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**THE IMPACT OF MULTINATIONAL
TRANSBOUNDARY INFRASTRUCTURES
(MTIs) ON THE RELATIONAL POWER OF
SMALL STATES: A CASE STUDY OF
LAOS**

G GIOVANNINI

PhD

2017

**THE IMPACT OF MULTINATIONAL
TRANSBOUNDARY
INFRASTRUCTURES (MTIs) ON THE
RELATIONAL POWER OF SMALL
STATES: A CASE STUDY OF LAOS**

GABRIELE GIOVANNINI

A thesis submitted in partial fulfilment of
the requirement for the award of the degree
of Doctor of Philosophy of the University
of Northumbria at Newcastle

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Design and Social Sciences

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ABSTRACT

The International Relations (IR) literature has been dominated by studies on great powers, often neglecting the role of small states. Moreover, the accounts on small states have generally overlooked the role of geography. This thesis proposes an analytical framework to observe the role of geography by observing the impact of Multinational Transboundary Infrastructures (MTIs) on the relational power of small states. The framework is then applied to the case study of Laos observing the impact of two selected MTIs – the Xayaburi dam and the Boten-Vientiane high-speed railway – on Laos’s relational power with respect to Vietnam and China.

Data has been collected through a set of 48 semi-structured qualitative elite interviews mainly carried out during a period of fieldwork in Laos in 2015. The data generated by the interviews, triangulated with other primary and secondary sources, enabled a process tracing analysis of the two negotiation processes on the selected MTIs.

The findings show that the two observed MTIs positively affected the relational power of Laos despite the asymmetry that shapes its bilateral relationships with both Vietnam and China in terms of capabilities. The case study therefore indicates that a central geographic position could reduce asymmetries of power and that relational power manifest a greater explanatory capacity than power-as-capabilities.

This thesis contributes to knowledge adding empirical material on the diplomatic negotiation on the Xayaburi dam; on the Boten–Vientiane high-speed railway; on Laos’s international relations with Vietnam and China; and on China’s High-Speed Railway Diplomacy. The thesis contributes also to the theoretical literature by identifying a geographic gap in small states studies. Analytically, the thesis contributes developing the concept of MTIs and an original analytical framework to study relational power. Finally, methodologically the thesis provides new insights on how to gain access to elites in Laos.

TABLE OF CONTENTS

TITLE	1
ABSTRACT	2
TABLE OF CONTENTS	3
LIST OF TABLES	7
LIST OF FIGURES	8
LIST OF ABBREVIATIONS	9
ACKNOWLEDGMENTS	11
DECLARATION	13
CHAPTER I	14
INTRODUCTION: THE RESEARCH BACKGROUND, APPROACH AND STRUCTURE	14
1.1 The research background, rationale and goals	14
1.1.1 Why Laos?.....	14
1.1.2 Why look at Laos through the lens of small states and relational power?.....	17
1.1.3 Why a multinational and transboundary variable (MTIs) to observe Laos’s relational power?	20
1.2 Selection of cases, methodology and approach.....	28
1.2.1 Selection of cases.....	28
1.2.2 Methodology and approach.....	30
1.3 The structure of the thesis	33
CHAPTER II	37
SMALL STATES IN THE INTERNATIONAL RELATIONS LITERATURE AND THE GEOGRAPHIC GAP	37
2.1 Introduction: A discipline of power in a world of states	37
2.2 How to measure power for hierarchising states? Power-as-capabilities versus relational power	39
2.3 What is a small state? The struggle for a definition	43
2.3.1 Qualitative and quantitative factors	43
2.3.2. Small or weak?.....	45
2.4 What level of analysis for small states?	48
2.4.1 The overlooked role of geography	50
2.4.2 The role of spaces in Classical Geopolitics, Critical Geopolitics and International Relations.....	51
2.4.3 The paradoxical geographic gap in the International Relations literature on small states.....	54

2.5 Conclusion.....	58
CHAPTER III	60
DEVELOPING AN ANALYTICAL FRAMEWORK TO INVESTIGATE THE IMPACT OF MULTINATIONAL TRANSBOUNDARY INFRASTRUCTURES (MTIs) ON THE RELATIONAL POWER OF SMALL STATES	60
3.1 Introduction	60
3.2 The independent variable: multinational transboundary infrastructures (MTIs) ..	62
3.2.1 Defining MTIs	62
3.2.2 Why are MTIs relevant?	65
3.2.3 Strategic, political and economic implications of MTIs	69
3.3 The dependent variable: relational power	72
3.3.1 The rationale behind the framework	72
3.3.2 Making the analytical framework operational	74
3.3.3 What is the expected impact of MTIs on power?.....	79
3.4 Conclusion	80
CHAPTER IV.....	83
METHODOLOGY.....	83
4.1 Introduction	83
4.2 Applying process tracing and qualitative elite interviews to the case study	85
4.3 Data collection and analysis	89
4.4 The semi-structured qualitative elite interviews: strategies, results and assessment	92
4.4.1 Snowball sampling	93
4.4.2 Guiding questions	93
4.4.3 List of informants and analysis of the sample	95
4.4.4 Strengths and challenges	101
4.4.4.1. Getting access	103
4.4.4.2 Power and cultural divides	105
4.5 Conclusion.....	107
CHAPTER V	108
THE IMPACT OF THE XAYABURI DAM MTI ON THE RELATIONAL POWER OF LAOS VERSUS VIETNAM.....	108
5.1 Introduction	108
5.2 The policy context: the Mekong River as a key development resource for Laos’s “battery of Southeast Asia” policy.....	112

5.3 Reconstruction of the negotiations on the Xayaburi dam MTI	119
5.3.1 The first phase: the multilateral negotiations within the Mekong River Commission	120
5.3.2 The second phase: negotiating at the government level	123
5.3.3 Laos begins the project	125
5.3.4 Laos pursues its interests despite Vietnam’s divergent preferences	127
5.4 Analysis of the negotiations	133
5.4.1 What prevented a stronger reaction from Vietnam?	133
5.4.2 The role of the geopolitical context	137
5.4.2.1 Thailand’s direct support for Laos	142
5.4.2.2 China’s economic-strategic goals	145
5.4.2.3 The overlooked role of the United States.....	147
5.5 Discussion of the findings	153
5.5.1 The MTIs–relational power analytical framework applied to the Xayaburi dam case	153
5.5.1.1 Assessment of preferences	154
5.5.1.2 Conditions of power.....	155
5.5.1.3. Forms of power.....	156
5.5.1.4 Outcome	158
5.5.2 Theoretical discussion of the findings	159
5.6 Conclusion.....	164
CHAPTER VI.....	166
THE IMPACT OF THE BOTEN–VIENTIANE HIGH-SPEED RAILWAY MTI ON THE RELATIONAL POWER OF LAOS VERSUS CHINA.....	166
6.1 Introduction	166
6.2 The policy context: China’s and Laos’s connectivity agendas	169
6.2.1 One Belt, One Road: China’s multi-billion connectivity initiative	169
6.2.2 China’s high-speed railway diplomacy: OBOR’s overlooked facet.....	175
6.2.3 The impact of OBOR and HSRD on China–Southeast Asia railway connectivity: from the Singapore-Kunming Rail Link (SKRL) to the Pan-Asian railway	179
6.2.4 Moving from landlocked to land-linked: Laos’s own connectivity agenda .	185
6.3 Reconstruction of the negotiations on the Boten–Vientiane high-speed railway MTI.....	193
6.3.1 2009–2012: The failure of the first joint venture MoU signed in April 2010	195

6.3.2 2012–2013: Laos refuses unsustainable conditions	196
6.3.3 2013–2015: stalemate followed by steps towards a new deal structure	199
6.4 Analysis of the negotiations	208
6.4.1 Crossing the border with Laos: the first test for China’s high-speed railway diplomacy	209
6.4.2 Laos faces a dilemma	211
6.4.3 The three main misalignments between Laos’s and China’s positions	218
6.4.3.1 Size of the investment and financial burden	218
6.4.3.2 China’s controversial land concession request	220
6.4.3.3 The labour obstacle	223
6.4.4 Laos’s resistance against the Chinese giant	226
6.5 The role of the geopolitical context.....	229
6.6 Discussion of the findings	231
6.6.1 The MTIs–relational power analytical framework applied to the Boten– Vientiane high-speed railway project	231
6.6.1.1 Assessment of preferences	231
6.6.1.2 Conditions of power.....	233
6.6.1.3 Forms of power.....	234
6.6.1.4 Outcome	235
6.6.2 Theoretical discussion of the findings	236
6.7 Conclusion.....	238
CHAPTER VII	241
CONCLUSIONS	241
7.1 Introduction.....	241
7.2 Review of chapters.....	242
7.3 Core empirical findings	247
7.4 Theoretical findings	250
7.5 Contributions to knowledge.....	254
7.6 Further research	257
7.7 Conclusion	260
LIST OF REFERENCES	264

LIST OF TABLES

Table 4.1 - List of interviews	96
Table 6.1 – The alternative routes for the Singapore-Kunming Railway	181
Table 6.2 - Laos's and China's incentives and Supporting Policies for the Boten-Vientiane HSR	206

LIST OF FIGURES

Figure 1.1 – Laos: the hearth of the Mekong Region	16
Figure 1.2 - Foreign Direct Investment (FDI) to Laos 1989-2014 (by country, %)	24
Figure 5.1 - Xayaburi: the first mainstream dam in the Lower Mekong	110
Figure 5.2 - The whole Mekong Basin	115
Figure 5.3 - Laos’s electricity market (MW, 1994–2011)	118
Figure 5.4 - Mainstream hydropower projects planned in the Lower Mekong in Laos and Cambodia	119
Figure 5.5 - Laos’s deputy prime minister Somsavat Lengsavad cuts the ribbon for the Xayaburi dam	126
Figure 5.6 - GMS Power Project Sales to EGAT	145
Figure 6.1 - The One Belt, One Road (OBOR) Initiative	172
Figure 6.2 Belt & Road Investments by Industry	176
Figure 6.3 - The SKRL does not cross Laos	181
Figure 6.4 - The Pan-Asia Railway Network and the Central Route through Laos	183
Figure 6.5 - Laos: the least connected country in Southeast Asia	188
Figure 6.6 - Southeast Asia needs €500 billion for infrastructure by 2020	189
Figure 6.7 - Laos’s logistic decline (2017–2016)	190
Figure 6.8 - Laos’s infrastructural decline (2007–2016)	190
Figure 6.9 - The Kunming–Bangkok Railway – ‘under construction’ in 2011 and 2014?	194
Figure 6.10 - Lao and Chinese leaders launch the Boten-Vientiane High-Speed Railway	203
Figure 6.11 - “Strategy is the wide path, fortune is the wide future”	212
Figure 6.12 - The transformative potential of the Boten-Vientiane Railway	213

LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
CEO	Chief Executive Officer
CNP	Comprehensive National Power
CPC	Communist Party of China
EGAT	Electricity Generating Authority of Thailand
EIU	Economist Intelligence Unit
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GMS	Greater Mekong Subregion
GoL	Government of Laos
HSR	High-speed railway
HSRD	High-speed railway diplomacy
IR	International Relations
LDC	Least Developed Country
LLLL	Land-Locked Land-Linked
LMB	Lower Mekong Basin
LMI	Lower Mekong Initiative
LNMC	Lao National Mekong Committee
LPRP	Lao People's Revolutionary Party
MEM	Ministry of Energy and Mines
MOFA	Ministry of Foreign Affairs
MONRE	Ministry of Natural Resources and Environment

MoU memorandum of understanding

MPI Ministry of Planning and Investment

MPWT Ministry of Public Works and Transport

MRC Mekong River Commission

MTI Multinational Transboundary Infrastructures

NEM New Economic Mechanism

NEPC National Energy Policy Committee

NGO Non-Governmental Organization

NSC New Security Concept

NUOL National University of Laos

OBOR One Belt, One Road

ODA Official development assistance

OECD Organization for Economic Co-operation and Development

PGN Policy of Good Neighbourliness

PM Prime minister

PNPCA Procedures for Notification, Prior Consultation and Agreement

PPA Power Purchase Agreement

SEA Strategic Environmental Assessment

SKRL Singapore Kunming Rail Link

SRF Silk Road Fund

US United States of America

WB World Bank

WTO World Trade Organization

WWI/II World War I/II

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DECLARATION

I declare that the work contained in this thesis has not been submitted for any other award and that it is all my own work. I also confirm that this work fully acknowledges opinions, ideas and contributions from the work of others.

Any ethical clearance for the research presented in this thesis has been approved. Approval has been sought and granted by the Faculty Ethics Committee (Faculty of Arts, Design and Social Sciences) on 25 February 2014.

I declare that the Word Count of this Thesis is 77,011 words.

Name: **Gabriele Giovannini**

Signature:

Date: **25 October 2017**

CHAPTER I

INTRODUCTION: THE RESEARCH BACKGROUND, APPROACH AND STRUCTURE

For so long the United States has been so big, so powerful that we felt that we could afford not to know about a country like Laos. But the world has shrunk, it's interconnected – Barack Obama 2016¹

1.1 The research background, rationale and goals

1.1.1 Why Laos?

Laos is often perceived as a small, dependent, powerless, exotic country, worthy of an adventurous holiday at best. By Barack Obama's own admission, made during the first visit in history of a sitting United States president to Laos,² which took place in 2016,³ the American superpower had formerly perceived Laos to be so irrelevant that it did not even judge it useful to gain knowledge about the poor, landlocked Southeast Asian nation. Nonetheless, the embryonic first steps of this research arose from precisely such a perception, as the author was inevitably embedded in a similar mindset: the original idea, when starting to develop a PhD research proposal, was to study China's role (and influence) in the Mekong Region, a region in which China is seen by many as having replaced old Western colonial powers and become a dominant actor (Kurlantzick 2007). The increasing relevance of the Mekong Region for Beijing, both economic – China being the first commercial partner for Cambodia, Myanmar, Thailand and Vietnam, as well as the first investor for Cambodia, Laos and Myanmar – and political, led it to inaugurate in 2016 the Lancang–Mekong Cooperation (LMC) framework, to complement its wider relations with Southeast Asian countries (China Daily 2016).

¹ The Obama White House (2016).

² This thesis uses interchangeably the names Laos and Lao PDR (Lao People's Democratic Republic) when referring to the country and uses Lao as the adjective.

³ Obama visited Laos on the occasion of the ASEAN Summits held 6th–8th September 2016.

Figure 1.1 – Laos: the hearth of the Mekong Region



Source: Operation World

However, one fact emerged sharply from an initial literature review: despite Laos’s central strategic position within the region (Figure 1.1), academic research had paid scant and sporadic attention to it, especially to its contemporary foreign affairs (among the very few exceptions are Abuza 2003; Pholsena and Banomyong 2006; and Rehbein 2007). This lack of attention is further intensified by the limited extent of the research among Lao scholars (and students), too, on the country’s international relations. As a professor of International Relations at the National University of Laos pointed out, “when it comes to selecting a dissertation topic, our students tend to avoid Laos, preferring instead different case studies such as the Tibet issue, the India–China relationship or the South China Sea” (Interview 5-2015).

In particular, looking at one of China’s key tools for exerting its influence – the development of infrastructural projects (Osborne 2006) – Laos appeared to hold much greater importance than is commonly considered, and to deserve more in-depth analysis.

From these initial considerations, the idea grew of turning the traditional perspective on its head and focusing on the small and previously neglected Laos. In fact, even though Laos is “so small” and “there are probably much more interesting issues on which to build PhD research”, as a Chinese scholar in Kunming bluntly put it over a coffee, a first-glance observation of the two most important negotiations related to infrastructure projects with an international dimension – the Xayaburi dam on the Mekong mainstream and the high-speed railway planned to link Kunming to Vientiane – suggested that, despite the asymmetry in material power, Laos was seemingly managing to pursue its interests: in the first case, proceeding with the construction despite Vietnam’s opposition, and in the second case stubbornly halting and delaying China’s plans. This observation prompted the initial intuition that then became a research question: how was that possible? Therefore, to understand first of all whether or not such a first-glance observation was correct and, if so, how this was possible in a context of clear power asymmetry, it appeared worth the effort of sailing off on a PhD adventure in order to gain a much deeper and more detailed understanding of the complex issues going on in the country and in the region. This is to pre-emptively answer the reader’s most natural question, “Why Laos?” – the recurrent question the author has had to tackle over the last few years as the constant, unavoidable first subquestion that followed the icebreaker “What’s your PhD about?”.

The intuition pointed out above led to the main question of this research: what is the impact of multinational transboundary infrastructures (MTIs) on Laos’s relational power? In other words, can MTIs be a source of leverage and an equilibrising factor in asymmetric relationships, or are they just another tool of influence for bigger states? An answer to this question has therefore been sought in the research, which considers the impact of two specific MTIs on Laos’s relational power within specific domains and scopes. In the first case the question was as follows: what is the impact of the Xayaburi

dam MTI on Laos's relational power with respect to Vietnam (the domain) and within the scope of the management of the Mekong River? In the second case the question was as follows: what is the impact of the Boten-Vientiane high-speed railway MTI on Laos's relational power with respect to China (the domain) and within the scope of transport connectivity in the broader China–Southeast Asia context? Through these enquiries the answer to a subsequent question was sought: does a central geographic position increase or reduce the asymmetry of a relationship? In other words, is being centrally located an advantage or a disadvantage for a small state in an asymmetric relationship?

This chapter presents the key themes necessary to understand the context in which the thesis is framed. Having addressed the reasons for choosing a case study focused on Laos, it will begin by clarifying the other constitutive components of the research's title: small states, relational power and multinational transboundary infrastructures (MTIs). In the process, it will be highlighted why the research question was formulated around the ideas of smallness and relational power and why MTIs⁴ were conceived as the independent variable and used to measure their impact on Laos's relational power in two specific processes of negotiation and bilateral relationships. The subsequent sections will lay out the research design, approach and methods and the reasons for the selection of the two MTIs used in the analysis. Finally, the last section will provide an account of the structure of the thesis, helping the reader to navigate its different sections.

1.1.2 Why look at Laos through the lens of small states and relational power?

The scant consideration of Laos's foreign affairs among International Relations (IR) scholars is anything but exceptional. Indeed, as will be discussed in depth in the next chapter, IR has traditionally dedicated very little energy to the study of small (less

⁴Chapter 3 defines MTIs as “Directly or indirectly transboundary physical infrastructures built using also foreign resources”.

powerful) polities⁵ and this has much to do with the roots of the discipline, which are profoundly intertwined with a historical context populated by few great powers, such as the world after World War I (WWI). Thanks to the dominant interpretation of power-as-capabilities, countries with fewer resources have been generally “sacrificed” by IR scholars, either in terms of the quantity of publications dedicated to them or in terms of the degree of agency that has been attributed to this category of states. Systemic/structural approaches have in fact been by far the most utilised, and, as explained in chapter 2, this has led to neglect of small states’ agency, as well as neglect of the role of the geographic variable and thus the relevance of their geographic position. In this context, small states have often been a residual category (Neumann and Gstöhl 2004) and viewed more as battlegrounds in which great powers can engage in manoeuvres to increase their influence and pursue their interests. Such tendencies, combined with the absence of studies on the role of geography for small states, elucidate why Laos has been overlooked so far. Taking as the starting point the assumption that, when looking at small states, geography does not matter, and only capabilities do, Laos might well consequently be ignored. In terms of resources, Laos’s smallness is undeniable, since Laos, in spite of having a relatively large territory,⁶ is demographically, economically and militarily smaller. It holds, in fact, a population of not quite 7 million, an exception in a region that is on average highly populated: even excluding China, the other four countries of the Mekong Region (Cambodia, Myanmar, Thailand and Vietnam) in 2016 had over 230 million people between them (only Cambodia had fewer than 50 million). A similar asymmetry can be seen looking at

⁵ The rationale behind the choice of the term “small states” is addressed in the next chapter.

