition of the 5-year anniversary of the U.S.-Laos Comprehensive Partnership. CSIS held four roundtables and published four policy briefs related to the economic development of Laos and the role that USAID and development partners can play to support the country's development journey. CSIS also held a final public event to discuss findings of the project and elevate the topic in the D.C. policy community.

Throughout the course of the project, CSIS engaged in social media and also created a webpage to house all the deliverables and amplify the work.

II. Accomplishments and Results

Roundtables

- **Roundtable #1: Opportunities in Development Cooperation** (*Monday, October 18, 2021*)

The first roundtable served as a scoping session to determine the most important topics in the U.S. – Laos economic and development relationship that were addressed in the subsequent three roundtables.

- *Guiding Questions:*
 - What does a positive, forward-looking agenda look like for the U.S.-Laos relationship?
 - What are the new digital and economic opportunities for Laos? How can Laos capitalize and grow its emerging sectors?
- *Speakers:*



- Michael Ronning, USAID
- Murray Hiebert, CSIS
- Ramesh Subramianiam, ADB

• **Roundtable #2: Post Covid-19 Recovery Efforts** (*Monday, November 15, 2021*)

In this second roundtable we discussed how USAID and other donors can support the Laos government in its post Covid-19 recovery efforts.

- *Guiding Questions:*
 - What is the Lao government strategy and plan for recovery?
 - What are some immediate actions that USAID and the USG should prioritize to accompany the government of Laos in its Post Covid-19 recovery efforts?
 - How can USAID work with other donors to maximize its development impact?
- *Speakers:*
 - Ye Xu, ADB
 - Aimee Rose, Social Impact

• **Roundtable #3: Improving Transparency, the Business Environment and Human Capital: The Role of Digitalization** (*Monday, December 13, 2021*)

In this third roundtable we discussed how USAID and other donors can support the business enabling environment, in particular as it relates to digitalization in Laos.

- *Guiding Questions:*
 - What are the main barriers in the Lao business enabling environment?
 - How can digitalization enable the business environment and be a driver of investment and development in Laos?
 - What role can USAID and allied donors play in digital infrastructure and its accompanying regulatory and policy reforms?
- *Speakers:*
 - Rupert Haw, Riverstone Consulting
 - Ketmany Vilayvong, UNDP
 - Paul Martin, UNCDF
 - Oudet Souvannavong, Societe Commerciale Lao Ltd

• **Roundtable #4: Strategic Sectors, Renewable Energy, Higher-Value Agriculture, and SME Development** (*Monday, January 24, 2022*)



In the fourth and final roundtable we discussed Laos' adoption of renewable energy, how to increase agricultural productivity and promote small and medium enterprises (SMEs), together with the role that USAID and other development partners can play in supporting these sectors.

- *Guiding Questions:*
 - What are USAID's comparative advantages in these three sectors?
 - In your opinion, in the next 5 years, what should donors prioritize in each of these sectors?
- *Speakers:*
 - Brian Eyler, Stimson Center
 - Sophie Walker, ACDI/VOCA
 - Todd Wassel, Asia Foundation

Website

CSIS created a webpage to house events and deliverables:

<https://www.csis.org/programs/project-prosperity-and-development/projects/us-soft-power-tools/opportunities-development>

Final Event

CSIS organized a [final public event](#) (on February 22, 2022 at 8pm EST / February 23 at 8am Vientiane time) to raise the profile of the U.S.-Laos relationship and present the main findings and recommendations of the project. CSIS hosted Ambassador Peter Haymond, U.S. Ambassador to Laos, for an armchair discussion on the future of U.S.-Laos relations. Following the discussion, CSIS hosted a panel of experts to examine challenges and opportunities for development cooperation in Laos. As of February 28, the event video was viewed and downloaded over 1,300 times. As CSIS promotes the event video, the number of views will continue to rise.

Featured speakers:

- [Ambassador Peter M. Haymond](#), U.S. Ambassador to Laos
- [Michael Ronning](#), USAID Country Representative to Laos
- [Sonomi Tanaka](#), Asian Development Bank, Country Director, Lao Resident Mission
- [Todd Wassel](#), Asia Foundation, Country Representative, Laos
- [Courtney Weatherby](#), Stimson Center, Research Analyst and Deputy Director Energy, Water, and Sustainability, Southeast Asia
- Moderator: [Daniel F. Runde](#), Senior Vice President and Director of the Project on Prosperity and Development, CSIS



III. Main Takeaways of the Project

Brief #1: [Opportunities for U.S. Development Cooperation in Laos](#) (December 6, 2021)

- The United States has the best opportunity in decades to reset economic relations with Laos. Although the countries share a complicated history, renewed relations in the past decade—particularly the comprehensive partnership agreement under President Obama—offer numerous areas of cooperation to advance sustainable, meaningful development in the region. These include economic sectors where the United States (and USAID in particular) have a comparative advantage, as well as cross-cutting themes such as strengthening the business climate and overall governance performance. The Lao government’s goal of graduating from LDC status, together with the Covid-19 pandemic, may create new opportunities to strengthen that relationship.
- The United States can establish an economic partnership that responds to the priorities of the current Lao government and aligns with U.S. foreign policy goals in the region.
- The United States has operated a very active embassy in Vientiane since 1992, with USAID playing an important role in building stronger ties with the country by promoting sustainable development through economic, governance, and health programs.
- USAID’s budget for Laos grew from \$6 million in 2016 to over \$30 million in 2020, plus additional funding to address the impacts of Covid-19. Programming has focused on health, education, social services, governance, and economic development. USAID projects its budget for FY2021 and FY2022 will be over \$30 million annually.
- As Laos embarks on the next stage of its Covid-19 response, USAID can accompany these efforts by focusing on policy priorities and revitalizing certain sectors to drive the next phase of the U.S.-Lao relationship. On this journey, USAID should not only work with government, civil society, and other development partners but also capitalize on U.S. entrepreneurship and technological innovation.
- There are several areas that are ripe for greater cooperation between the two countries. In the coming 12 months, the United States can help the Lao government with its vaccination campaign. This not only includes Covid-19 vaccines but also inoculations for other diseases that have been neglected due to the pandemic, such as measles and tuberculosis. It also entails continuing USAID’s investments in buttressing health systems, improving nutrition, and expanding access to diarrhea treatment, Vitamin A supplements, and deworming treatments for [children](#) under five.
- The post-Covid-19 economic recovery also offers an opportunity to invest in sectors that can modernize the economy and generate quality employment. This is important because Laos remains a very young country: [59 percent](#) of the population is under 25.
- To take advantage of this demographic dividend, more emphasis should be given to improving education outcomes and widening economic opportunities. Sectors such as digital connectivity, transportation, local small- and medium-sized enterprises (SMEs), renewable energy, as well as more sophisticated agricultural production can become



strong conduits for employment and for diversifying the Lao economy. This is a second area where USAID has a comparative advantage and could collaborate with the Lao government, external donors, and the U.S. business community.

- The U.S.-Lao relationship could also help counter China’s significant presence in the region. China’s extractive initiatives in Laos benefit primarily China and have either had a neutral or detrimental impact on the majority of the Lao population. This provides opportunities for the United States to promote a more sustainable and inclusive development path.
- In building the U.S.-Lao relationship and fostering greater trust, Washington will have to engage with allies working in the country, including Japan and Australia, as well as tap into the Asian Development Bank’s deep knowledge and presence in the region.
- Engaging with neighboring Thailand, Vietnam, and Cambodia will also be important, not only because of their trade with Laos but also because they have cultural affinities and expertise in sectors the country hopes to develop. In this regard, regional connectivity projects—both in transportation and information technology—can deliver more economic integration and connect the country to global markets.

Brief #2: [Post Covid-19 Economic and Health Recovery in Laos](#) (January 19, 2022)

- U.S. led vaccine diplomacy can serve as basis for bilateral engagement with Laos and lead the way to investing in long term resilience in its healthcare system. While USAID continues its support, the Lao government needs to plan for long term vaccine costs while improving its health system capacity and efficiency.
- Assisting Laos in its vaccination campaign and supporting health systems will strengthen U.S.-Lao relationships while investing increasing health system efficiency and capacity.
- Post Covid-19 economic recovery offers opportunity to invest in sectors that can modernize the economy and generate quality employment, especially for vulnerable populations like women and the informal workforce. Economic recovery in Laos will require easing government regulations on businesses, building resilience, and assisting MSME in digitization.
- Creating more credit facilities, offering safe lending to non-traditional businesses and debt-relief mechanisms for MSME’s, which are critical parts of Lao economy. This will help with economic recovery and sustainability building in Laos.
- MSMEs remain largely “offline”, but the pandemic created an opportunity and need for the government, individuals, and firms to digitize. Employing USAID’s digital strategy in Laos can alleviate the financial and logistical challenges of digitizing businesses and making them adaptive to an emerging digital economy.