⁶ At 236,800 km², Laos is the 84th country in the world by size, only 6,000 km² smaller than the United Kingdom. The source of the data provided in this section is the World Bank’s World Development Indicators database, which can be accessed at <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>.

gross domestic product (GDP): Laos's GDP stands at around 16 billion US dollars,⁷ just below Cambodia's (20 billion dollars), but far below Myanmar's (67 billion dollars), Vietnam's (202 billion dollars) and Thailand's (406 billion dollars). Consequently, its military capabilities are also affected by the country's dimensions, and Laos clearly lags behind its peers in military terms: between 2004 and 2013, Laos's military expenditure never exceeded 26 million dollars per year, an amount very much smaller than the resources invested by its three big neighbours, Myanmar, Thailand and Vietnam (respectively, 3.7, 5.7 and 4.5 billion dollars in 2015), but also lower than the expenditure of Cambodia, which from 2010 to 2016 spent on average 274 million dollars per year.⁸ Finally, it must be noted that Laos's smallness is also evident in how it is perceived; without doubt, the word "small" best fits the collective imaginary, in and outside Laos, in which the country is often labelled as "Tiny Laos" (Kislenko 2004; Kurlantzick 2002; Otto 2016; *Laotian Times* 2016).

In terms of material power and capabilities, in fact, Laos is undoubtedly smaller when analysed in relation to both China and Vietnam, the countries in relation to which the impact of the MTIs analysed in this research is studied.⁹ However, when this picture of clear power asymmetry was taken together with the progress of negotiations on the two international infrastructures mentioned above, the Xayaburi dam and the Boten–Vientiane high-speed railway, a big divide between capabilities and outcomes seemed to emerge. Therefore, in order to understand whether such a divide is consistent and how it originated, this research looks at power in relational terms, according to the Dahlian notion, and uses it as the dependent variable, following Baldwin's (2013) suggestion. Dahl, in fact, criticising the power-as-capabilities approach on the basis that too often in

⁷ Hereinafter, unless otherwise specified, references to amounts of financial resources should be assumed to be in US dollars.

⁸ The source of the military statistics is the Stockholm International Peace Research Institute (SIPRI). The data can be accessed here: <https://www.sipri.org/sites/default/files/Milex-constant-2015-USD.pdf>.

⁹ The debate around the definition of small states is discussed in chapter 2.

history superiority in assets has not been reflected in effective power, focuses instead on relational power, intended as “A has power over B to the extent that he can get B to do something that B would not otherwise do” (Dahl 1957: 202–203). Even in the case of a leading global power such as China, as noted by Goh (2016), there is no clear evidence of the latter’s ability to use its capabilities to obtain its goals in spite of other actors’ preferences. Answering the research question of this thesis, therefore, will also shed new light on whether factors beyond static material power (capabilities) can indeed influence the effective power of states in their dynamic relationships, and how.

Adopting this approach, the intuition gained from observing how the negotiations on the Xayaburi dam and the Kunming–Vientiane railway projects, with Vietnam and China respectively, were developing enabled the construction of the MTI independent variable and the MTIs–relational power analytical framework proposed in chapter 3. The next section aims to equip the reader with the background knowledge essential to understanding the analysis of the two selected MTIs described in chapters 5 and 6, through a succinct overview of the international dynamics (political and economic) that concern contemporary Laos.

1.1.3 Why a multinational and transboundary variable (MTIs) to observe Laos’s relational power?

Multinational and *transboundary* have been marginal terms for Laos in the aftermath of the Second Indochina War and the establishment, on 2nd December 1975, of the Lao People’s Democratic Republic (Lao PDR) under the rule of the Lao People’s Revolutionary Party (LPRP). For the next 15 years, the country remained almost completely secluded: politically and economically highly isolated, and physically disconnected. However, this context started to change in the late 1980s with the end of the Cold War, which produced a normalisation of international relations in the region, which in turn led to the end of the multiple bilateral and multilateral conflicts propelled by the Third Indochina War in 1992. This regional systemic transition was also coupled

with a new economic direction taken by the communist Lao leadership, with the introduction in 1987 of the New Economic Mechanism (from the Lao word *Chintanakanmai*, which means “new thinking”), which provided the basis for economic liberalisation (Vixathep 2014) and for the approval of a liberal law on foreign investment (Lintner 2016). The law, which allowed foreign actors to own 100% of the investment from the beginning, was then revised in 1994, 2004 and 2009 further liberalising FDI in the country granting to the investors increasing incentives and fiscal exemptions as well as progressively extending the maximum duration of the investment (Phommahaxay 2013). In its effort to attract foreign investors, Laos moreover shortened the procedures for opening a new business in the country, allowed foreign actors to access domestic finance and, with some limitations, to own the land (general (Kyophilavong et al. 2017). Such neoliberal process encompassed reforms pertaining to prices, taxation and finance, state-owned enterprises (SOEs) privatization, banking, resulting in a broader “open door policy” respect to trade, investments and international cooperation in general (Ibid.). The 1990s were therefore a decade of physical and diplomatic opening up and integration: in 1989, the first tourist visas since 1975 were issued; in 1992, diplomatic relations were established with the United States; in 1994, the first historic Thai–Lao Friendship Bridge over the Mekong – the first and most important MTI of the new era, physically, economically and symbolically – was inaugurated, marking a turning point in a traditionally tense bilateral relationship that had erupted in a short, intense war only six years before; and in 1997, Laos joined the Association of Southeast Asian Nations (ASEAN). As a result, flows of people, goods and capital could flourish, increasing the relevance of the terms *multinational* and *transboundary* for the country. International merchandise trade steadily grew (apart from the biennium 1997–1998, which was affected by the 1997 Asian financial crisis), moving from representing 31% of Laos’s GDP in 1990 to the 49% registered in 2016.

The increase, however, is best seen by looking at the data in absolute terms: the sum of exports and imports in 1990, in fact, was just 312.5 million dollars, while in 2016 the value exceeded 10.8 billion dollars. Foreign direct investment (FDI), however, displays in an even more crystal-clear fashion the transformation that occurred in the country, skyrocketing from a mere 6 million dollars in 1990 to over 1 billion dollars in 2016.¹⁰ The same goes for the data on official development assistance (ODA), which increased from 149 million dollars in 1990 to an average of about 400 million dollars in the last decade (UNESCAP Statistical Online Database). Less politically relevant, but equally useful in gaining a vivid image of the country's reality, are the data on tourism: in 1995 (the first year for which a statistic is available), only 60,000 tourists visited Laos, then numbers increased until they passed the 1 million threshold in 2007 and reached 3.1 million in 2014 (UNESCAP Statistical Online Database).

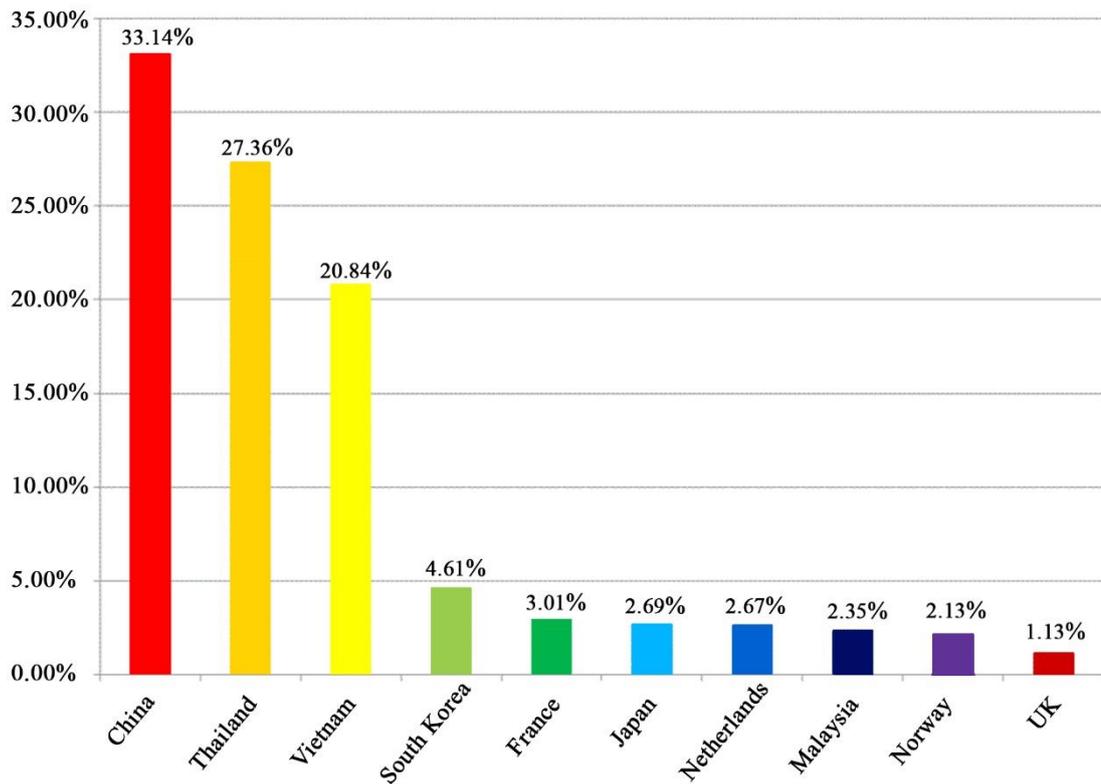
Moreover, after disaggregating the data and breaking them down by partner country, it emerges clearly how Laos's landlocked position in the middle of the Mekong Region (the only country bordering all the others) and scarce connections with regional and global value chains mean that the country is strongly embedded in its neighbourhood. Beginning with trade, it can be seen how the country's three biggest neighbours (China, Thailand and Vietnam) dominate the scene, accounting in 2016 for 36.6% of Laos's exports (17.7% to Thailand, 12.6% to China and 6.3% to Vietnam) and for 51.4% of its imports (36.7% from Thailand, 9.4% from China and 5.3% from Vietnam). Although the three countries together do not cover percentages close to 100%, the data show, however, that no other country accounts for a share higher than 1.6% (India attracts 1.6% of exports, and 1.2% of imports originate from South Korea) (EIU 2017), while the European Union as a whole does not exceed 1.19% of imports and 5.25% of exports

¹⁰ Author's elaboration of statistics retrieved from the World Bank country profile of Laos, last accessed June 2017. Available at http://databank.worldbank.org/data/Views/Reports/ReportWidgetCustom.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=LAO.

(Ministry of Planning and Investment of the Lao People’s Democratic Republic 2016).

Moving on to FDI, the chart below (Figure 1.2) demonstrates how in the period 1989–2014 China, Thailand and Vietnam were by far the top three investors, accounting for 81.3% of the total flow of investments that reached Laos.

Figure 1.2 – Foreign Direct Investment (FDI) to Laos 1989-2014 (by country, %)



Source: www.investlaos.gov.la

At first glance, the figure covering the source of ODA flows displays a different picture, being still dominated by Western and developed countries. In fact, according to the data provided by the Organization for Economic Co-operation and Development (OECD), in 2015 Japan ranked as Laos’s primary donor, with around 105 million dollars, followed by South Korea (86 million dollars) and Australia (36 million dollars). However, as claimed by a Chinese diplomat and by Chinese media, China is indeed Laos’s top foreign donor (Interview 47-2015; Xinhua 2017). In fact, a recent report by the Overseas Development Institute in London shows that by looking at flows of capital

beyond ODA (BOFs)¹¹, it can be seen that between 2010 and 2012 China accounted for more than 70% of the BOFs to Laos (Prizzon et al. 2016). Moreover, despite not being included in the OECD's data (because they are not part of the organisation's Development Assistance Committee (DAC)), both Vietnam and Thailand provide development assistance and are the two most important emerging donors to Laos (Shanghai Institutes for International Affairs 2016; Laporte 2017). Finally, the China–Thailand–Vietnam trio is also leading with regard to tourist flows: 3.7 million of the total 4.3 million tourists who visited Laos in 2015 came from Thailand (51.6%), Vietnam (24.2%) and China (9.9%) (Bank of the Lao PDR 2016).

Therefore, the regional integration process that commenced at the end of the Cold War realised, for Laos, the famous formula proposed by the then Thai prime minister, Chatichai Choonhavan, who aimed to turn the Indochinese region “from a battlefield into a marketplace” by integrating, after decades of conflict, the developed and capitalist part of Southeast Asia with the socialist and less developed countries (Erlanger 1989). This provided Laos with the “peace dividends” of the new international context, allowing it to rapidly increase its interdependence with neighbouring countries and explore the opportunity to turn itself from a buffer zone into a crossroads (Jerndal and Rigg 1999; Evans 2002; Pholsena and Banomyong 2006), therefore making multinational and transboundary projects much more likely and relevant. Today's Laos, in fact, besides being ever more involved in multilateral partnerships (within ASEAN in the first place), at the bilateral level enjoys good ties, both economically and diplomatically, with all the five countries immediately behind its borders, especially with its three crucial (as seen above) neighbouring partners. Stressing the good relations

¹¹ Flows of capital mobilised for development not included in the ODA category. These flows can be both concessional and non-concessional and originate from private sources (e.g. private grants, foreign direct investment (FDI)) as well from official sources (such as export credits provided by Export Credit Agencies (ECAs)). More information can be found on the OECD webpage dedicated to BOFs, which can be accessed here: <http://www.oecd.org/dac/stats/beyond-oda.htm>.

with these three countries is highly relevant to this research since China and Vietnam constitute the domains in which the relational power analysis of the two selected MTIs is conducted, and Thailand, while not being a domain, is still relevant in one of the two case studies (the Xayaburi dam), being the source of the foreign investment and therefore of the multinational nature of the infrastructure. It is also important because while Vietnam has “always” been there, since the revolutionary war and the inception of the communist regime – the two countries share a strong “special relationship” based on the 1977 Treaty on Friendship and Cooperation and shaped by close linkages between the two leading communist parties and the two leaderships (Pholsena and Banomyong 2006) – bilateral relations with China and Thailand were normalised only between the end of the 1980s and the beginning of the 1990s, coinciding with the new peaceful era and the end of the conflict in Cambodia that involved all the regional states. Diplomatic bilateral relations with China were resumed in mid-1988 after an interruption of more than eight years (Shanghai Institutes of International Affairs 2016). In parallel, after the border war with Thailand in 1987–1988, there were strong improvements, with high-level state visits paid from 1989, and the establishment of a joint cooperation committee in 1991 pointed to a new era of cooperation, despite the border dispute having yet to be fully solved (John 1998). Since then, relations with Beijing and Bangkok have improved constantly: in the 1990s, Thailand became a crucial foreign investor, followed in the next decade by a skyrocketing flow of capital from China, as a consequence of the latter’s “Going Out” strategy (Tan 2015). Subsequently, Sino–Lao relations rose to a new high after a bilateral cooperation agreement was signed in 2000 (following China’s assistance during the Asian financial crisis) and a “comprehensive strategic partnership” was established in 2009 (Thayer 2013). Therefore, China became, alongside Vietnam, the most important political partner for Laos. In fact, while inundating Laos with financial resources (especially in mining and hydropower investments), China also

developed a prominent role in the security sector and contributed military supplies, security assistance and cooperation that matched the economic links (Australian Government 2015; Leebuapao and Voladet 2013). Three recent remarkable events point to the excellent relations between Beijing and Vientiane, as well as to the relevance of Laos for China's foreign policy. In 2011, for the first time in history, a Chinese university inaugurated a physical campus abroad: the Vientiane campus of Soochow University (Brown 2016). In 2015, 31 billion dollars of Chinese investment in an economic zone at the border with Laos was announced (Reuters 2015), and in the same year Laos launched its first communication satellite (LaoSat1), funded by Chinese investment of 258 million dollars (de Selding 2015).

Addressing the China–Laos–Vietnam diplomatic triangle – and the alleged competition between Hanoi and Beijing for influence over Laos – goes beyond the scope of this research. Yet the facts summarised above are necessary background knowledge for a full picture of the context in which the two infrastructures analysed by this thesis are placed and negotiated. To summarise, and to answer the question posed in the title of this section (“Why a multinational and transboundary variable (MTIs) to observe Laos's relational power?”), the new geopolitical context led Laos and its neighbours to develop specific policies to take advantage of such a configuration. For Laos, it meant in particular developing the country and addressing its structural problems, starting by supporting economic growth and reducing the country's isolation through neoliberal policies such as those related to FDI detailed above. The Government of Laos (GoL) saw in the new context a chance to exploit the most important assets with which the country is endowed – abundant water resources, combined with an advantageous morphology that has high hydropower production potential, and a central position in a region under rapid integration – through which it could transform Laos, both as the “battery of Southeast Asia” and as a “land-linked” country. These two key policies, in

which the two MTIs studied in this research are embedded and which are analysed in chapters 5 and 6 respectively, were based on the expectation that public and private foreign investments could be secured and on the possibility of concretely – stone by stone – reconstructing the country. In other words, as will be seen in chapter 5 and 6, the peace dividends brought to Laos’s “MTIs fruits”. In fact, both the Xayaburi dam on the Mekong mainstream and the plan of linking Laos to China via a railway network (though not at first a high-speed one) date back several decades: the Xayaburi dam was included in the Mekong Committee’s Indicative Basin Plan, put together in 1970 (Geheb et al. 2015), while the railway has its roots in the French colonial period, when it was dreamed of as a tool for the country’s *mise en valeur* (Stuart-Fox 1995; Tan 2015). A plastic symbol of the historical change that took place in the region can be found in the fact that the first plan to link Southeast Asia to Southern China with a railway was discussed at the ASEAN level two years before Laos joined the organisation (Fau 2016). Now, the Chinese, who, when diplomatic relations deteriorated at the end of the 1970s, left Laos, interrupting road construction projects and abandoning a country deemed geostrategically important as a “land bridge” (Thayer 2013), have their work shoes on the ground there once more.

Lao leaders, paraphrasing Khanna (2016), therefore see in MTIs the only way out for a landlocked small state that is a prisoner of geography, such as their own. However, if Laos’s intentions are understandable and clear, without deeper research it is challenging to establish the impact of MTIs on its relational power with regard to neighbouring states that are by far more powerful in terms of capabilities (hereinafter, any reference to a more powerful state must be interpreted to indicate a higher level of capabilities, i.e. absolute power). Can MTIs be a source of leverage and an equilibrising factor in its international relationships, or are they just another tool of influence in its bigger neighbours’ hands?

1.2 Selection of cases, methodology and approach

1.2.1 Selection of cases

To answer this question, two MTIs that involved Laos and more powerful actors were selected. Consequently, the objective of the research is to address the impact in relational power terms of the selected MTIs in the domain of the specific bilateral relationships with the other states involved and over a specific scope (i.e. the particular sector/realm in which the MTI is inserted (e.g. transport connectivity)).

The choice, already anticipated, of the Xayaburi dam in the Mekong mainstream and of the high-speed railway from Boten to Vientiane, which will cross Laos and connect it to China and Thailand (and therefore also connect these two countries), does not rest merely on the initial intuition that these large projects (the largest infrastructure investments in Laos¹²) have shown counter-intuitive outcomes. The two MTIs were therefore selected because they are the two most internationally relevant MTI projects involving Laos, as demonstrated by their inclusion in the international relations assessment and outlook section of several successive editions of the Laos quarterly country reports edited by the Economist Intelligence Unit (EIU).¹³ In the “Laos Country Report 3rd Quarter 2013”, for example, the following is reported:

Laos is also focusing on closer links among the so called CLMV group of poorer, later entrants to ASEAN – namely Cambodia, Laos, Myanmar and Vietnam. These links, which include bilateral trade, are set to develop at a healthy clip, although *differences over the proposed use of regional hydropower resources could cause tensions*. The Lao government has been *unusually strident in its support for the controversial Xayaburi dam project* on the lower Mekong river, which neighbouring Cambodia and *Vietnam oppose*. The LPRP has

¹² Costing over 6 billion dollars, the railway is the largest project currently under construction in the country, while the Xayaburi dam, at over 3.7 billion, is ranked second, together with the Hongsa Mine Mouth Power Project.

¹³ The Xayaburi dam case was included in the “International Relations” section of the “Country Report 4th Quarter 2012” and the high-speed railway in the “Country Report 2nd Quarter 2013”.

traditionally taken its foreign-policy cues from the ruling Communist Party of Vietnam, *but Laos's determination to go ahead with the Xayaburi project points to a growing sense of independence amid increasing foreign investment and support from other allies*, notably China and Thailand. (EIU 2013: 11, emphasis added)

Also, the “Laos Country Report 2nd Quarter 2013” put the Boten–Vientiane railway at the top of the list of “several transport infrastructure projects” intended to increase the country’s integration, stating that

Laos joined the World Trade Organisation (WTO) in February 2013, and the government will continue its policy of *regional and international integration* in the next two years. Several transport infrastructure projects that will improve links with neighbouring countries are planned or are under way. *These include a north–south railway connecting the Lao capital, Vientiane, with China’s Yunnan province.* (EIU 2013b: 11, emphasis added)

Their international relevance, however, derives also from the fact that these two MTIs involve China and Vietnam, who are, as seen above, Laos’s two most important partners, as well as two key interests of these two neighbours: transport connectivity in the case of China, and water/environmental security in its Delta region in the case of Vietnam.

The international relevance of the Xayaburi dam MTI emerges also from the attention the project has received among scholars and analysts, as will be fully discussed in chapter 5. One Foreign Policy blog post, written by the renowned professor of International Relations Stephen Walt and published on the day of the Xayaburi dam groundbreaking ceremony, endorsed the relevancy of the issue by provocatively asking in its title “Why aren’t we threatening preventive war against Laos?” (Walt 2012). Walt’s argument was that the United States pays too much attention to purely hypothetical risks such as the enrichment of uranium in Iran, while serious and tangible threats are overlooked, although, as in the Xayaburi case, “many experts believe will

permanently harm the ecology of the Mekong Delta and affect the lives and livelihoods of millions of people” (ibid.). Moreover, a paper published by the Center for Strategic and International Studies (CSIS) in Washington underlines the fact that “some diplomats and officials in the region have quietly begun to describe the Mekong River as the next ‘South China Sea’” (Phuong 2014: 3).

The Boten–Vientiane high-speed railway MTI, on the other hand, deserves some clarification here, since it has been selected in spite of the fact that when this research began it was only at the planning phase. Nevertheless, it has been selected for its international relevance, already stressed, and because the impenetrable negotiations around it have made it challenging and fascinating to explore the project and try to understand the causes of the continuous delays, observable as early as 2013 (the year in which this thesis was initiated). Another clear indicator of the project’s diplomatic relevance is the fact that at the time the fieldwork for this research was conducted, the United States embassy in Vientiane had a diplomat whose main duty was monitoring the development of this particular infrastructure project (Interview 26-2015). Moreover, it appeared to be extremely interesting, not only for the analysis of relational power in the China–Laos bilateral domain, but also (as addressed in chapter 6) for its implications as the very first example (and test) of a far-reaching Chinese strategy such as that of the high-speed railway diplomacy within China’s wider One Belt, One Road (OBOR) initiative, considered to be a century-shaping project.

1.2.2 Methodology and approach

As with the selection of the two MTI cases, the choice to carry out a within-case study is linked to the original inception of the research, described above. However, the process of structuring the research design produced, besides a useful, deeper knowledge of an often-neglected small state, the awareness that, because of the scarcity of secondary English sources to be analysed, together with limitations on the time and

financial resources available, the only practicable option would have been to focus just on Laos instead of adding one or more countries to produce a comparative analysis. A cross-case study was also made impossible by the fact that no previous studies looked at the impact of MTIs on small states' relational power, this analytical framework having been developed in this thesis for the first time. Moreover, the scarcity of available data led to the choice of a methodology that would allow the complex realities under scrutiny to be reconstructed, and therefore process tracing and semi-structured qualitative elite interviews, to be conducted *de visu*, were selected as the best strategies for achieving the research goals. Chapter 4 will provide a comprehensive illustration of the rationale behind the choice of the applied methodology, but here it is important to stress that the combined effects of the lack of previous research; Laos's political context, dominated by the one-party rule, which creates a closed reality that is difficult to penetrate; and the high stakes involved in the two MTI projects constituted the fundamental rationale. A consistent period of fieldwork conducted "on the ground", mainly in Vientiane, between March and June 2015, in collaboration with the Faculty of Law and Political Science at the National University of Laos, where the author was hosted as a visiting researcher and assisted by the local staff in various ways (detailed in chapter 4), made it possible to overcome the challenges not only in getting basic data on the two MTI interactions but also in establishing contacts that proved to be vital in the research phases following the fieldwork. During his stay in Laos and in the region, in fact, the author met relevant informants who, in some cases, were then contacted for follow-up questions after the interview (via email, Skype or telephone) in order to clarify issues, gain more details of some emerging facts and access non-English documents. This was a crucial factor in enabling the author to follow and understand, especially, the development of the Boten–Vientiane MTI, which was only at the planning/negotiation stage at the beginning of the research and during the fieldwork

period, as underlined above, but which was subject to rapid development between the end of 2015 and the end of 2016 when the construction of the railway actually began.

In addition, besides explaining the main reasons behind the research design and strategies, it is necessary to underline here the analytical level at which this research was conducted. In fact, the analytical framework used in this thesis, being based on process tracing and causality, requires the assumption that states are unitary and rational actors, as in the influence framework proposed by Goh (2016), on which the framework developed in chapter 3 builds. In fact, the Dahlian concept of “A prevailing over B” rests on the assumption that A and B have clear, autonomous and rational preferences so that the relational power can be observed in the distance (or proximity) between their preferences and the empirical outcome. Considering, moreover, that the objective of this research is understanding the impact of two MTIs on the international bilateral relational power of Laos with regard to two neighbouring countries, and not the profits and gains such infrastructures could bring to the communities across borders, such as the hydropower bureaucracies or the railway contractors, it made sense to isolate the two negotiations by stopping at the inter-state level. In fact, the process tracing exercise was intended to reconstruct the negotiation processes mainly by looking at the actions, proclaims, decisions and silences of state actors to assess their preferences in relation to the two MTIs. Nevertheless, it must be acknowledged that the overall impact of the two MTIs might well go beyond the Laos–China and Laos–Vietnam pairings, provoking a set of different effects in different places, sectors and groups at the local as well as at the regional level resulting in different degrees of social, environmental economic and cultural gains and losses that, as recognised by Furlong (2006), among others, might transcend the state dimension. However, for the purpose of this research (i.e. observing the impact of MTIs in a bilateral state-to-state relation shaped by asymmetry in material power), taking the states as unitary and rational and limiting the analysis to the inter-

state interaction was not merely a logical consequence, but a key analytical strength. In fact, this approach allowed to take into account the multitude of forces, actors and interests emerging from the process tracing investigation and aggregating them into a comprehensive unit of analysis: the state. This is also linked to the methodological choice of collecting data by interviewing members of the elite, i.e. stakeholders participating in the policymaking process with clear stakes in or expertise on/knowledge of the two projects (such as politicians, entrepreneurs, negotiators, diplomats, academics, journalists), instead of the local communities that will certainly be affected in many ways either by the Xayaburi dam or by the Boten–Vientiane Railway, two projects that will probably also have huge consequences below the state level. To conclude: despite the inevitably partial analysis of the two MTIs offered by this thesis – their impact on inter-state power – this research attempts a new path in the International Relations and small states scholarship, looking at how material power asymmetries work in practice and whether such material power is indeed fungible, regardless of the domain and scope. By doing so, this thesis diverges from the mainstream approach to small states studies, an approach that is also often used to analyse the international relations of Southeast Asian countries; it begins by acknowledging the asymmetry of power and, from there, attempts to analyse foreign policy options and strategies for smaller actors, such as hedging, balancing, bandwagoning, etc. (among others, see Roy 2005; Cheng-Chwee 2008; Goh 2007). Following Baldwin’s (2013) advice to go beyond the study of overall national power and the use of power as an independent rather than a dependent variable, this thesis provides an original account, from an innovative perspective, of the power of an overlooked small state.

1.3 The structure of the thesis

This thesis is composed of seven chapters. This introductory chapter is followed by a theoretical literature review (chapter 2), the development of the MTIs–relational power

analytical framework (chapter 3) and the methodology (chapter 4). Chapters 5 and 6 will present the core findings and chapter 7 will draw the conclusions.

Chapter 2 provides a review of the International Relations (IR) literature on small states, addressing the difficulties in the discipline of taking into account less powerful entities, given the strong focus on power rooted in the very origin of IR studies. It then highlights the various approaches to and conceptualisations of power, pointing out the problems in ranking states by a power measure. Consequently, the literature review also reveals a context in which a definition of “small states” is anything but clear, with no agreement even on how to label the category. Finally, the key point identified by the chapter is the almost total absence of consideration of geographic factors in the IR small states literature, a paradoxical omission given the importance of geographic position for small states, which, having fewer internal resources, are more exposed and susceptible to the external environment.

Chapter 3 moves on from the thinking on the relation between capabilities and geography that emerged through the literature review in the previous chapter to develop an analytical framework capable of connecting these two components and observing their relationship. To this end, the chapter proposes multinational transboundary infrastructures (MTIs) as the independent geographic variable through which to study the power of small states. The chapter is therefore composed of two main sections: the first analyses the MTIs concept, defining it and pointing out why MTIs are relevant and what their strategic, political and economic implications are; the second section focuses on the dependent variable – relational power – explaining the rationale behind the analytical framework and how it can be operationalised.

Having defined the theoretical and analytical boundaries and aims of the research, chapter 4 details the methodological strategies used to conduct the case study research. It begins by motivating the choice to use process tracing and qualitative elite interviews

as overall strategies, and then it describes how the data analysis phase was planned and carried out. The last section focuses on the main data collection tool used by this research to generate the necessary primary data as well as to put in context the secondary data: the set of 48 semi-structured qualitative elite interviews conducted during the fieldwork period, mainly in Laos. The chapter clarifies in detail the strategies adopted and the practical arrangements put in place, and it reflects on the strengths and challenges of this particular research tool in the context of Laos and in general.

Chapter 5, the first findings chapter, analyses the impact of the Xayaburi dam MTI on the power of Laos in relation to Vietnam (the domain) within the scope of the management of the Mekong River (the scope). First of all, the chapter analyses the policy context in which the Xayaburi dam is located, pointing out the relevance of hydropower as a source of revenue for Laos's economy and the strategies implemented by the Government of Laos to exploit this resource in order to become the "battery of Southeast Asia" and develop the country. Once the broader context has been laid down, the second section reconstructs the negotiations between Laos and Vietnam on the Xayaburi dam and highlights the key facts of what occurred between 2007 and the beginning of the construction in November 2012. The third section takes stock of this reconstruction and analyses the negotiations evaluating the outcomes and identifying the factors that allowed Laos to proceed with its plan despite Vietnam's divergent preferences. The fourth section investigates the role of the wider geopolitical context in order to assess the role played by "other" states, external to the Laos-Vietnam pairing, for the outcome of the negotiations. Finally, the fifth section discusses the results, applying the MTIs-relational power analytical framework and stressing the implications in theoretical terms.

Chapter 6 contains the analysis of the second selected MTI case, the Boten-Vientiane high-speed railway project, currently under construction, which will eventually link

Kunming (in the Chinese Yunnan province) to Bangkok and then to Singapore, and investigates its impact on the relational power of Laos with regard to China (the domain) and within the scope of regional transport connectivity. It follows the same structure as chapter 5 and therefore begins by setting the policy context focusing on both China's and Laos's policies, because each country has its own connectivity agenda. In doing so, the chapter begins with China, because it has been the main actor behind the project, and offers a succinct background of China's One Belt, One Road (OBOR) strategy and highlights the relevance of another, less studied Chinese strategy: high-speed railway diplomacy (HSRD). It then points out Laos's policy to turn the country into a land-linked nation. The second section focuses on the Boten–Vientiane Railway, focusing on the key facts of negotiations that lasted from 2009 to the end of 2016, and the third analyses why the two countries were unable to reach agreement earlier, despite the overall convergence of interests. As in chapter 5, the last two sections assess the role of the broader geopolitical context and discuss the findings in analytical and theoretical terms respectively.

Finally, chapter 7 concludes the thesis by summarising its content, individuating the key findings from an empirical and from a theoretical perspective, highlighting the research's contributions to knowledge and suggesting potential lines of further research.

CHAPTER II

SMALL STATES IN THE INTERNATIONAL RELATIONS LITERATURE AND THE GEOGRAPHIC GAP

Power, like love, is easier to experience than to define or measure – Joseph S. Nye Jr 1990¹⁴

2.1 Introduction: A discipline of power in a world of states

The concept of power is intimately related to the discipline of International Relations, rooted in the colonial world after WWI and dominated by a small number of great powers. Therefore, IR scholars have been focused on studying these actors, ignoring the role of less powerful polities. A bright example is contained in one of the most important classic works of IR, *Politics Among Nations*, in which Morgenthau (1948) argues that the very existence and independence of small nations originates from the external constraints arising from an international system dominated by great powers, and thus that existence and independence assumes a “negative” nature. In his view, in fact,

Small nations have always owed *their independence* either to the balance of power (Belgium and the Balkan countries until the Second World War), or to the preponderance of one *protecting power* (the small nations of Central and South America, and Portugal), or to their *lack of attractiveness* for imperialistic aspirations (Switzerland, Spain). (Morgenthau 1948: 196, emphasis added)

Even though of a different nature, systemic features were also seen as a precondition for small states’ existence in the second half of the 20th century:

Small states could survive and proliferate in good measure because of the state system’s structure and “limitations”. Their right to existence was asserted, their borders were beyond dispute, their colonial

¹⁴ Nye (1990: 177).

past justified special consideration and military violence directed at them was politically problematic. Taken together, this improved small states' security and provided major opportunities for small states' proliferation. A number of additional features, such as the norm of equality of states, large and small, the revival of collective security after World War II, the implementation of collective defense through NATO, the economic and security benefits granted by European integration and the liberal economic order (Alesina et al. 1997) further strengthened the position of small states regionally during the Cold War. (Maass 2014: 723)

These passages show the extent to which power has been a guiding criterion for IR studies, and the literature about small states is no exception, being also dominated by the study of power. In it, the term “small states” represents the implicit choice to use a word other than power and thus makes of the small states a residual category, as underlined by Neumann and Gstöhl:

Small states started life as a residual category and under a different name. Until well into the twentieth century, in all European languages states were routinely referred to as “powers”; French *puissance*, German *Macht*, Russian *derzhava*, Spanish/Portuguese *poder*, etc. While this noun is still used for a different category of states, namely “great powers” (and more rarely also for “middle powers”), “small powers” are nowadays simply referred to as “small states”. (Neumann and Gstöhl 2004: 3)

As Goetschel (1998) points out, even in work by classic political thinkers such as Rousseau and Montesquieu, “the qualification of a state as ‘small’ in the context of foreign and security policy meant that such a state was perceived as no danger to neighbouring states” (Goetschel 1998: 13), thus giving prominence to the power that states hold and characterising small states by their lack of power. To face this problem, Kassimeris, for instance, proposes re-establishing the term “small power”, asserting that despite the increased relevance of small states “their role in the international environment remains underestimated” (Kassimeris 2009b: 12).

Nonetheless, the number of states on the planet grew after the end of WWII, and further during the 1960s and 1970s thanks to the decolonisation process, by the end of which small states had almost tripled in number (Maass 2009). Therefore, to some scholars a discipline based on a minority of actors seemed far from ideal, so small states started to attract more attention. A pioneering work in this respect was Fox's analysis of small European states' diplomacies during WWII (Fox 1959). In the 1980s, neoliberal institutionalism started to challenge the realist and neorealist theories, as shown by Keohane's "Lilliputians' Dilemmas", which aimed to assess small states' foreign policy within multilateral organisations (Keohane 1969). After the collapse of the Soviet Union and the dissolution of the Yugoslav Federation, the small states population increased further, but in IR "they still remain a niche in the broader field and when studied the perspective is often systemic, rather than focused on their foreign policies" (Kassimeris 2009: 85–86). Moreover, small states have at times also been excluded from comparative studies. In this respect, Veenendaal and Corbett (2014) noted, for instance, that in his *The Third Wave*, Huntington (1991) took into account only countries with a population larger than 1 million.

This chapter presents a critical analysis of the academic literature on small states in the field of IR. As the objective of this research is to study the impact of MTIs on the relational power of Laos, the remainder of this chapter will a) critically review how the literature has approached concepts of "power" and "smallness" in relation to states; and b) address the analytical level at which small states are investigated, uncovering the role of geography, which has been neglected in the study of small states.

2.2 How to measure power for hierarchising states? Power-as-capabilities versus relational power

In International Relations, power has traditionally been conceived as the amount of resources that a unit holds and can mobilise to exert influence over others. These

“elements of national power”, also called “capabilities” or “power resources”,¹⁵ were challenged later in the development of the discipline by the “relational power” approach, based on specific scopes and domains (Baldwin 2013: 274–275). Material resources (military, economic, technological) allowed to differentiate great powers from minor actors over time: only after 1945 did the criterion distinguishing the two categories become the possession of nuclear weapons, whereas in the past it had been based on the number and wealth of a state’s colonies and, until 1914, on demographic size, since a large population was necessary for a mass army (Taylor 1968). However, many scholars still consider capabilities to be the very foundation of power. In the offensive realism theory proposed by Mearsheimer, for instance, power derives only from resources:

Power is based on the material capabilities that a state controls. The balance of power is mainly a function of the tangible military assets that states possess, such as armoured divisions and nuclear weapons. However, states have a second kind of power, latent power, which refers to the socio-economic ingredients that go into building military power. Latent power is based on a state’s wealth and the size of its overall population. Great powers need money, technology, and personnel to build military forces and to fight wars, and a state’s latent power refers to the raw potential it can draw on when competing with rival states. (Mearsheimer 2007: 72–73)

Capabilities, nonetheless, are also central in governments’ strategic thinking, as China’s Comprehensive National Power (CNP) demonstrates. Angang and Honghua (2002) pointed out, in fact, that the

CNP may be simply defined as the comprehensive capabilities of a country to pursue its strategic objectives by taking actions internationally and the core factors to the concept are strategic resources, strategic capabilities and strategic outcomes, with

¹⁵ Hereinafter, the terms resources and capabilities will be used interchangeably in relation to power.

the strategic resources as the material base. (Angang and Honghua 2002: 3)

As a consequence, several attempts have been made to classify states according to their power, and the research effort on the concept of power can be seen as having the goal of establishing a ranking of the actors populating the international system. In order to simplify the *mare magnum* of the world using power to illuminate the scene, different typologies of “powers” (Super, Hyper, Large, Great, Regional, Middle, Small, Weak, Mini, Micro) have been theorised (in particular, see Wight 1946; Organski 1958; Huntington 1999; Lemke 2002; Buzan and Wæver 2003). A more nuanced approach to power-as-resources is represented by the issue-specific power theory initially proposed by Lasswell and Kaplan (1951). The theory builds on the assumption that power, not being congruent across issues, cannot be taken as a general measure, but must rather be taken as a specialised entity. Issue-specific power, however, shares with the power-as-resources approach the proposition for which, even though only within an issue area, resources are fungible, an assertion that emerges from Keohane and Nye’s classic *Power and Interdependence*: “Within each issue area one posits that states will pursue their relatively coherent self-interests and that stronger states in the issue system will dominate weaker ones and determine the rule of the game” (Keohane and Nye 1977: 50–51).

On the other hand, the relational approach to power is in line with Dahl’s well-known definition of power. Building on the Weberian tradition, in which power rested on the “probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests” (Weber 1978: 152),¹⁶ Dahl proposed a succinct formula that reads as follows: “A has power over B to the extent that he can get B to do something that B would not otherwise

¹⁶ The first edition of Weber’s *Economy and Society* was published posthumously in German in 1922.

do” (Dahl 1957: 202–203). The rationale behind this idea draws on historical evidence of discrepancies between assets and effective power, clearly pointed out by Holsti in the 1960s as follows:

The deduction of actual influence from the quantity and quality of potential and mobilized capabilities may, in some cases, give an approximation of reality, but historically there have been too many discrepancies between the basis of power and the amount of influence to warrant adopting this practice as a useful approach to international relations. (Holsti 1964: 186)¹⁷

In accordance with Dahl’s above-mentioned definition, scholars who favour the relational approach to power consider it impossible to measure power as if it were a liquid entity like money because of its multidimensional character, and therefore they focus their attention on the outcomes rather than on the resources. Baldwin stresses that

Discussions of the capabilities of states that fail to designate or imply a framework of assumptions about who is trying (or might try) to get whom to do what are comparable to discussions of what constitutes a good hand in cards without specifying which game is to be played. (Baldwin 2013: 277)

Baldwin further suggests that “If international relations researchers were to give up the search for a universally valid measure of overall national power, much useful research could be focused on measuring the distribution of power within specified scopes and domains” (ibid.: 280). Historical evidence shows that resources are often not fungible, and therefore assuming that power is a property can be misleading because “the concept of a power resource is a relational concept in the sense that it has little or no meaning except within the context of a particular situation specified (at least) as to scope and domain” (Baldwin 2016: 53). Besides the historical evidence, another essential element that compromises studies of power based on resources derives from the fact, underlined

¹⁷ The distance between capabilities and outcomes is also theorised in the “structuralist paradox” highlighted by Zartman and others (Zartman 1997; Zartman and Rubin 2000).

by Schelling (1960), that a resource can be an asset in a specific situation while having a contrary value in another.