Brief #3: Digitalizing Laos: Improving Government Transparency, Business Environment, and Human Capital (February 16, 2022)

- Moving toward a digital economy can help Laos address some of its bureaucratic inefficiencies that impede economic and business growth while introducing services like online banking, e-government, and e-commerce to the private sector to expand their business. Digitalization can create systems that link payments and make taxes more efficient, while creating wider account accessibility for businesses and consumers.
- USAID's Digital Strategy is a template to bridge the digital divide between rural and urban lines by expanding access to information, communication, and e-commerce activities to more of the population.
- It is critical to harmonize Laos's government platforms into a single platform with clear information for businesses and people, since the current system is plagued by an inconsistent application of laws and regulations. USAID and development partners should assist the Lao government in creating unified standards and regulations across all provinces.
- USAID and development partners should assist the Lao government by harmonizing digital platforms between its 16 ministries for greater government information sharing capacity and transparency.
- The Lao government and development partners should also ensure digital skills are a part of core education curriculums, to enable a future workforce with digital literacy skills and competitiveness.
- There are potential risks to digitalization, such as privacy and cybersecurity breaches and the rise of digital authoritarianism. USAID can help design relevant consumer-protection laws so consumers feel confident that their data is managed in ways that protect their rights and privacy.

Brief #4: Strategic Sectors (March 9, 2022)

- Renewable energy, high value agriculture, and small and medium enterprises (SMEs) are three sectors of strategic importance for USAID-Laos development cooperation but face challenges in scaling, productivity, and skilling.
- The agriculture sector needs to invest in irrigation systems, diversify supply chains, and find new markets to improve its productivity and the rural economy. USAID can bring access to external donors and the U.S. business community.
- USAID can help diversify Laos' renewable energy technologies by investing in floating FPV, flex grids, and wind farms to provide sustainable growth for rural communities and eventually outsource excess power to neighboring states.
- USAID can assist SMEs and the agricultural sector in gaining access to capital, loans, and business skills. Access to these resources will enhance the capacity of SMEs to expand and compete in regional markets.



- An area of opportunity for expanded development is the ecotourism industry, which can yield significant sustainable and inclusive growth for SMEs and historic sites.

IV. Comments and Recommendations

Laos is a small country of 7 million people with a modest economy that is strongly linked to China. Given its small size, its communist regime and complicated history with the United States, the topic of Laos’ development does not figure prominently in world affairs discussions nor in Washington DC policy circles. More often, the conversation about Laos, specifically on U.S.-Laos relations is dominated by topics such as the removal of UXO and the economy’s heavily dependence on hydropower production.

Although these are important topics, the country is facing a slew of development challenges (besides Covid-19) where the United States can assist as an important donor and development partner. In this spirit, the CSIS project was instrumental in steering the current conversation on U.S.- Laos development cooperation towards a more forward looking and constructive agenda.

This positive agenda includes topics at the intersection of United States’ comparative advantage and the Government of Laos strategic interests. Topics included Post Covid-19 economic and health recovery, the business enabling environment, digitalization, and strategic sectors in Laos (SMEs, agriculture, and renewable energy).

CSIS formed a working group of over 50 experts on Laos that met once a month for a high-level roundtable discussion (October 2021, November 2021, December 2021, and January 2022). Given the Covid-19 pandemic, this multidisciplinary group met virtually via Zoom. This was a positive experience since we were able to gather experts both from the region and residing in the United States.

We would recommend that the group continue to meet in the future, perhaps once a quarter, to retain the momentum on ways to foster development relations with Laos.

We could explore other topics of interests in the U.S. – Laos relationship such as digital skills and the future of work, infrastructure development and trade.

Concurrently, CSIS published a series of policy briefs to further examine the topics covered in the roundtables. In these briefs, there was a focus on providing pragmatic recommendations for USAID to work with the Lao government and development partners. The published briefs received the following pageviews and downloads:

1. [*Opportunities for U.S. Development Cooperation in Laos*](#): 1,197 unique pageviews & 161 downloads



2. [*Post-Covid-19 Economic and Health Recovery in Laos*](#): 796 unique pageviews & 27 downloads
3. [*Digitalizing Laos: Improving Government Transparency, the Business Environment, and Human Capital*](#): 364 unique pageviews & 134 downloads
4. The fourth brief will be published on Wednesday, March 9.

The biggest obstacle that we encountered in this project was the tight timeline of holding four roundtables, an event and publishing four briefs in five months (October-February), given that the process for producing a policy brief takes between 6 to 8 weeks. Despite this challenge, CSIS published high-quality briefs that revisited the conversations that were started several weeks prior.