Given that this research is concerned with a small state case study, it is implied that it is studying a state which is assumed to enjoy a low degree of power. Therefore if “a valid measure of overall national power” (Baldwin 1989: 167) must be acknowledged as utopian, and if scholars such as Baldwin are right when they suggest that it is “time to recognize that the notion of a single overall international power structure unrelated to any particular *issue area* is based on a concept of power that is virtually meaningless” (ibid., emphasis added), it could be very hard to define small states. The next section inserts the theoretical problem of understanding which characteristics distinguish less powerful states from other kinds of actor in the debate on power delineated above.

2.3 What is a small state? The struggle for a definition

2.3.1 Qualitative and quantitative factors

Finding an accepted definition of small states in the International Relations literature has so far proven nearly impossible. Too many a priori standpoints have shaped the issue, provoking a plethora of conceptualisations, and therefore definitions and terms, for less powerful states. Scholars belonging to the realist school of thought, such as David Vital, have tended to identify the source of smallness, and in so doing the rationale of the definition, in quantitative parameters such as the size or the population. Vital supports a thesis that reflects the strategic environment of the bipolar world at that time, arguing that “it is when the state is alone – not necessarily in all its affairs, but at least in the great and crucial ones – and is thrown back on its own resources that the limitations and, indeed, the possibilities inherent in its condition are best seen” (Vital 1967: 5, cited in Keohane 1969: 298).

Besides realist and neorealist accounts that seek measurable (quantitative, absolute and tangible) ways to identify a small state, others have underlined the relevance of

perceptions in a more constructivist way. For example, Browning (2006), in carrying out a case study of Finland, pursues a cognitivist approach that criticises the traditional rationalist and positivist one and contends that “smallness can be told in different ways” (Browning 2006: 681–682).

However, apart from this divide, the picture is anything but clear, since even scholars who share a similar ontological position based on quantitative factors differ from one another in its application. As Hey (2003) pointed out in the introduction to *Small States in World Politics: Explaining Foreign Policy Behaviour*, there is not much consensus on the concept and its operationalisation, because

Scholars have at least three different communities in mind when they speak of “small states”: microstates with a population of less than 1 million, such as the former British colonies in the Caribbean; small states in the developed world, especially Austria, Belgium, Luxembourg, the Netherlands and Switzerland; and small states in the so-called third world, including former colonies in Africa, Asia and Latin America, many of which are larger than states in the first two categories. (Hey 2003: 2)

Based on this reasoning, it appears clear that looking for a quantitative definition is quite problematic. Apart from deciding which quantitative parameters are to be decisive (size, population or GDP?), the more challenging issue is establishing a threshold. Some scholars who have sought the clue in population size have proposed 10 million, others 3 million (Nugent 2003: 3). Another approach has been to combine a set of economic, demographic and geographic data. Crowards (2002), for instance, classifies 79 countries as small using an analysis based on a combination of demographics, size, land area and income. However, rigid definitions have always failed to gain general acceptance, while conversely adding confusion to the process of attempting to identify small states. An absolute approach risks ignoring the relative nature of data: for instance, despite small

populations in absolute terms, small countries dominate the international ranking for GDP per capita (Gregson 2017).¹⁸

In contrast to these quantitative attempts, other scholars have opted for a more qualitative approach, focusing on the relational dimension. Rothstein (1968), for instance, wrote that “a Small Power is a state which recognizes that it cannot obtain security primarily by use of its own capabilities” (Rothstein 1968: 29). However, as Keohane (1969) has underlined, “Rothstein does not specify which states in the contemporary world would *not* be small powers under this definition, but it would seem that only the United States, the Union of Soviet Socialist Republics, and the People’s Republic of China could possibly qualify” since in a nuclear age “insecurity is constant and all-pervasive” (Keohane 1969: 293). The main difference in Rothstein’s approach is that smallness does not refer only to the internal sphere of each polity, i.e. to the values of different parameters, but must also be sought in the capacity of putting together internal resources in order to translate them into power in the international arena. In fact, the threshold problem remains unresolved, and it probably cannot be solved while at the same time avoiding rigid quantitative definitions. Hey, for instance, who uses the term “small”, avoids any quantitative data and focuses only on the role of perceptions, assuming that “if a state’s people and institutions generally perceive themselves to be small, or if other states’ peoples and institutions perceive that state as small, it shall be so considered” (Hey 2003: 3). It seems, therefore, that Hey uses “small” to indicate a low degree of perceived power, rather than a small size, population or GDP, since relative land area, economic strength and demography are not a matter of perception.

2.3.2. Small or weak?

Moreover, besides ontological distinctions and practical challenges even within the same paradigm, another obstacle to accepted common ground about small states has

¹⁸ In 2016 the top 10 were as follows (in order): Qatar, Luxembourg, Macao, Singapore, Brunei Darussalam, Kuwait, Ireland, Norway, United Arab Emirates and San Marino (Gregson 2017).

been how to label them. Elman, for instance, uses interchangeably the terms small, emerging and weak in her seminal article (Elman 1995: 171), then specifies that even the word “insecure” is used in the article with the same meaning. Elman’s case clearly epitomises the confusion in the literature and also a certain degree of ambiguity between causes and effects. In other words, while smallness might be somehow defined with reference to tangible factors such as territorial size, weakness, insecurity, and vulnerability are more easily seen as the effects of being small. However, following Rothstein’s (1968) line of thought, tangible and absolute data can say little about these effects if they are not contextualised.

In this regard, Padelford and Lincoln (1962) claim that, while “lacking an adequate supply of natural resources (e.g. physical size), a state can rarely hope to achieve a strong posture in international affairs” (Padelford and Lincoln 1962: 67, cited in East and Hermann 1974: 271).¹⁹ Handel, in contrast, justifies his preference for the term “weak states” rather than “small states” by stressing that

Strictly speaking, a small state should be small in area. This term, however, has been applied to countries with enormous territories, such as Saudi Arabia, Chad, Mongolia, Libya, and Mauritania. To be exact, the expression “small state” should be used to describe only those states which both lack strength and are small in territory. (Handel 1990: 10–11)

But if Handel is right that big states might possess little power, even the contrary can be affirmed, i.e. small states can demonstrate a high degree of power. In this respect, Hirsch’s preface to Steinmetz and Wivel (2010) highlights how “one of the most interesting consequences” of the growing literature on small states “is the conclusion that small does not necessarily mean weak, depending, of course, on circumstances: geography, the international environment, and specific issues” (Hirsch 2010: *xvi*). In the

¹⁹ The argument developed here must not be confused with the opportunity that small states have to win a defensive war when they are attacked by bigger states, as studied by Mack (1975) in the aftermath of the Vietnam debacle.

light of this problem and of the absence of a common and shared definition, this study opts for the term “small states”, by far the most used term, instead of weak states or small powers. The term weak, in fact, could evoke images of failed states, which are domestically weak and thus unable to guarantee internal order. Eizenstat et al. (2005), for instance, in his article about the threat posed by weak states to United States’ security, closely associates the two terms, stating that

Weak and failed states and the chaos they nurture will inevitably harm U.S. security ... The weakness of these states can be measured according to lapses in three critical functions that the governments of all strong, stable states perform: security, the provision of basic services, and protection of essential civil freedoms. “Failed” states – Angola, the Democratic Republic of the Congo, Haiti, Liberia, Somalia, and Sudan, for example – do not fulfil any of these functions. But even “weak” states, which are deficient in one or two of these areas, can still threaten U.S. interests. (Eizenstat et al. 2005: 135–136)

This term “small states” is also preferable, being the most used so far in IR, and also, most importantly, given the needs of the analytical framework developed in the next chapter and of the nature of the MTI case studies analysed in chapter 5 and 6. Therefore, a relational definition of small states, such as the one proposed by Steinmetz and Wivel (2010) according to which “a small state is the weak part in an asymmetric relationship” (Steinmetz and Wivel 2010: 6), serves the specific purpose of this research well. In fact, the main idea behind this definition is the paramount difficulty of reaching an acceptable degree of consensus within the discipline on what distinguishes small states from other actors. Thus, avoiding pursuing such absolute target it makes good sense limiting to a specific and well-defined pair of states. Therefore, building on the definition above, this thesis adopts a working definition for which “a small state is the weaker part in a bilateral relationship” which, even if does not solve the debate about the definition of small states, facilitates operationalisation by moving the focus from

smallness per se to asymmetry between two given states that might be evaluated on a case by case basis. The scholar who adopts such definition will thus be able to establish which state is the weaker part in a specific bilateral relationship taking into account both quantitative factors such as economic parameters, military data and so on, and qualitative factors proper of the particular relation under analysis such as perceptions on their relative power, the history between the two states or the type of their relation.

2.4 What level of analysis for small states?

Another key issue in the debate on small states relates to the analytical level. As Elman underlined in 1995, “the scholarly consensus views small state behaviour from a state-centric perspective in which foreign-policy outputs are a response to external constraints”, and “Changes in small state foreign policies are considered isomorphic to fluctuations in the structure of the international system and/or the degree of threat posed by the great powers” (Elman 1995: 173–175). Several accounts, indeed, have underlined the tremendous influence that structural factors exert on small states (Jervis 1978; Schweller 1992; Snyder 1991; Walt 1985). Handel, for instance, makes clear that methodologically he focused “at the level of analysis referred to by Kenneth Waltz as the ‘third image’ and by Graham Allison as the ‘rational actor’ model” (Handel 1990: 3). The third image concentrates on the primacy of the international system for determining foreign policy. The rational actor model assumes that states are unitary, purposive, value-maximising calculators. He follows by emphasising that “Domestic determinants of foreign policy are less salient in weak states. The international system leaves them less room for choice in the decision-making process” (ibid.).

Other scholars such as Elman (1995) and Hey (2003) more recently problematised this clean-cut vision by taking into account the domestic variables, providing a useful contribution to the discipline. In fact, they argue that small states’ foreign policy constitutes an opportunity to test the relevance of the domestic level, given that the

common wisdom is in favour of structural factors. In contrast to the systemic perspective proposed by scholars like Snyder, Schweller and Walt, Elman suggests that “even the most vulnerable states may display foreign policies explicable only in terms of domestic politics”. Based on a case study, Elman’s article stresses that “this is especially true for weak states which are also domestically liberal” (Elman 1995: 2). Hey (2003) builds a conceptual framework based on three levels: systemic, domestic and individual. The big question is: to what extent are small states manipulated by the world’s system and the actions of others? However, through eight case studies, the book, on balance, still attributes great importance to the system as a key explanatory factor (Hey 2003). David (1991), too, has previously given importance to the domestic level in analysing small states’ alignment, merging the internal and the external levels. David (1991), in fact, has assumed that the leaders in polities of this kind play a crucial role, being concerned with their own survival and internal stability in addition to the state’s security.

However, geographic factors such as the country’s position, its morphology and the nature of its borders with a neighbour might have a role in influencing asymmetric relations. Yet at what level can we locate geographic variables? Certainly, internal geographic and morphological features fall into the domestic category, but what about borders that determine a country’s geographic position in the system, or the position itself? Geographic features may be considered either domestic (e.g. mountainous terrain) or external to a single country (e.g. borders shared by two or more states). As a result, as noted by Williams et al. (2012), geography has been conceived as a domestic element by some (e.g. Reardon 2002) and systemic by others (e.g. Layne 1993). The next section explores how geographic variables have been treated in the small states literature and assesses the role geography can play, adding it to the debate regarding the level of analysis, as a third, middle level, between the systemic and the domestic.

2.4.1 The overlooked role of geography

In the debate between systemic and domestic theories, the potentially major explanatory factor of geography has, surprisingly, been generally overlooked. In fact, great attention has been paid to smallness in terms of size, but apart from such territorial dimensions of geography, as will be demonstrated, almost no attention has been paid to the spatial configuration of small states, i.e. their position on the map. This gap in the literature probably derives from the fact that hardly a state's position might be generalised in precise propositions. In this regard, Calder (2012) stresses that International Relations has paid little attention to geographic variables in its ambition to achieve abstraction and generalisable knowledge. Another reason pointed out by Calder (2012) is that technological progress has diminished the salience of time and space.

However, geographic position might offer important clues that could be tested through different case studies. Indeed, the position of a country, no matter how big or small it is, often in itself involves strategic aspects. In the case of Laos, the mere fact that the country is placed in a central position, making of it by default an obliged way in the massive interconnection project of Southeast Asia with China, mainly through the proposed Kunming–Singapore railway analysed in chapter 6, cannot simply be left out of an IR analysis. Moreover, this study will highlight how it is not only geopolitical features such as borders that count, but also physical geographic features such as rivers, mountains and mineral resources, which, when combined with different positions, could be of great relevance. Laos's plans to exploit its branch of the Mekong River by building dams, for instance, are achievable thanks to the country's mountainous morphology and, at the same time, are a potential source of tension because of its upstream position with respect to Vietnam and Cambodia, as will be seen in chapter 5. Daoudy offers another interesting example of how geographic position is a source of power for upstream Turkey in the management of the Euphrates and Tigris waters (Daoudy 2009). Moreover, position affects entry/exit options, which are often crucial

for states, for example as export routes or, in the worst-case scenario, and especially for a small state, a military attack by land that could culminate in invasion and domination. Consequently, the next section aims to briefly review the most important literature on geography from an international perspective before looking at how the issue of space has been handled by the scholarship about small states.

2.4.2 The role of spaces in Classical Geopolitics, Critical Geopolitics and International Relations

The Mekong River is a *gateway* to China and *connects* the region not only with northeast but also South Asia, providing *access* to the Indian and Pacific Oceans. The *geostrategic significance* of the region attracted colonial powers in the past and continues to be a factor in *major power* involvement in the region in the present. Today, a foothold in this region is seen as advantageous for a number of reasons: the region is rich in *natural resources*; it provides *access* to the huge markets of China and India; access to the region has maritime *security* and transport implications; and, last but not least, the region serves as a security belt around China. (Binh 2006: 66, emphasis added)

This piece by Nguyen Phuong Binh, then deputy director of the Institute for International Relations at the Vietnamese Ministry of Foreign Affairs, summarises three fundamental concepts that combine geography with politics, forming what is called geopolitics. First, the mere position of the Mekong River is relevant. Second, natural resources count. Third, when we add socially constructed political variables to the picture, such as sovereignty, boundaries, power and historic relations, we end up with a geopolitical conceptualisation. Before the arrival of the Europeans with their Westphalian borders, the Mekong River had always simply run through its 4,350 km towards the south-east before plunging into the sea. Now it flows through six nation states based on sovereignty on one territory (with its resources) and the resident population, but a river can hardly submit itself to a border checkpoint. All this could appear trivial, but it is at the very heart of the Geopolitics field – that suggests taking

into account the meanings of physical spaces - as well as of this research. Looking at the development of the literature, it can be clearly seen how intimate the relationship is between power and geography, looking at constructed factors together with natural ones, with the latter emerging in the early modern era as “not something already possessed by the earth but an active writing of the earth by an expanding, centralizing imperial state” (Tuathail 1996: 2). To put it simply, Classical Geopolitics, to which authors such as Sir Halford Mackinder (1904), Alfred Thayer Mahan (1918) and Karl Haushofer (1928) contributed, was more connected with the dimension of power and, since it postulated geodeterminism, which could have been used to justify foreign policy decisions such as expansionism on the basis of superior “geographic” determinants, it fell from grace after being associated with imperialism and Nazi ideology (Flint 2012). In fact, Haushofer was the founder of the German school of Geopolitics in the aftermath of World War I, and his ideas of living space, fluid frontier and just wars reached and influenced Adolf Hitler in the early 1920s through Rudolf Hess, one of his students at the University of Munich (Kakel III 2011).²⁰

In contrast, Critical Geopolitics focuses on the languages of power in its effort to problematise and contextualise “taken-for-granted assumptions” (Tuathail 1996: 23). In addition, the work of the radical French precursor of Geopolitics, Yves Lacoste, is particularly illuminating since it stresses the procedural dimension and the role of geography in foreign policy decision-making. Defining the relationship between space and time, he writes “The map is the archetypal geographic representation. It provides the basic data for the study of international relations and, even more so, of foreign policies. Yet the map is not static” (Lacoste 1984: 224). The role of geography has even been considered in international relations, although not centrally. Raymond Aron, for instance, in his *Peace and War: A Theory of International Relations*, has clearly written

²⁰ A comprehensive account of the linkages between Classical Geopolitics, power and imperialism can be found in Tuathail et. al (1998).

“According to the space they occupy, the political units have different resources, different objectives, different dreams” (Aron 1966: 97). However, International Relations accounts have often abstracted themselves from the material context, focusing on abstract structures and therefore on the systemic level. Kadercan (2015) provides an effective and succinct explanation of the reasons for the overlooking of geography in IR:

We can associate the lack of a definition in mainstream IR to the reification of the territorial state, which, partially thanks to the impacts of Kenneth Waltz’s Theory of International Politics (TIP), “became not just a political hegemon, but a conceptual one as well” ... From a territorial perspective, TIP treats the global landscape as “*homogenous empty space*” comprising *interchangeable pieces of land* where borders merely exist by definition and are rarely, if ever, scrutinized, perpetuating the reification of the Westphalian view of territory in IR ... Such reification, to be sure, is not limited to neorealism; while they are known for problematizing many assumptions or conclusions of neorealism, neither neo-institutionalism nor constructivism, nor even the English School, are immune to this conceptual and analytical trap. (Kadercan 2015: 128, emphasis added)

An interesting exception is Gleditsch (2002), who stresses the role of geography in the title of his work *All International Politics is Local*, in which he develops the concept of “political neighbourhoods” on the basis that states are not stand-alone polities but act within contexts. Another exception is represented by Grygiel (2006) who, as underlined by Kadercan, “suggests that students of international politics should move beyond the a-geographic and ‘abstract’ theoretical frameworks privileged by modern IR theorists (especially Kenneth Waltz) and reclaim the key insights offered by classical geopolitics about the role of geography” (Kadercan 2015: 133).

2.4.3 The paradoxical geographic gap in the International Relations literature on small states

What space has been granted to geographic factors in the small states literature apart from recognising – and debating – the relevance of small size in terms of power? Several studies have implicitly combined geography and small states, Kaplan's reflection on the role of geography for the Low Countries in his popular *The Revenge of Geography* being a good example (Kaplan 2013). But so far, a systematic reflection of the role of geography for small states is still missing, and this gap in the small states literature appears to be paradoxical because geographic position could be crucial for the latter, both in the case of a favourable position and in a negative context.

In fact, small states are affected by a higher degree of exposure than bigger actors and, being more exposed, they are arguably made more susceptible by their geographic position. In this regard, Womack underlines how distance is the primary factor that might “lower the salience of asymmetry in the relationship of A and B” (Womack 2016: 45). In a study on China's rise, Chung (2016) also puts distance at the top of the list of factors that cause countries to worry about China's assertiveness and rise, intensifying the security dilemma. Apart from their geographies, relative to those of other states, the combination of their internal characteristics and geographic position can contribute to making small states vulnerable:

In cases of infrastructure failure and accidents, a lack of redundancy on the one hand and of specialized response assets and expertise on the other are the default aspects of small-state vulnerability. Island states lack neighbours to bring immediate aid, but land-locked states relying on cross-border systems for energy, transport and communications are doubly at risk: their own access is hostage to others' actions, but they also suffer from the knock-on effects of neighbours' disasters. Across this whole threat/risk spectrum, it bears repeating that there is no “typical” small state profile. The problems looming largest for each nation are determined by objective factors of territory size, geography, climate and habitat; but

also by political features of the neighbourhood and larger region, the level and direction of economic development, and human and societal factors including population movements and tourism. (Bailes et al. 2014: 34)

Nonetheless, as underlined above in the IR literature on small states, geographic variables have sometimes been highlighted, yet this effort arises more extemporaneously than consciously and often in an unstructured fashion. When geography is mentioned, it is often just bypassed quickly.²¹ Vital, for instance, writes that the small state's "two most effective weapons" are "manoeuvre and exploitation of position" (Vital 1971: 298), but he is convinced that without alignment strategies these two weapons are of much less importance. Moreover, in Vital's view, size, which is the aspect that governments cannot alter except through occupation of nearby territories, is consequently crucial in determining a given state's role (Vital 1967). This is surprising since, even more so than territorial size (which, as indicated above, can be increased through occupation), geographic position is nearly impossible to change since it concerns the entire neighbourhood in which a country is located. Singer, for instance, in his classic work, focuses mainly on the roles of people in international interactions and does not address the role of physical spaces; he investigates "the nature of the ties between weak and powerful states", maintaining his focus on the "degree and kind of perceptual, communication, economic, military, and political ties"²² (Singer 1972: 5–7). East and Hermann (1974), in their efforts to build a theory of foreign policy by conceptualising eight genotypes of countries with different combinations of size, level of economic development and degree of openness, develop a remarkable set of propositions, but in relation to geography stop at the quantitative and highly general concept of size. Kassimeris, surprisingly, while underlining the great importance of the

²¹ See, for instance, Lee and Smith (2010).

²² Singer, who was writing in the last years of the Vietnam War, makes clear from the introduction that the motivation behind his research is the puzzling question of why a superpower was failing to win against the weaker Vietnam, despite deploying every instrument of power.

external environment for small powers, forgets to include any geopolitical considerations. Moreover, in his analysis, despite fully analysing the different conceptualisations of the terms small, size and power and criticising the rigidity of definitions based on size, he ends up suggesting the territorial variable be eliminated to give prominence to the procedural manifestation of power in the degree of participation in international affairs (Kassimeris 2009). Again, the position is ignored and sacrificed to the imperative of generalising. Let us recall, as an example, the case of Singapore, which in recent decades has exploited its strategic hub position, turning in 50 years from an extremely poor country into one of the foremost economies in the world in terms of GDP per capita and being repeatedly invited to high-level diplomatic tables such as the G20. Jurkynas (2014) acknowledges the necessity of taking into account the type of neighbourhood in which a small state is located to understand the security implications but omits to systematise the issue beyond the case study of the Baltic states in the Russian periphery or to indicate how geography could be conceptualised or scientifically treated.

However, despite the prevailing absence of interest in the value geographic variables might have in small states' international relations, a few authors address them in their analysis. Handel (1990) includes a section on the geographic position of "weak states" and, noteworthy, he positions it in the chapter about "*internal* sources of weakness and strength" (Handel 1990: 70–76, emphasis added). He recognises that "among the most important elements determining the international position of a weak state is its geographic location" and then underlines how "weak states" on the periphery of the system have advantages over countries "in the center of their relevant system" (Handel 1990: 71). The second important point raised by Handel concerns the strategic location of small states; for Handel, this has negative implications, and to demonstrate this proposition he cites various historical examples, from Finnish control of routes to

Leningrad that attracted Russian ambitions, to Turkey's critical position in the Bosphorous, to Egypt's control over the Suez Canal as the cause of British occupation until 1956. From these arguments, Handel concludes that geographic isolation, distance from powerful actors and non-strategic location are all advantages for small states (Handel 1990). In addition, an account that falls slightly outside the International Relations literature on small states provides two case studies, Nepal and Andorra, which, interestingly, show how the geographic position of small states can play a major role. However, both the editors and the authors fail to recognise the theoretical relevance of geographic position, because they focus on a general theory of how symmetry and asymmetry of power influence the outcomes of negotiation, and do so without individuating or underlining the role of geography. It is worth noting that both case studies, in addition, challenge Handel's conclusion that being strategically located means being in a disadvantageous position. Gyawali, examining Nepal–India relations in the water resources realm, starts by underlining how “on the one hand, landlocked Nepal, often described as India-locked, does not have much power in conventional quantitative terms. It does, however, enjoy power as the *upper riparian* nation owning the sites where storage dams can be built” (Gyawali 2000: 129–130, emphasis added). Gyawali then concludes with a very interesting framing of power asymmetry in the negotiations between India and Nepal, arguing that the two countries

present a case of negotiations under *asymmetric conditions*, in both aggregate power and issue-specific power ... the latter is understood as control over the interactional process, and Nepal, *by owning the sites* where hydroelectric plants can be built, has been endowed with *veto power*. (Gyawali 2000: 149, emphasis added)

The second case study is an analysis of the Andorra–European Community Trade Agreement negotiations between 1979 and 1987. The authors found that

The *Mitre* disposed of a *positional power* ... It concerned the capacity of the *Mitre* to lock up the process by its position within the structure. Such power does not enable one to act, but rather paralyzes the actions of others. It is a power of inertia, structurally unavoidable ... Andorra could have been reduced to nothing by its two powerful neighbors, but this was not the case. Andorra owes its millenary survival to extremely clever management given its *location*. (Faure and Klaousen 2000: 119, emphasis added)

2.5 Conclusion

This chapter carried out a review of the small states literature within IR, beginning by exploring the different notions and approaches to power, which has constituted a core element of the discipline and has led to a general overlooking of less powerful actors, which have traditionally been treated as a residual category.

Before moving on to discussing small states, the second section provided a synthesis of the different notions of power in IR, underlining the difference between power intended as capabilities – and thus coincident with the material resources possessed by a state – and a relational concept of power based on the outcome within a social interaction. It is the problems inherent in understanding a state's power as the sum of its capabilities, emerging especially from the historical discrepancies between material power and outcomes and actual influence, that have motivated the choice in this research to adopt the concept of relational power. This approach assumes that power is neither congruent across issues (a measure of overall power is then unrealistic), nor fungible (power is not liquid like money), and requires the investigation of power within specific scopes and domain.

In the light of the reflection on power contained in the first two sections, the third section summarised the key concepts relating to small states, pointing out the disagreement among scholars (even within the same paradigm or school) about which distinct characteristics define small states. It emerged that there is no shared definition

of small states, to the extent that there is even disagreement about the best way to label them (small states, weak states or small powers?). However, considering that the aim of this research is to investigate two specific interactions between two pairs of states that present a clear asymmetry in material power, the relational definition of small states provided above – “a small state is the weaker part in a bilateral relationship” – is a good fit for this thesis’s needs.

The fourth section then questioned at what level of analysis small states are (and must be) observed, showing that the literature has traditionally privileged the systemic level over the domestic. Nonetheless, the role of geography, which can be considered a third level, has so far not been systematically explored by small states scholars. In order to establish the context of the potential implications of geography for small states, the section began by summarising how space and geography have been treated by Geopolitics (Classical and Critical) and by International Relations, stressing how the latter has usually conceived states as homogenous spaces and paid scant attention to their geographic elements. However, if in the broader IR field there are instances of studies that address geography, in small states studies a substantial gap emerges in this regard, although, intuitively, the less powerful a state is, the more susceptible to the external environment (and thus to its geographic position) it will be.

The next chapter will build on the concepts, definitions and knowledge gaps that emerged from the literature review of this chapter in order to develop an analytical framework capable of exploring the relation between geography and the relational power of small states.

CHAPTER III

DEVELOPING AN ANALYTICAL FRAMEWORK TO INVESTIGATE THE IMPACT OF MULTINATIONAL TRANSBOUNDARY INFRASTRUCTURES (MTIs) ON THE RELATIONAL POWER OF SMALL STATES

Nothing tells us more about the future of geopolitics than tracing the outlines of planned infrastructure projects – Parag Khanna 2016²³

3.1 Introduction

Through the literature review in chapter 2 we have seen how small states have often been analysed as isolated and abstract entities and we have hypothesised that in the real world they could be greatly affected by their geographic position, which could challenge the validity of general propositions. Therefore, what has been identified is a paradoxical “geographic gap” in the International Relations (IR) literature on small states; however, beyond generic examples it is now necessary to investigate in much greater detail how in practice geography may impact the power position of these actors and whether it indeed becomes significant. It has in fact been noted in chapter 2 that at times small states studies have looked at the impact of geography but have failed to do so in a systematic manner. Therefore, this chapter takes stock of the unsystematic insights into the relation between geography and small states available in the literature – especially those included in Handel (1990), Gyawali (2000) and Faure and Klaousen (2000) – and provides a very specific and well-defined lens through which this relation can be studied. An initial question that can be deduced from chapter 2 is whether a central geographic position increases or reduces an asymmetric relationship. In other words: is being centrally located an advantage or a disadvantage for a small state intended as the weaker party in an asymmetric relationship?

²³ Khanna (2016: 210).

To answer this question, this chapter develops a new analytical framework based on an independent variable that so far has been neither conceptualised nor studied in International Relations: multinational transboundary infrastructures (MTIs). The research question at the core of this analytical framework is as follows: how do MTIs affect the relational power of small states?²⁴ The framework is intended to make it possible to study the relation between these two variables assuming that power is the dependent variable and MTIs form the independent one. The framework isolating the variable of MTIs will thus make it possible to observe the impact of one aspect of geography on the relational power of small states. In fact, if it should be the case that MTIs allow small states to increase their power, it follows that holding a strategic central position could also be a source of power, and not vice versa as hypothesised by Handel (1990).

This chapter will provide a systematic definition of MTIs. However, it must be underlined here that MTIs may not be relevant to all states, depending on the states' spatial configuration. In fact, MTIs are made feasible by particular configurations of geographic position and internal characteristics that determine whether it is possible to build infrastructure directly linking the country with bordering states, or with indirect cross-border effects as in the case of the Nepal–India relationship. That said, it is likely that MTIs will concern almost every country, apart from very isolated islands. However, it is easy to figure out that MTIs undoubtedly apply to all landlocked states, as excellently stressed by Parag Khanna in *Connectography*, a recent work on the intersection between connectivity and geography further discussed below, in which he wrote “Landlocked countries are prisoners of geography, and infrastructure is the only way out. But their infrastructure depends on neighbors to connect through, thus it isn't fully sovereign” (Khanna 2016: 203). This passage by Khanna is crucial because it

²⁴ Here, the terms power and small states adhere to the definitions provided in chapter 2. It is worth restating that this research adopts a relational approach to power based on Dahl's definition, as explained in chapter 2.

captures in a few words how important geography could be for small states and how crucial infrastructure could be in this respect. However, despite pointing out that the key question is “who controls and profits from it” (ibid.), Khanna’s study does not explore who exercises power through infrastructures and leaves this dilemma unanswered. The quote above is emblematic of this since it suggests that, for landlocked countries, transboundary infrastructures might represent both a resource and at the same time another potential source of dependency on their neighbours.

The framework developed in this chapter will therefore set up a clear and systematic analytical tool that will then be applied to this research’s two MTIs—relational power case studies. The first section of this chapter focuses on the independent variable, MTIs, defining them and underlining why they are a promising variable for small states studies. The second section develops the analytical framework by focusing on the dependent variable: relational power.

3.2 The independent variable: multinational transboundary infrastructures (MTIs)

3.2.1 Defining MTIs

According to the distinction made by Fung et al (2005: 409), in this thesis the term infrastructure will refer only to so-called “hard infrastructure”, i.e. physical networks such as roads, railways, pipelines and power stations, and not to “soft infrastructure” (services) such as the education system and the financial system. Having clarified the definition of infrastructure adopted by this thesis, we must formulate what exactly multinational transboundary infrastructures (MTIs) are. For our purposes a clear geographic implication is crucial since the rationale behind the concept of MTIs is to consider them a geographic variable useful in interpreting international politics and in particular the impact of geography on relational power within asymmetric relationships.

Therefore, only material infrastructure matters, since only by having a concrete territorial impact do they become geographic and potentially cross-border concretely modifying the geographies, spaces and territories in which they are built. Therefore, the material/physical criterion should not be understood as indicating the necessity of a material element external to the space (e.g. a pipeline) but might also be constituted by an intervention on the space to differently manage it (e.g. an irrigation scheme). Infrastructures might be directly transboundary when the infrastructure is located in at least two countries (e.g. a cross-border road) or indirectly transboundary in two cases. In the first case, the infrastructure could be located in a place from which it generates unequivocal transboundary effects (e.g. a dam on a transboundary river but located within the borders of a single country). In the second case, the infrastructure might in itself be non-transboundary but have accessory infrastructures in the same development plan that are directly transboundary, and which at the same time would be pointless without the main project (e.g. a cross-border power grid linked to a dam). Moreover, as it will be seen in full details below, small states, being often small economies, might need external capital to fund the construction of transboundary infrastructures. For this reason, given that the weaker side in the asymmetric relationship (the small state) in most cases might need foreign financial resources to build cross-border infrastructures, MTIs are those transboundary infrastructures also funded by foreign capital. It means that at least a section of the infrastructure is also funded by financial resources originating from public or private bodies outside the country in which the section is placed. It must be noted, however, that besides the main criterion of foreign capital, the multinational dimension might include the need for an inflow of other elements such as foreign technologies, or expertise and labour, without which the infrastructure cannot be constructed. Given these premises, we can now formulate a comprehensive definition of MTIs as *‘Directly or indirectly transboundary physical infrastructures built using also*

foreign resources'. Finally, it must be specified what kinds of infrastructure may fall into the MTI category. It can be divided into five major groups: a) transport infrastructure, such as roads, bridges, railways and tunnels (both underground and underwater); b) infrastructure for energy transport, such as pipelines and power grids; c) infrastructure for energy production, such as dams; and d) telecommunications infrastructure, such as optical fibre or submarine cables; e) other interventions that modify the space (e.g. an irrigation scheme).

However, despite the financial resources invested in projects of this kind and their political implications, and even though increasing attention is being paid to transboundary issues such as hydropower, the IR literature has so far failed to isolate them as a category. One of the rare articles that merges the two defining attributes of MTIs (cross-border scale and the presence of foreign investment) is a working paper published by the Asian Development Bank Institute (ADBI) and titled "Foreign Direct Investment in Cross-Border Infrastructure Projects" (Fung et al. 2011). However, Fung et al. fail to clearly point out that the peculiarity of such projects derives from the combined effect of geography (transboundary) and financing (multinational). Instead, they focus more on the financial dimension of these projects than on their physical, transboundary nature. It seems that, in their view, transboundary infrastructures, which often involve large projects and consequently require foreign investment, become automatically transnational–multinational. The consequence is that in five of their six case studies the focus is on regional cooperation programmes focusing on infrastructural integration and cooperation (e.g. the Black Sea Basin European Neighbourhood and Partnership Instrument (ENPI) or the Initiative for the Integration of Regional Infrastructure in South America (IIRSA)) rather than on specific physical infrastructures. By chance, the only individual physical infrastructure observed, the Nam Theun 2 Hydropower Project, is located in Laos.

3.2.2 Why are MTIs relevant?

Infrastructure is one of the main drivers of globalisation and interdependence, and at the same time an economic priority in the developing world, where the lack of infrastructure is one of the most serious obstacles to economic development. A report by the McKinsey Global Institute (MGI) estimated that 57 trillion dollars of investment in transport power, water and telecommunications infrastructure will be required between 2013 and 2030 and that the lion's share needs to be invested in developing countries (Dobbs et al. 2013). With respect to the Asian continent, in 2009 the Asian Development Bank (ADB) stressed that from 2010 to 2020 8 trillion dollars were needed in "overall national infrastructure", together with some 290 billion dollars on "specific regional infrastructure projects in transport and energy" already under construction (ADB 2009: 4). When it comes specifically to Southeast Asia, these impressive estimates remain very high, as shown in the ASEAN Investment Report that in 2015 pointed out the big infrastructure investment gap in the region, equal to some 110 billion dollars per year; to fix this, the budget allocated by ASEAN members needs to be supplemented by external and private resources (ASEAN 2015).

Therefore, the result of these two pressures – infrastructure being concurrently key to both globalisation and development – is an upsurge of multinational infrastructure projects. Mahalingam et al. (2005) clearly show how the discourses of globalisation and MTIs are intimately intertwined. They do so by explaining how the increase in overseas subsidiaries set up by multinational corporations from the developed world – and increasingly from the BRICS countries, as underlined by Gammeltoft (2008) – in sync with developing countries' increased interest in attracting foreign capital creates an environment in which

large-scale infrastructure projects involving participants and stakeholders from multiple countries are being undertaken in many parts of the developing world. To obtain an idea of the

magnitude of this trend, Engineering News Record magazine estimates that the top 25 international firms alone perform work worth \$98 billion annually. (ENR Sourcebook 2004 cited in Mahalingam et al. 2005: 1–2)

The multinationalisation of infrastructures is also brilliantly underlined by Jackson et al. (2007), who also note the potential political (and power) frictions deriving from this phenomenon:

The nation-state has historically been the single *most important “container”* for the development of infrastructure: its *most common geographic scale*, its *principal financier*, and in almost all cases the *ultimate source of its governance*. At the same time, a good deal of the power of infrastructure lies in its ability to connect *above or beyond the level of the state ...* This sets up a *potential conflict*, frequently realized, between the objectives of *national advantage* and those of *transnational connection*. (Jackson et al. 2007, emphasis added)

As the strong economic and diplomatic interest in the set-up of the China-led Asian Infrastructure Investment Bank (AIIB) testifies, there is increasing interest worldwide in enhancing the physical connectivity (to which the newly established international bank is primarily committed²⁵) within and among countries and regions. Also emblematic of the ever-increasing interest in infrastructure is the concept of “economic corridors”, first developed by the ADB in 1998 and conceived as a multimodal network of infrastructures with the function of stimulating economic development. Several cases could be brought up as examples of this trend, such as the agreement reached in April 2015 between Beijing and Islamabad to develop the China–Pakistan Economic Corridor, a broad scheme based on several development projects, from hydropower to

²⁵ The “Who we are” section of the AIIB’s website in fact begins with the following claim: “The Asian Infrastructure Investment Bank (AIIB) is a new multilateral financial institution founded to bring countries together to address the daunting infrastructure needs across Asia. By furthering interconnectivity and economic development in the region through advancements in infrastructure and other productive sectors, we can help stimulate growth and improve access to basic services”. Retrieved from <https://www.aiib.org/en/about-aiib/index.html>.

mining, that will include an integrated network of roads, railways, pipelines, ports and industrial hubs, and which will be more than 3,000 km long and worth around 46 billion dollars (Shah and Page 2015).²⁶

Such projects have an implicit strategic meaning that will be further analysed below. In this regard, Lesser et al. (2001) point out that

the development of regional infrastructure is a way to increase interdependence among states, facilitating greater political cooperation and fostering a shared stake in regional stability. Since a number of key projects need to be multinational to be efficient, investments in common networks are high-profile ways to cement ties with neighbours. (Lesser et al. 2001: 74)

This is a crucial point, since from it there derives the recognition that with respect to other kinds of international negotiation, agreements regarding MTIs, which are physical and intended to be permanent, are most probably very long term and binding. Investments in connectivity infrastructure are, in fact, different from other types of investment mainly because they require large-scale mobilisation of capital and because, being located across borders, are sensitive to domestic and foreign policy issues.

Nonetheless, we must not forget that there is always the option of interrupting a network, as happened with the Kunming–Hai Phong Railway between China and Vietnam, which was interrupted in 1979 during the Sino–Vietnamese War. Therefore, another aspect of the ties that MTIs could favour is the risk of disruption involved in any such project related both to single infrastructures and to the wider supply chains of which these infrastructures are the nodes. The risk of disruption is, for instance, reflected by restrictive regulatory frameworks, like those in the United States (Tingley et al. 2015), which are designed to limit foreign intervention in critical infrastructural projects.

²⁶ All the official information is also made available in the corridor’s official website: <http://cpec.gov.pk/>.

However, the path of multinational investment in infrastructure in emerging markets was not linear in the past, because these investments faced economic and political obstacles. Lesser et al. (2001) also specify that efforts to rebuild the infrastructure in south-eastern Europe

will, over time, enhance stability in the region, but specific infrastructure plans are often motivated by distinct, even competitive, rationales. Some actors seek to enhance their geopolitical weight by promoting projects, as in the case of some planned transportation arteries or pipelines. (Lesser et al. 2001: 73)

As a matter of fact, a disparity in the cost–benefit distribution among different countries and actors “may arise due to differences in geography, economic size, institutional history and capacity” (Fujimura 2004: 2). For instance, the European Union focused on balancing infrastructure development with the needs of peripheral regions in order to avoid the risk of stimulating asymmetric gains and increasing disparities. In Brunner’s words,

the EU did not want to embark on an early infrastructure and connectivity investment program without developing the capacities of the lagging regions at the same time ... Peripheral regions need integration into larger networks and production chains to become economically viable. (Brunner 2013: 13)

Similar concerns are raised by the ambitious Chinese One Belt, One Road (OBOR) policy – thoroughly examined in chapter 6 – and policymakers, analysts and scholars around the world are struggling to understand its very nature, and whether is it inclusive or in fact China-centric (Arase 2015b), and all the opportunities and challenges it involves.

3.2.3 Strategic, political and economic implications of MTIs

This section briefly sketches the economic, political and strategic value of MTI projects. It is obvious that these three dimensions would often overlap, considering their international nature, but it seems useful, before proceeding to address the analytical implications, rationale and purposes of an MTI framework for studying power, to point out what their empirical meanings could be.

First of all, economically MTIs could present a myriad of complex issues to be addressed by the countries involved. For instance, the project could necessitate a loan from a foreign bank, resulting in financial exposure for the borrowing country. The hosting country may lack the necessary labour to carry out the construction work for the infrastructure as well as for operating and maintaining it once built and find itself forced to rely on large numbers of foreign workers. In addition, this kind of investment is often framed in Build–Operate–Transfer (BOT) or Build–Own–Operate–Transfer (BOOT) agreement schemes, resulting in the possibility of a long-term concession to foreign actors. Such a concession would probably include the land on which the infrastructure is to be built and therefore straddle the borders between the economic and political spheres.

Second, for these reasons, and thanks to their scale and temporal horizon, MTIs require a significant amount of political commitment. Khanna (2016) argued that

connective infrastructures across sovereign borders acquire special properties, a life of their own, something more than just being a highway or a power line. They become common utilities that are co-governed across boundaries. Such connective infrastructures thus have their own essence, a legitimacy that derives from having been jointly approved and built that makes them *more physically real than law or diplomacy*. (Khanna 2016: 17, emphasis added)

In fact, such long-term projects require numerous coordinated efforts from the multiple actors involved at the various levels. Internally, this means balancing between different

interests and stakeholders and manage the unequal benefits for different regions or interest groups in the country (Fung et al. 2011). Externally, among other issues, there is the crucial need for multilateral coordination (e.g. managing transit rights), which is made extremely complex by the duration and complexity of MTIs and because the different phases of the projects (negotiation, planning, construction, operation, transfer, management) involve several decision-making levels. Moreover, this complexity implies a high degree of uncertainty; therefore, the bilateral and multilateral relationships among the states involved play a crucial role, and even if an MTI touches only two countries it is often contextualised in a power play that includes the broader regional or sub-regional environment. All these elements, thus, influence governments' decisions when selecting from competing proposals for huge infrastructure projects, which usually leads to choices that are informed by parameters beyond mere financial ones (Chan 2016).

Finally, at the strategic level MTIs have great impact since they represent a case of transnationalisation or even outsourcing (at least temporarily, as in the case of a BOOT agreement) of an asset that is always considered strategic per se. Transport routes, telecommunications or energy facilities that provide vital services to the country are usually considered as strategic national assets. That said, it follows that foreign investment in strategic national infrastructure by definition will become a strategic and high-level issue both for the recipient country and for the investor, which faces the expropriation risk. Moreover, the transboundary dimension of MTIs has strong implications for the relationships between neighbours; as Jackson emphasises, sometimes

the disconnect or decoupling is consciously and *strategically* pursued, often for reasons of national security (e.g. the varying rail gauges of Europe, designed in part to thwart the advance of potential enemy armies) or economic advantage (e.g. the enduring division between North American (NTSC),

pan-European (PAL), and French (SECAM) colour television standards). (Jackson et al. 2007, emphasis added)

If the investment (the multinational dimension) comes from the country whose border is crossed by the MTI project, the infrastructure in such cases could have even greater strategic meaning and implications. Two other critical strategic factors must not be forgotten. First, such costly projects need to be protected and this interest will be international by definition. The coup d'état carried out by Bozizè in 2003 in the Central African Republic, with support from Chad's president, Idriss Deby Itno, in order to secure the pipeline from Chad to Cameroon is a good example of this (International Business Publications 2007). Second, MTIs might also become a tool of aggression as has been the case with the Ataturk Dam on the Euphrates, which was closed by Turkey to damage the Islamic State (Yaakov 2014).

To conclude, it must be clarified that this research does not try to establish the role of MTIs (or connective infrastructure more generally) in relation to war, peace or conflict, nor in relation to how these infrastructures shape the global order. The scope of this thesis is much narrower and precisely consists in looking at the effect of MTIs on the relational power of small states through two MTI cases in Laos and based on the recognition of the relevance of geography pinpointed in the previous chapter. Therefore, the sections above had the function of defining the independent variable of the analytical framework – MTIs – and introducing their constitutive elements and their implications. The following sections will therefore focus on the development of the framework linking MTIs to relational power, the dependent variable.

3.3 The dependent variable: relational power

3.3.1 The rationale behind the framework

The rationale behind the development of an analytical framework to investigate the relational power of small states using MTIs as the independent variable rests on the assumption that we are witnessing a rapid, simultaneous increase in three phenomena: a) the rise in the number of states – and consequently also of small states – worldwide, provoked by the fall of empires, decolonisation and fragmentation²⁷ (in the immediate aftermath of WWII in 1945, there were only 74 sovereign states (Alesina and Spolaore 2005), compared to the current 193 members of the United Nations²⁸); b) uninterrupted growth of globalisation and interdependence; and c) an increase in investment in infrastructure, especially in the developing world, and the likelihood of significant investments in the coming decades to fill the development gap, as detailed above.

Therefore, MTIs can at the same time be seen internationally as a product of globalisation and interdependence and domestically as a tool of development for the least developed and developing states, which in many cases also fall into the category of small states. They can also be seen as a type of project likely to experience rapid growth in the coming decades, not only for these two reasons, but also because the more politically fragmented the world becomes, thus increasing the number of sovereign states, the higher the likelihood of cross-country infrastructure, for the simple reason that there will be more kilometres of international borders to be crossed by future MTIs. For small states, therefore, the relevance of the MTIs independent variable rests on the following three points:

- Small states are often also smaller economies in terms of GDP, and for this reason they are more likely to need foreign investment to develop their

²⁷ At the time of submission of this thesis, the headlines were dominated by the independence referendums in Catalonia and in Iraqi Kurdistan, while speculations persisted in relation to the possible future independence of Scotland and Northern Ireland.

²⁸ The list can be consulted on the United Nations' website <http://www.un.org/en/member-states/>.

infrastructure. Moreover, since their economies are often smaller than those of neighbouring countries it seems fair to argue that small states might need a greater number of MTIs in proportion to their economic size because, besides meeting their own needs, such projects could also be used by neighbouring countries for their own purposes (e.g. export-oriented production of energy).

- Small states are often perceived as posing no danger to other states, yet this supposes that they cannot actively threaten more powerful states. But what if they could cause problems by preventing a more powerful state from doing something it would have otherwise done (for instance, precluding the interconnection of two big powers that need to use the small state's territory)? The outcome could be a turn in Dahl's definition of relational power, which could be reformulated as 'A has power over B to the extent that he can get B NOT to do something that B would otherwise do'.²⁹ In this way, small states could exercise a power of inertia.
- Although it has been acknowledged that, thanks to the increasing global interdependence and interconnection already underlined, MTIs also hold a high strategic value for powerful states, it seems fair to estimate that the value such projects could have for smaller states is far greater, because of their higher susceptibility to geography (underlined in chapter 2) and to financial exposure. Moreover, and equally importantly, from a relational perspective it can be argued that a given MTI project could be of great relevance for B (the bigger state), but A's government (the smaller state) would probably emphasise and prioritise it proportionally more, since compared to B it probably has fewer MTI projects to evaluate, build or oppose. Therefore, besides the overall

²⁹ This phrase is the author's reformulation of the quoted classic work by Dahl (1957: 202-203).

asymmetry of power between A and B, an MTI, even within the limited scope of a single project, is likely to be far more important for the smaller state.

3.3.2 Making the analytical framework operational

Chapter 2 has highlighted the difference between the two main approaches to power in international relations: on one hand, power-as-capabilities, and on the other hand, the relational conceptualisation of power proper to the Weberian tradition and systematised by Dahl (1957) and other scholars including Holsti (1964), Zartman (1997) and Baldwin (1989; 2013). This research, as already stressed, looks at power as the dependent variable, and therefore it needs a framework that does not try to individuate what means of power a small state might use (hard, soft, etc.) when it comes to negotiating MTIs. Rather, given that MTIs are the origin of the observed impact on relational power, the framework must accommodate the needs of a relational power analysis limited to a certain scope (i.e. the sector of the MTI in question, for instance road or transport development) and with respect to a specific domain (i.e. a specific bilateral relationship). In so doing, despite being limited to a specific scope (MTIs), this framework aims to take up the challenge raised by scholars like Baldwin (2013) to further explore research avenues using power as the dependent variable, which is often neglected because of the focus on capabilities.

The original framework developed below builds on the theoretical, analytical and methodological intuitions contained in Hagström's (2005) study on Japan's China policy³⁰, which was the first attempt to carry out a theoretically and methodologically rigorous relational power analysis. This thesis combines Hagström's approach with a recent framework of influence developed by Goh (2016) and applied in a collective volume addressing China's actual influence in developing Asia. Both studies sit well with the needs of this approach. First, Hagström (2005), despite avoiding treating power

³⁰ The study focuses on the negotiations about bilateral investment protection and about the disputed Pinnacle (*Senkaku* or *Diaoyu*) Islands.

as the independent variable, recognises that “if power is defined as certain outcomes in the relationship between A and B, it would certainly be ‘a dubious analytical exercise’ to use ‘power to explain those outcomes’” (Wohlforth 1993: 4, cf. Waltz 1979: 175, quoted in Hagström 2005: 399). He considers “the exercise of power to be the only relevant context of the power context” (ibid.). Second, Goh (2016)’s study offers a well-developed framework on which it is possible to draw for different reasons. For one, although it is called an “influence framework”, Goh’s research purpose is coherent with a relational power analysis as it tries to understand China’s “actual power” looking at how (and how effectively) it attains its goals. Goh’s definition of influence as actual effect overlaps with the concept of relational power applied in this research. As Womack points out in his review of Goh’s work, “while for some authors ‘power’ implies the capability to compel and ‘influence’ implies softer forms of prevailing, for Goh, ‘influence’ covers the full range of the efficacy of power on the behavior of others” (Womack 2016). Nevertheless, Goh builds the influence framework from the perspective of China, i.e. of the supposed influence-wielder, the agent, whose actions are investigated in order to see how effectively power (capabilities) is translated into “actual influence” in interactions with the target of such influence. However, since negotiations about an MTI project between a small state and a more powerful actor might transcend the intentionality of exercising power/influence, and might at the same time originate from both the former and the latter, for our purposes the distinction between relational power and actual influence is of no relevance.

This framework is intended to be applicable to every asymmetric bilateral relationship – even if extremely asymmetric, as in the case of China and Laos – to see through the empirical observation of a specific scope (MTIs) how the asymmetry of absolute power (capabilities) works in practice and what concrete effects can be seen, both for the small and for the powerful, in their social encounter of negotiating an MTI. The only

difference, thus, is location of the agency, since here the objective is to test, not the actual influence of a powerful actor, as in Goh's study on China, but the actual change in relational power within an asymmetric bilateral relationship during negotiations on one or more MTIs. Therefore, thanks to the consistency between Goh and the approach of this research, the elements contained in Goh's framework fit well the needs of a relational power analysis in which power is used as the dependent variable. Given this premise, combining the works by Hagström (2005) and Goh (2016) with the relational power approach an analytical framework with relational power as the dependent variable can now be formulated in its operational components which consist in the following four analytical tasks.

- 1) Assessment of preferences

The first task that the investigator must carry out is an analysis of the preferences of A and B about the independent variable, i.e. the selected MTI. In fact, as power is not conceived as a possession but instead as a relation, as pointed out by Guzzini (2010), it is impossible to study power without knowing the relative importance given by the actors to the different options. The clearest case, in fact, is represented by a situation in which there is a strong and explicit divergence between the preferences of the two actors. In this case, *ceteris paribus*, it would be enough to link the outcome with the extant preferences to see which state has been more successful in the MTI interaction. In contrast, a situation of perfect convergence might well end up in a win-win scenario in which identifying an exercise of power observing the initial preferences might be challenging. However, in reality preferences could arguably be much more complicated and multi-levelled, encompassing all kinds of approaches to power present in the IR literature, spanning from situations of conflict in which preferences diverge, to forms of soft power in cases of converging interests that produce contexts of co-optation and consent, and, in the middle, the exercise of indirect power, for instance by agenda

setting (Goh 2016). In fact, even when general preferences are aligned, disagreement can easily arise over the details of specific facets of the negotiations, such as the speed at which one state complies with the other's requests (Zartman 1997).

If negotiations about a potential MTI begin, it automatically means that at least one of the countries involved has an interest in building it. Therefore, MTIs constitute a scope in which there cannot be a preference vacuum. However, MTIs might be originally planned in countries external to an A–B pair of countries investigated, and thus reflect interests that originated elsewhere (think of an intercontinental pipeline that at some point crosses two states that share an asymmetric relationship such as the Trans-Anatolian Natural Gas Pipeline (TANAP) that on its way from Azerbaijan to Europe crosses the Georgia-Turkey border). For this reason, it might well happen that within a bilateral negotiation process on MTIs, external states have a direct stake and thus participate indirectly in the negotiations, pursuing their own interests. Therefore, in the process of reconstructing A's and B's preferences, it is essential to examine the role of the wider geopolitical context and how it interact with the MTI negotiations.

To conclude, it must be underlined that this research takes preferences as autonomous, coherently with the assumption of rationality implied in the rational actor model and the conception of states as unitary and purposeful entities, as described in chapter 1. It shares Goh's and Hagström's rationalist approach, who underlines how, "in the end, interests' analysis thus focuses on express wants, preferences and choices (as revealed through political participation), and on signs of B's grievances, opposition or veto towards A" (Hagström 2005: 402–403).

2) Conditions of power

Once A's and B's preferences have been assessed, the second step of the relational power analysis is verifying that the empirical analysis can trace the presence of two conditions that are constitutive components of a relational power relations: a) causality

– causal relation between A and B through the MTI needs to be traceable in order to prove the presence of relational power in which an actor cause another actor “behave in a manner in which [it] otherwise would not have done” Goh (2016: 7); and b) goal attainment – the outcomes must be consistent with A’s and/or B’s preferences for the observed MTI.

3) Forms of power

Second, after having assessed A’s and B’s preferences, and once evidence of the presence of a power relation is also found, it needs to be understood how this power is exercised, and through what tools. Power can in fact be exercised through a) hard forms of power such as coercion – forcing the other actor to accept/stop the MTI and signalling the consequences if it does not comply; and b) soft forms of power such as persuasion (offering a reward) or inducement (convincing the other that the MTI is in its own interest). These tools, borrowed and adapted from Goh, represent a complementary analytical step. In fact, if the empirical analysis does not show signs of either of these forms of power it would be difficult to conclude that the relation between A and B in the MTI negotiations is indeed a power relation.

4) Outcomes

The fourth and last analytical task to strengthen the results of the analysis is to provide an assessment of the balance of absolute gains and costs, since for a small state they are far more relevant than relative ones. In fact, small states can hardly represent an existential threat to more powerful countries. So the non-competitive nature of the relationship is what makes only absolute gains important (Baillie 1998). In addition, costs are also relevant in assessing relational power (Baldwin 2013). The impact on relational power, however, is assessable only in qualitative terms since it is hard to quantify the value and the increments of power (Zartman 1997).

3.3.3 What is the expected impact of MTIs on power?

It appears very difficult to predict what the impact of MTIs on power might be without a systematic study to support the question. Signals could in fact lead to opposing scenarios, as shown by the examples provided by Handel (1990) and Gyawali (2000) mentioned in the previous chapter. If we think, for example, of technology, we could intuitively challenge the thesis developed by Vital and Rothstein who believe “that advancing technology has reduced the relative military power of small states” (Keohane 1969: 298). However, if technology is brought in by big states to build an MTI that is in their own interest, but in the small state’s territory, it might also create advantages for the small state and thus making the effect of technology double-edged. Conversely, as Johnson and Derrick (2012) highlight in their study on the geopolitics of energy infrastructure in Eurasia, if a place is simply bypassed by an infrastructure, this may act against the interest of the hosting countries because states “such as Poland, Ukraine, Belarus, etc., have interests, and these interests do not necessarily align with economic considerations that cause companies to build infrastructure projects such as Nord Stream” (Johnson and Derrick 2012: 484–485). They recognise that infrastructures such as gas pipelines are “embedded in the territories through which they pass – subject to what might be termed political geographic frictions that can interrupt the provision of the service or commodity to its intended consumers”, but they also stress that pipelines “can also be nearly disembedded from their territorial contexts” (ibid.). As this reasoning seems to suggest, small states may face negative externalities of MTI projects that benefit mainly remote and bigger countries. On the other hand, if we think, for instance, of Switzerland or Singapore, we might assume that a small state with few internal resources could take advantage of favourable geographic and external systemic conditions arising from being strategically located at the heart of a continent or of sea routes.

Finally, indications of the potential impact of MTIs can also be found within the rich literature on natural resources that, sharing an intimate relationship with geography, are assets potentially important for small states. This might be valid especially if small states are able to display a network of MTIs that facilitates, for instance, energy exports.

In fact, as Hadfield has clearly pointed out, energy has the

ability to dramatically transform the fortunes of states ... Energy resources are inherently territorialized, meaning that they constitute the very material of a country giving greater definition to both the physical contours and political boundaries of a state. In addition, the revenue raised by the sale of energy exports usually outweighs that of any other national industry ... Natural resources are capable of providing states with internal order and external influence, and thus are a source of relative power. (Hadfield 2008: 442)

Hadfield's reference to the effect on power of natural resources suggests that is crucial also to observe the impact of the network through which small states can mobilise such resources, which in the case of gas is likely to be a *multinational transboundary* pipeline such as the above mentioned Trans-Anatolian Natural Gas Pipeline (TANAP) that will allow Azerbaijan to export its gas to Europe.

3.4 Conclusion

Through the perspective proposed in this framework, it will be possible to see in the MTI case studies whether or not MTIs can be a source of power in a small state such as Laos or whether, by contrast, they constitute just another tool of influence in the hands of more powerful actors. In general terms, it has been argued that MTIs might be transformative of their strategic, political and economic implications, compared to the limited resources of a small state. The two MTI cases of Laos will provide a concrete example of this argument since their combined value is close to a year of national GDP. By adapting Khanna's (2016: 17–18) metaphor, it will be possible to see whether David or Goliath gains more from connectivity within an asymmetric relationship and whether

MTIs serve Goliath's purpose of increasing its power projection and leverage or, on the other hand, provide David with a tool for balancing the asymmetry. In fact, the case studies presented in chapters 5 and 6, analysed by applying this analytical framework, will provide answers to the question of which is more successful in achieving its preferences in two particular cases of connectivity through MTIs.

Moreover, this path is worth the effort given the complete overlooking of MTIs in the literature and given that this attempt could stimulate a greater awareness of geographic attributes in scholars focused on small states. To some extent, the overlooking of this variable could also partly explain the lack of literature on small states since, as Neumann and Gstöhl (2004) argue,

The idea seems to hold sway that, regardless of its theoretical worth, at least writings on great-power politics have a certain inherent interest due to the importance of the subject, whereas writings on small states do not. In empirical terms, the study of small states may only be apposite if small states have pertinence for outcomes. (Neumann and Gstöhl 2004: 19)

So, if small states have "pertinence" for vital multinational and multi-billion infrastructures that are going to last for decades, they might become ever more relevant for International Relations research. In fact, the discipline of International Relations could benefit from a structured analytical framework of what could fairly be considered the nervous system of the world. It has been stressed that MTIs have plenty of political implications, since they are crucial for linking countries, regions and borders for long periods, if not permanently, as well as being prompted by a range of motives and having various economic effects, thanks to the average magnitude of such projects. Discussing integration and infrastructure in Latin America, Tanzi (2005) clearly implicitly relates the process of economic integration to the need for MTIs, underlining how

In the past, autarchic economic policies created conditions that forced markets to develop prevalently within national borders. For most products, services, and activities, the market and the country were often the same thing ... Thus, little *cross-country infrastructure* was built. For this reason trade among Latin America countries developed much less than it could have developed and certainly less than trade between these countries and the rest of the world. (Tanzi 2005: 5, emphasis added)

In a world shaped by globalisation, combined with the increasing segmentation of political sovereignty mentioned above, cross-border flows of people, commodities, energy, manufactured goods and information will experience tremendous growth. Therefore, going along with the themes introduced in chapter 2, it appears to be inconceivable to analyse international politics while paying little or no attention to geographic variables, and in this regard this research tries to fill this theoretical gap, applying the MTIs–relational power analytical framework developed here to the negotiations on two large and crucial MTIs in the context of the asymmetric relations between Laos, on one side, and Vietnam and China, on the other.

CHAPTER IV

METHODOLOGY

*Even with his four legs the animal slips;
even with all his knowledge the scholar
makes mistakes – Lao proverb³¹*

4.1 Introduction

It has already been stressed in the previous chapters that this research is a case study. It in fact respects the principal criterion of “one among others”, which is essential to any case study (Stake 1995: 2). Moreover, this research does not aim to build a comparison between similar processes in different contexts, as in cross-case studies; therefore, it constitutes a within-case analysis. As outlined in the previous chapters, the main purpose of this study is to observe the impact of multinational transboundary infrastructures (MTIs) on the relational power of small states through a case study of Laos. To this end, two MTI projects have been selected for the reasons presented in chapter 1: the Xayaburi dam and the Boten–Vientiane high-speed railway. These two MTIs have been selected as a result of the observation of surprising and counter-intuitive facts within the interactions over the two projects between Laos, on one side, and Vietnam and China, on the other. The two MTIs were therefore used as case studies in this research being the most relevant such projects in the country from an international relations point of view as a result of their magnitude; the fact that they involve Laos’s two most important neighbours and partners and their key interests (connectivity for China and water security for Vietnam); and the regional scope of both projects. Given that this research represents the first attempt to use MTIs as the independent variable, on one hand it cannot deductively apply already well-developed theories (theory-confirming), and, on the other hand, it does not seek to establish

³¹ Cited in Dakin (2003: 89).

regularities and to find out laws inductively (theory-building). That does not mean, however, that this thesis rejects a scientific approach pursuing a typology of case study defined as atheoretical by Lijphart (1971) and configurative-ideographic by Eckstein (1975). Instead of testing theories that are already available in order to understand whether the case study of Laos confirms or contradicts those theories, this research aims to generate new hypotheses (Lijphart 2007) that, if tested through further studies, might lead to new theories. In view of the lack of previous research and of the fact that this thesis is a within-case study, it follows that a reconstructive approach best fits the research needs. As suggested by Della Porta and Keating (2008), immersing oneself “in the situation to be studied, to empathize with the population and see things from their perspective”, is the only way the researcher can explore highly sensitive political issues (Della Porta and Keating 2008: 31). Nonetheless, to some extent it is evident that “even the most comprehensive description done by the best cultural interpreters with the most detailed contextual understanding will drastically simplify, reify and reduce the reality that has been observed”, and by using the lens of analysis of the MTIs–relational power analytical framework this study will “avoid being overwhelmed by the massive cacophony of potential and actual observations about the world” (King et al. 1994: 43–46).

It must also be underlined that the selection of Laos for a case study of how MTIs might affect the power of small states does not derive from the assumption that Laos is “typical of a category”, but from what Laos “tells us about complex social processes” (Della Porta and Keating 2008: 28). The rationale, in other words, is that the chosen within-case study might generate new hypotheses that further research might test (Lijphart 2007). In fact, this case study aims to provide insights that could lead to further research on the role of MTIs, even in a more deductive perspective. In this way, it would be possible to “acknowledge and uncover its specific meaning while extracting

generalisable knowledge actually or potentially related to other cases” (Vennesson 2008: 226). That is to say, while this thesis does not have a theory-building nature, it aims to formulate new hypotheses and, in so doing, stimulate the theoretical debate around power, asymmetric relationships, small states, connectivity and infrastructures in the field of International Relations. Moreover, the goal of obtaining data that can be replicated and compared is coherent with an analytical framework that adopts defined variables instead of providing mere description of the phenomena.

Translated into operational terms, a reconstructive methodology requires methods and techniques to gain in-depth knowledge and in so doing penetrate the structure to highlight actors, spaces and processes – in this case, those that compose the issues of the two MTIs studied in this thesis. The next section will highlight how the method of process tracing, combined with elite interviews, meets the specific needs of the research.

4.2 Applying process tracing and qualitative elite interviews to the case study

Since the focus here is not a crystallised event but rather, and especially as far as the Boten–Vientiane railway is concerned, ongoing processes influenced by several actors and interests, process tracing, “a research procedure intended to explore the processes by which initial conditions are translated into outcomes” (Vennesson 2008: 224), fits the needs of this research. Moreover, besides exploring causal mechanisms, process tracing also provides a tool to analyse complex decision-making (Tansey 2007: 765). In fact, process tracing means looking “at the observable implications of putative causal mechanisms in operation in a case ... The goal is to establish which of several possible explanations is consistent with an uninterrupted chain of evidence from hypothesized cause to observed effect” (Sprinz and Wolinsky-Nahmias 2004: 22). Using this methodology, for instance, it might be noticed that the actions and interests of a specific actor, which at first glance are overlooked, are of great importance. In this way, using

process tracing in this research can shed light on misunderstood drivers that in generic and shallow analysis could be ignored or wrongly associated with the MTI issue. Yet, if process tracing is used as a logical strategy to follow causes and effects, it needs to draw on a comprehensive knowledge of the subject, which can be achieved only through intensive analysis, reconstruction and description. The necessity of a wide evidence base is stressed by Bennett, with particular concern for politics, since “participating actors have strong instrumental or ideational reasons for hiding or misrepresenting information about their behaviour or motives” (Bennett 2010: 211).

In addition, process tracing is consistent with the purposes of the analytical framework developed in chapter 3 because it allows possible causes to be linked with observed outcomes and can be used to generate new theories (Vennesson 2008). Importantly, with particular regard to studying relational power, both Hagström (2005) and Goh (2016), i.e. the two scholars on whose work the analytical framework proposed in chapter 3 draws most significantly, stress that a reconstructive methodological approach “consisting in process-tracing, interest and intentional modes of analyses” (Hagström 2005: 401) meets the needs of a relational power analysis. Goh proceeds along similar lines, emphasising that “modes of influence cannot remain a matter of conceptual definition and deduction; they must be applied to and further refined through empirical observation and process-tracing” (Goh 2016: 15). Process tracing represents a flexible tool in the hands of a researcher involved in a very focused project who needs to approach the observed subject of investigation without rigid preformed hypotheses in mind; however, it is different from descriptive case studies for three main reasons: a) it is much more focused; b) it is structured through an analytical framework; and c) it follows a causal path. As Vennesson points out, “process tracing based on intensive, open-ended interviewing, participant observation and document analysis helps to understand the meaning and role of established regularities and can help to suggest

ways to uncover previously unknown relations between factors” (Vennesson 2008: 234).

Given the particular context of Laos and the scarcity of documents related to the diplomatic dimension of the two MTIs to be collected and analysed, the most feasible way to generate evidence was carrying out open-ended semi-structured elite interviews, a powerful method capable of feeding process tracing’s requirements. Because the actors directly involved in the negotiation, development and planning of the Xayaburi dam and the Boten–Vientiane high-speed railway (as well as the observers and experts) are well defined, this research opted for the method of elite interviews, a suitable tool considering that the within-case study helps to “identify key political actors – those who have had the most involvement with the processes of interest” (Tansey 2007: 765). Among the purposes of elite interviewing, those most appropriate to this research are reconstruction of events; adding new information to documentary evidence; and corroborating findings from other sources to increase their reliability. In the particular case of Laos’s elite, considering the lack of literature both in Lao³² and in English (especially on issues related to the country’s foreign policy, as underlined in chapter 1, and more broadly involving international politics) and its one-party political system, in which the flow of information is strongly controlled, elite interviews were the only way to “shed light on the hidden elements of political action that are not clear from an analysis of political outcomes or other primary sources” (Tansey 2007: 767).

As a consequence of the targeted elite sample and of the sensitivity of the issues to be discussed, semi-structured face-to-face qualitative interviews were deemed the best technique, given the need to guarantee confidentiality to the interviewees, the cultural differences between the researcher and the researched context and the preference of members of the elite to express their opinions without pre-formulated, closed options

³² Since the author does not speak Lao, in order to research material published only in Lao, the assistance of Lao-speaking contacts, especially colleagues at the Faculty of Law and Political Science at the National University of Laos, was necessary.

(Harvey 2011). Moreover, in respect of surveys, semi-structured interviews have the advantage of granting a high degree of flexibility and the possibility of adjusting the questions to a specific interviewee's personal and professional background. As Hensengerth points out,

in foreign policy research quantitative interviewing would not yield usable results, since the viewpoint of the respective expert depends a lot on his or her personal and professional background ... It is therefore indispensable to be not only personally present at the interview, but it is essential to observe how the interviewee reacts to questions (body language), how he or she formulates answers, and if the interviewee gives only implicit answers. (Hensengerth 2006: 32)

Given the need for flexibility, the need to rapidly create a positive relationship and a comfortable environment for conversation and for building trust with the interviewee (at least to some degree), and the need to achieve in-depth conversation in which all potential nuances and signs are intercepted, it was decided to conduct all interviews face to face and on an individual basis. These were the factors that motivated the research design before the data collection stage conducted during the fieldwork in Laos, but ex post it was clear that it was an unavoidable method since, as can be seen in the table below, only 2 out of 48 interviewees agreed to having the conversation recorded, which meant that telephone or email interviews would have been almost impossible and, even in the best-case scenario, would have yielded very little information given the desire of the vast majority of the sample to avoid any formal record of the conversation. Besides working around this aversion to being recorded, as Harvey emphasises, carrying out interviews in person greatly facilitates the building of trust between the researcher and the interviewee, which is crucial in order to obtain valuable information (Harvey 2011).

4.3 Data collection and analysis

Once the most suitable research method had been selected, at the beginning of the second year of the PhD programme the planning phase for the data collection and analysis could begin. These two activities constituted an iterative and inextricably interconnected process because of the ongoing nature of the negotiations around the two selected MTIs. In order to trace the two negotiation processes and individuate and evaluate the key components of the MTIs–relational power analytical framework, it was necessary to understand a) the actors' preferences; b) the presence of the conditions of a power relation; c) the forms taken by this relation; and d) the outcomes emerging from this relation. Therefore, the research developed into four main data collection and analysis phases to achieve these goals.

First, a preliminary collection and analysis of the available primary and secondary data was carried out. The priority tasks before starting the interviews during the fieldwork in Laos, planned for the second part of the second year, were a) collecting and analysing all primary and secondary sources related to the two MTIs available in English; b) becoming familiar with the stakeholders involved in the two MTI negotiations in order to select the first group of potential interviewees from which to begin the snowball sampling process, which is the best strategy for elite interviews, as explained below; and c) compiling a set of guiding questions for each of the two MTIs in order to make the most of the semi-structured qualitative interviews and obtain the data necessary to feed the analytical framework. The documents that were collected and analysed in order to get as many primary data as possible included the following: government documents that could be retrieved from specialised databases (e.g. www.laofab.org) or from institutional websites, press releases, transcripts of public speeches by policymakers, documents of international organisations, both governmental and non-governmental (e.g. the Mekong River Commission), policy briefs, legislative documents, and official

publications available on institutional websites. Besides primary sources, all the books, scholarly articles and newspaper articles on the two MTIs available in English were collected and analysed. Moreover, the author obtained access to the *Vientiane Times* archives starting from 2012. Despite being a newspaper, and thus providing secondary data, given the political context the *Vientiane Times* – the leading Laos daily newspaper published in English – can be closely associated with the GoL and thus represents to some extent a middle ground between primary and secondary sources. Second, after completion of the activities of the first phase of data collection and analysis listed above, a three-month period of fieldwork was carried out in Laos at the Faculty of Law and Political Science at the National University of Laos in Vientiane, where the author was hosted as a visiting researcher from 3rd March 2015 to 9th June 2015, during which period 47 (out of 48) semi-structured elite interviews were conducted. The strategies, achievements and analysis of the interviewing process will be fully described and discussed in the next section, but here two things must be stressed: a) the data obtained from the interviewees proved to be necessary to make sense of the confusing (and scarce) openly accessible information on the two MTIs (especially with regard to the railway case), and it thus became the core component for the findings of this research, as the two next chapters demonstrate; and b) the interviews were also crucial to discovering primary and secondary data overlooked during the first phase and also, most importantly, to adding to the data available in English some key sources in the Lao language, accessed and translated thanks to the cooperation of colleagues at the host institution, the Faculty of Law and Political Science at the National University of Laos. The third phase consisted of the transcription of the interviews from the notes and audio records, followed by the analysis of the transcripts through manual codification of the themes, which were then grouped into key categories. It was decided to carry out the data analysis without using electronic software such as NVivo because the data were

already focused and because the analytical framework led the selection and analysis of the results emerging from the textual data. Once the key themes and categories were individuated, they were triangulated with preliminary collected data and with the other data that emerged from the interviews in order to verify the information provided by individual interviewees. In order to do this, the author looked at single pieces of the transcripts and triangulated all relevant information without looking at which interviewees provided it in order to avoid being influenced by personal feelings. The re-association of the data with the interviewees quoted in the next two findings chapters happened only after the conclusion of the triangulation phase. Moreover, to avoid including misleading, speculative or non-verifiable data in the findings, information that was not confirmed in the triangulation process was discarded unless it appeared to be very structured and motivated by the interviewee, with richness of detail, or unless the author regarded the informant as extremely credible and knowledgeable about a specific issue that could not be confirmed by other primary or secondary sources or by any other informants. The fourth, and last, phase of the data collection and analysis research process took place contemporaneously with the beginning and the continuation of the writing-up stage. In fact, as one of the two MTIs, the Boten–Vientiane high-speed railway, was still under negotiation at the end of the fieldwork in Laos in June 2015, it was considered necessary to continue updating the data throughout the data analysis and the writing-up period until almost the very end of the PhD programme. This was achievable thanks to the wide network of contacts developed in Vientiane, which allowed the author to quickly gain reliable information on the high-speed railway by following up with colleagues at NUOL and some of the interviewees in a fast and cost-effective manner (in most cases, in fact, the follow-ups took place in the forms of telephone and Skype calls or email, Facebook and WhatsApp messages). This allowed the author to follow the development of the Boten-Vientiane railway project that

occurred from the end of 2015 (six months after the end of the fieldwork in Laos) to the beginning of construction, which constituted the end of the negotiation, at the end of 2016. The excerpts taken from the answers to these additional follow-up questions are cited as personal communications.

The following section will focus on the second phase of the research, the interviews, which were the decisive source of information necessary to understand the negotiations of the two selected MTIs, as will be seen in chapters 5 and 6. The process and achievements of the research strategy described above, in which the interview stage plays a central role, will be highlighted, and both the strengths and the challenges of a research method based on semi-structured qualitative elite interviews will be reflexively evaluated.

4.4 The semi-structured qualitative elite interviews: strategies, results and assessment

The fieldwork research and thus the vast majority of elite interviews (42) were conducted in Laos's capital, Vientiane, for both methodological and practical reasons. Methodologically, this was because the two MTIs were located in Laos and the vast majority of the stakeholders of the two MTIs were also in Laos and concentrated in its capital city. Certainly, in investigating two international infrastructures in their relational (bilateral) dimension with Vietnam and China, it could have been beneficial to also conduct interviews in the decision-making centres of these two states. However, not only was this not feasible due to budget and time constraints, but China's and Vietnam's stakeholders could also be (and were, as is seen below) accessed in Vientiane, starting with their diplomatic representatives. The only exceptions are represented by the five interviews carried out in Bangkok 20th–24th April 2015, which, as the researcher was based in Vientiane, were conveniently reachable, and the one

conducted in Newcastle upon Tyne (United Kingdom) in January 2016, a few months after the fieldwork in Laos was completed.

4.4.1 Snowball sampling

The decision to interview key actors implies that a random sampling strategy is not suitable. Instead of randomly selecting the sources to be interviewed, the process tracing method, combined with elite interviews, requires a full knowledge of the issue observed, which leads to selection of the most informed and relevant interviewees. Moreover, it is often impossible to find all the required information in advance using publicly available resources such as the websites of institutions, newspapers or social networks, so the author opted for the snowball sampling method, a non-probability sampling strategy that requires only an initial set of potential respondents to be identified in advance and involves asking this initial group of people to suggest other potential interviewees for subsequent stages. As Tansey points out, non-probability sampling meets the needs of process tracing since the purpose is not generalisation (Tansey 2007). Snowball sampling also makes it possible to penetrate the network (Burnham et al. 2008) and this task might be feasible in contexts such as Laos, where networks, as will be seen below, are very dense.

4.4.2 Guiding questions

Guiding questions were prepared based on background knowledge and the literature review carried out before the beginning of the interview process, but flexibility was applied both in the order in which these questions were posed and in the focus, depending on the interviewee's role and attitude and on the interview situation, and allowing the interviewer the chance to react flexibly to issues that were raised during an interview. Considering the very scarce information available on the diplomatic aspects of the Xayaburi dam and the then planned Boten–Vientiane railway, the short set of basic questions developed before the start of the fieldwork, and listed below, was then

refined under the guidance of scholars at the Faculty of Law and Political Science at the National University of Laos in Vientiane.

The questions on the Xayaburi dam included the following:

- What are the pros and cons of the Xayaburi dam for Laos and for the other countries involved, with particular reference to Vietnam?
- What are the costs and benefits, in particular for Laos and Vietnam?
- How was the Government of Laos able to go ahead with the construction of the Xayaburi dam in 2012 despite Vietnam's opposition to the project?
- Wasn't Laos concerned about compromising its special relationship with Vietnam?
- How important has support from other actors been?
- How do you see the overall relationship between Laos and Vietnam? Have changes occurred since the green light was given to the Xayaburi dam in November 2012?

The set of questions on the Boten–Vientiane railway included the following:

- What are in your view the most relevant pros and cons of the Boten–Vientiane high-speed railway project for Laos and for the other countries involved?
- How exactly do you think Laos will benefit or be at risk from the development of the project?
- Why is the project still under negotiation even though an agreement was reached back in mid-2010 with a plan for completion by 2015?
- In your opinion, was the delay caused more by China or by Lao, and why?
- How much room for manoeuvre has Laos had so far during the negotiation process?
- How relevant do you think the railway is for the countries involved?

These questions evolved constantly during the process as additional information led to new questions and subquestions.

4.4.3 List of informants and analysis of the sample

As already noted, because the focus of this work is Laos, and because of resource and time constraints, 42 interviews out of 48 were conducted in Laos's capital, Vientiane. Nonetheless, as the table below shows, foreign stakeholders, especially from the countries involved in the two MTIs studied, have been interviewed intensively in order to gain a wider and more balanced spectrum of data.

Table 4.1 – List of interviews³³

CODE	DATE	LOCATION	ORGANISATION	ROLE	LENGTH	ANONYMOUS
1-2015	18/03/2015	Vientiane	National University of Laos, Faculty of Law and Political Science	Vice Dean	1.5h	No
2-2015	18/03/2015	Vientiane	National University of Laos, Faculty of Law and Political Science	Lecturer	1.5h	No
3-2015	18/03/2015	Vientiane	National University of Laos, Faculty of Law and Political Science	Associate Professor	1.5h	No
4-2015	19/03/2015	Vientiane	CominASIA, Power Division	Engineer	1h	Yes
5-2015	19/03/2015	Vientiane	National University of Laos, Faculty of Law and Political Science	Lecturer	1.5h	Yes
6-2015	21/03/2015	Vientiane	None	Independent Senior Researcher	1.5h	Yes
7-2015	23/03/2015	Vientiane	Banque Pour Le Commerce Exterieur Lao	Analyst	1h	Yes

³³ All affiliations contained in the table refer to the date of the interview.

8-2015	25/03/2015	Vientiane	Lao private company	CEO	1h	Yes
9-2015	26/03/2015	Vientiane	Mekong River Commission	Senior Officer	1h	Yes
10-2015	01/04/2015	Vientiane	Mekong River Commission	Senior Officer	1h	Yes
11-2015	01/04/2015	Vientiane	Mekong River Commission	Former CEO	1h	No
12-2015	02/04/2015	Vientiane	Embassy of a European country in Lao PDR	Senior Diplomat	1h	Yes
13-2015	02/04/2015	Vientiane	Ministry of Foreign Affairs of Lao PDR	Diplomat	1h	Yes
14-2015	03/04/2015	Vientiane	Asian Development Bank, Lao PDR Resident Mission	Senior Officer	1h	Yes
15-2015	03/04/2015	Vientiane	Consultative Group for International Agricultural Research Program on Water, Land and Ecosystems	Senior Researcher	1h	Yes
16-2015	07/04/2015	Vientiane	Vientiane Times	Editor	45m	Yes
17-2015	15/04/2015	Vientiane	Thammasat University, Centre for Logistics Research	Director	1h	No
18-2015	17/04/2015	Vientiane	Ministry of Energy and Mines of Lao PDR	Senior Advisor	1h	Yes
19-2015	20/04/2015	Vientiane	Embassy of India in Lao PDR	Senior Diplomat	1h	Yes
20-2015	21/04/2015	Bangkok	Dawei SEZ Development Co. Ltd	Senior Officer	1h	No

21-2015	21/04/2015	Bangkok	Neighbouring Countries Economic Cooperation Agency, Thailand Ministry of Finance	Senior Officer	1h	No
22-2015	22/04/2015	Bangkok	Thailand Development Research Institute Foundation	Senior Researcher	1h	Yes
23-2015	24/04/2015	Bangkok	Chulalongkorn University	Professor	1h	Yes
24-2015	24/04/2015	Bangkok	Chulalongkorn University	Professor	1h	Yes
25-2015	02/05/2015	Vientiane	Qinghai Institute of Salt Lakes, Chinese Academy of Sciences	Senior Engineer	1h	Yes
26-2015	12/05/2015	Vientiane	Embassy of the United States in Lao PDR	Senior Diplomat	1h	Yes
27-2015	13/05/2015	Vientiane	Embassy of an ASEAN country in Lao PDR	Ambassador	1h	Yes
28-2015	13/05/2015	Vientiane	World Bank	Senior Consultant	1h	Yes
29-2015	14/05/2015	Vientiane	International Water Management Institute	Senior Researcher	1h	Yes
30-2015	14/05/2015	Vientiane	Ministry of Natural Resources and Environment, Department of Water Resources	Senior Officer	1.5h	Yes
31-2015	15/05/2015	Vientiane	Consultative Group for International Agricultural Research Program on Water, Land and Ecosystems	Senior Researcher	45m	Yes

32-2015	16/05/2015	Vientiane	Deutsche Gesellschaft für Internationale Zusammenarbeit, Economic Development Programme	Senior Officer	1h	Yes
33-2015	18/05/2015	Vientiane	National University of Laos, Faculty of Agriculture	Associate Professor	1h	Yes
34-2015	19/05/2015	Vientiane	Xayaburi Power Company	Technical Officer	45m	Yes
35-2015	23/05/2015	Vientiane	Mekong Environment and Resources Institute	Researcher	1h	Yes
36-2015	23/05/2015	Vientiane	National University of Laos, Faculty of Economics and Business Management	Associate Professor	1h	Yes
37-2015	26/05/2015	Vientiane	Embassy of Thailand in Lao PDR	Senior Diplomat	1.5h	Yes
38-2015	27/05/2015	Vientiane	Vientiane Capital Government, Department of Foreign Affairs	Senior Officer	1h	Yes
39-2015	27/05/2015	Vientiane	Prime Minister's Office of Lao PDR	Senior Officer	30m	Yes
40-2015	27/05/2015	Vientiane	Xinhua News Agency, Lao PDR Office	Editor	45m	Yes
41-2015	29/05/2015	Vientiane	Ministry of Public Works and Transport of Lao PDR	Senior Officer	1h	Yes
42-2015	01/06/2015	Vientiane	Embassy of Vietnam in Lao PDR	Senior Diplomat	1h	Yes

43-2015	02/06/2015	Vientiane	None	Independent Senior Advisor	45m	Yes
44-2015	02/06/2015	Vientiane	Ministry of Energy and Mines of Lao PDR	Senior Officer	1h	Yes
45-2015	02/06/2015	Vientiane	Ministry of Public Works and Transport of Lao PDR, Lao–Sino Railway Project	Senior Officer	1h	Yes
46-2015	02/06/2015	Vientiane	China Chamber of Commerce to Lao PDR	Senior Officer	1h	Yes
47-2015	05/06/2015	Vientiane	Embassy of China in Lao PDR	Senior Diplomat	1h	Yes
1-2016	30/01/2016	Newcastle upon Tyne	Vietnam National University of HCM City	Lecturer	1h	Yes

In the table above, we can note four principal characteristics. First, the variety in terms of institutional affiliation: eight officials of the Government of Laos, seven non-Lao diplomats, one official of the Government of Thailand, ten academics, five researchers, four members of international organisations, two journalists, seven members of the private sector and four consultants (working between the public and the private sector). Second, the prevalence of senior respondents (41) over lower-level informants (seven). Third, almost all the interviewees preferred not to be recorded because of the sensitivity of the issues explored, in terms of both diplomacy and internal politics, but also because of their great economic relevance: the two MTI investments account for 3.7 (the Xayaburi dam) and 6.04 billion dollars (the Boten–Vientiane high-speed railway), and, besides the concerns of political sensitivity, in the case of the railway project the fact that during the interview process it was still in the negotiation phase meant that the

details might have had to be kept secret for business reasons. Therefore, as indicated in the table, in all those cases the researcher had permission only to take notes. Fourth, seven respondents agreed to be quoted. In these cases, the interviewer assured them they would be provided with the final version of the sections in which the quotes were to be inserted in order to make sure that no misunderstanding had taken place. Moreover, it can also be noted that the interviews with academics and junior respondents were concentrated in the first phase as a result of the academic environment in which the researcher was involved. In fact, being based at a local university made it quite easy to start interviewing experts belonging to the Faculty of Law and Political Science. As for the junior respondents, they were the contacts whom it was easiest to contact in the early stage thanks to personal contacts or contacts provided by the Faculty.

What the table does not say is that besides the variety of affiliations, the 48 interviewees include nationals of 14 different countries, and a balance is struck between the perspectives of Lao and non-Lao respondents since 24 of the total of 48 interviewees were Lao nationals and 24 non-Lao nationals. Apart from the Western experts interviewed, the majority of informants are from Asia (40) and especially from ASEAN countries (36).

The assortment of respondents favoured rich data collection and was achievable thanks to the particular context in which the research was carried out. In fact, Vientiane, being a capital city with a population of fewer than 800,000 people, has a dense network. During the research process the author was able to appreciate how intensively its elite is interconnected while obtaining appointments using the snowball method thanks to recommendations made by previous interviewees, in the same sectors or from different fields alike. Finally, the interviews with Western expatriates, who have often worked and lived in the country or in the region for several years, if not decades, also

contributed to the collection of information that was very valuable for improving the questions and adding new ideas and hypotheses vital to the triangulation phase.

4.4.4 Strengths and challenges

Despite the high sensitivity of the issues researched, especially considering Laos's internal political features,³⁴ after assuring each interviewee that his/her name would not appear in any thesis or report (which sometimes needed to be done several times during the conversation), in most cases it was possible to establish a good relationship with the interviewee from the very beginning of the meeting. There were probably a number of reasons for this, beginning with the fact that the research did not touch too sensitive issues of domestic politics. Infrastructure development, in fact, is at the top of the Government of Laos's agenda, as will be seen in the next two chapters. That said, since most of the interviews were conducted with senior, non-Western people, the interviewer always paid great attention to being extremely respectful, beginning with arriving on time at the appointment, and observing the appropriate dress code and, after exchanging business cards in order to demonstrate as officially and reliably as possible the author's identity and affiliation, expressing his sincere gratitude to the interviewee for having sacrificed some of his/her time to meet the author.

As already stressed, the questions, and their order, changed from interview to interview, but the strategy normally followed was to start slowly, introducing the purposes of the research and asking general questions; then, if the interviewee appeared relaxed, positive and cooperative, more sensitive questions were posed, and previous answers were sometimes even indirectly questioned. Even though at this point the attitudes of some of the interviewees changed, becoming more defensive, most of them actually went with the flow of the conversation and demonstrated their willingness to provide

³⁴ A one-party communist regime that exercises control over the whole of political life, including the information process. It is worth remembering, for instance, that when it comes to writing their dissertations, Lao students of International Politics avoid topics related to their own country (Interview 5-2015).

more in-depth information or even to voice their doubts and speculations. Without a doubt, in order to reach this result it was crucial to build trust from the start of the meeting, and formal affiliation with the Faculty of Law and Political Science at the National University of Laos helped a lot with this. In fact, this was discussed at the beginning of the conversation and in many cases the interviewee was already aware of this as he/she had been directly contacted by the staff of the Faculty. Another factor that surely helped in building trust can be seen in the similarities between the researcher's background and the backgrounds of some of the interviewees, who in a number of cases had pursued PhDs themselves, meaning they could empathise with the author from the very beginning of the meeting. In such cases the conversation often began with talk of general PhD-related issues before moving on to the interview and in this way paved the way for a much more relaxed encounter.

In addition, an advantage of interviewing members of the elite was that it was possible to use the English language in all of the interviews apart from two, thus avoiding all the problems related to the use of interpreters. In the two cases in which an interpreter was necessary because the interviewee did not speak English, the selection of the interpreter was based on his/her English skills but also on the interpreter's knowledge of the subject and familiarity with academic discourses and practices, in order to minimise the risks of mistranslation and of loss of control by the interviewer over the process proper of interviewing with an interpreter's assistance (Kapborg and Berterö 2002). For these reasons, and also to avoid the high rates charged by interpreting agencies, in both cases an interpreter from the National University of Laos was chosen. In consideration of the difficulties typical of interviews conducted through an interpreter, the author prepared for the meeting with the interpreter beforehand in order to brief him/her on the topics and questions that would be raised and to agree on what to do in particular circumstances that might arise during the meeting (e.g. what to do if the interviewee

appeared suspicious or became more defensive). It also seems worth stressing that the research experience proved that in most cases junior respondents did not appear very comfortable about talking freely and dealing with a foreign researcher, perhaps because they did not exactly understand the purpose of the exercise or because they were worried about the risks of talking without their superiors' permission. Conversely, the high-ranked interviewees were generally much happier to enter into discussion and readier to provide information.

4.4.4.1. Getting access

In order to access the first set of key informants, a formal letter of request for an interview was submitted in both Lao and English and using the National University of Laos letterhead. It also included email and mobile contacts for the author and for the hosting professors in Laos. As suggested by Harvey (2011), the letter contained the following information: the identity of the researcher, a brief description of the research, the estimated duration of the interview, details of where the data would be published and whether the interviewee names would be public or anonymous. However, this process did not yield good results at all: in all cases, if a reply was given it arrived weeks later and said that the office/person in question could not provide information on the topic. It is the author's belief that this has to do with the level of seniority of those in the offices and the presence of an intermediary. In fact, sending formal request letters to offices or submitting them via email to official email addresses meant going through administrative personnel or low-level contacts established by the author. The normal answer to a request to meet a superior was that he/she would of course be very busy, and then, usually after a long wait, it would turn out not to be possible to schedule an appointment. In one case, after submitting the official request letter and after over 10 follow-up calls, it was still impossible to arrange the interview. In addition, in many cases staff required a file containing the questions to be submitted in advance.

Conversely, in the cases in which the author was able to establish direct contact, especially via mobile phone, with elite members, in 100% of the cases a meeting was granted within a short time (normally within one or two weeks at the most) and the researcher was never asked to submit the questions beforehand – providing information on the broader issues to be discussed was sufficient. It is important also to stress that among the meetings arranged with elite members through direct contact via mobile phone or private email, or thanks to recommendations from former interviewees (snowball method), only in one case did the interviewee, a very high-level official, not cooperate at all, even though the appointment had been agreed, avoiding almost all the questions and merely suggesting that the interviewer go to this or that ministry to obtain the information requested. It seems reasonable to think that in this case the appointment was granted simply to avoid being impolite to the acquaintance who had arranged the meeting.

A highly emblematic case was the interaction with the embassy of China, which had initially been approached in the usual way (sending the formal request letter) in order to arrange a meeting with someone involved in the Boten-Vientiane high-speed railway project. Not having received any reply to the letter or to a couple of emails and phone calls, the author showed up at the reception of the embassy and was given a landline number to call the next day that turned out to be the number of a mobile phone shop in Vientiane that had nothing to do with the Chinese embassy. It seemed either that the receptionist had been explicitly instructed to avoid contact with people without any previous link or appointment with someone in the office or that the receptionist himself did not feel comfortable passing on the request, which was probably not usual practice. Whatever the answer to this, the interview was granted, and conducted within a week, only after the author obtained the mobile number of a high-level Chinese diplomat from a personal contact.

Of course, there is no unequivocal right way to access members of elites; it largely depends on the cultural and political context in which the research is framed. As a matter of fact, one clear example of cultural difference concerns the attitude to the use of mobile numbers. In Laos, mobile numbers appeared not to be regarded as private, as they are usually in Europe. Therefore, the author learned from experience that it was not impolite to contact people on their private mobile phones. It was actually much better and faster than using email, as the attempt to meet a senior Lao ministerial officer demonstrated: when the researcher finally called him, and after having introduced himself and mentioning that he had already tried to contact the officer a couple of times via email, the answer was “Received nothing! Do you want to come tomorrow morning at 9am?”.

4.4.4.2 Power and cultural divides

In elite interviews the power relationship between the interviewer and the interviewee is generally in favour of the latter, given the disparity in knowledge of the subject under investigation (Burnham et al. 2008). Moreover, as a postgraduate student interviewing members of the elite there was also an imbalance in terms of seniority. Because of such imbalances, in elite interviews there is always the risk that interviewees will manipulate information (Bennett 2010). This could be motivated by an interviewee’s desire for personal advantage or by the wish to avoid the publication of sensitive data. This risk is particularly relevant for interviews with officials who might be interested in presenting the reality in a different fashion or covering it up. To deal with this risk, the author adopted two strategies: he made the interview sample as large as possible and included, along with members of the elite from Laos, China, Thailand and Vietnam who were directly involved, other nationals both within and outside the region, with the purpose of accessing different perspectives, minimising the risk of manipulation and facilitating the triangulation of the data provided by the respondents. The problem of deciding how

many interviews should be done in order to obtain reliable evidence is one of the most common in research projects of this kind (not only for elite interviewing) and the answer varies from project to project. Burnham et al. (2008) suggest that for a project principally based on elite interviewing, a number between 20 and 30 would be good. Therefore, as highlighted above, the author considered a larger sample of respondents to be vital for collection of relevant and reliable data setting the target of carrying out at least 30 interviews (that ended up being 48).

The power relationship leads to another common issue faced by qualitative interviewers: the problem of positionality. As Mullings underlines,

a researcher's knowledge is therefore always partial, because his/her positionality (perspective shaped by his/her unique mix of race, class, gender, nationality, sexuality and other identifiers), as well as location in time and space will influence how the world is viewed and interpreted. (Mullings 1999: 337)

Therefore, the qualitative interviewer finds himself/herself forced to manage the difference in positionality with the interviewee. With regard to this research the cultural differences between the author and the majority of the respondents were to some extent relaxed by the opportunity to use the English language during the interviews (apart from two cases, as pointed out above), which avoided the use of interpreters. Moreover, the similarities in the professional backgrounds of the interviewees and of the researcher (especially in the case of academics) helped reduce the cultural differences. In sum, it emerged that the issue of power imbalance was a much more serious challenge to be faced than that of belonging to different cultures and countries. However, in one case these problems manifested themselves very seriously, and not surprisingly it was during one of the two interviews that needed an interpreter. In this case, the interviewee asked the interpreter several times why a European researcher should care about relations between Southeast Asian countries, even suggesting to the interpreter that he should not

have been helping the interviewer. Although in the end it was possible to obtain some valuable information from the conversation, this interviewee firmly refused to recommend other informants.

4.5 Conclusion

This chapter systematically showed how the research strategy was developed and how the data collection and analysis were conducted, explaining why the mixed method of process tracing and elite interviews was a good fit for the research's needs and providing details of the different phases of the research. To summarise, conducting research on politically sensitive issues in a one-party state that was until recently isolated from the international system, as is the case in Laos, could seem an extremely complex and challenging endeavour. However, the present chapter shows that, despite several constraints, such as the author's inability to speak the Lao language and the limited time and financial resources at his disposal, it has been possible to carry out, in a relatively short period of time, a significant number of elite interviews with high-level stakeholders belonging to key offices who are involved in or experts on the two MTI negotiations. Two key drivers enabled this achievement. First of all, the research focus, despite involving foreign policy issues often considered sensitive in a political system like that of Laos, was on the area of infrastructural and economic development, which is crucial for the Government of Laos, and this helped the author to obtain attention and access. Second, the author perceived that in general the members of the Lao elite approached appeared to react very positively to the young European researcher who was devoting attention to their country, which is very often overlooked by academic research.

CHAPTER V

THE IMPACT OF THE XAYABURI DAM MTI ON THE RELATIONAL POWER OF LAOS VERSUS VIETNAM

If water is stored upstream for irrigation, the flows downstream for agriculture may be less than downstream users are expecting. Whenever a river is contaminated, pollution always flows downwards. When a dam is constructed, benefits are generated but at the same time change of flow regime will impact downstream users. Such examples may explain why the word “rival” comes from the Latin “rivalis” meaning one using the same river as another. Within this context, diplomatic negotiations for water sharing are a fundamental and always conflicting basis of relation between States – Benedito Braga 2014³⁵

5.1 Introduction

In chapter 2 it was shown that small states literature in the broad spectrum of International Relations displays a paradoxical lack of attention to geography. In order to fill this gap in the literature, chapter 3 developed the MTIs–relational power analytical framework to observe how the geographic variable of MTIs might affect a small state’s relational power. Chapter 4 then identified process tracing and elite interviews as the best methodological tools to investigate the negotiations on MTIs in order to understand the effect of this variable on relational power. This chapter applies the MTIs–relational power framework to the Xayaburi dam within the Laos–Vietnam relationship, the first of the two case studies in this research, and presents the findings generated from the analysis of the primary and secondary data collected on the Xayaburi MTI negotiations.

³⁵ Braga (2014: 17).

Figure 5.1 – Xayaburi: the first mainstream dam in the Lower Mekong



Source: Energy in Asia

The outcome of such an investigation will highlight the effect of this specific MTI on the relational power of Laos with respect to downstream Vietnam (the domain) and within the scope of the management of the Mekong River, in which the Xayaburi dam is being built (Figure 5.1).

According to the definition provided in chapter 3, the Xayaburi dam can be classified as an MTI. It is *multinational*, being built thanks to foreign investment by the Thai construction company Ch. Karnchang funded by Thai banks. At the same time, the dam is also indirectly *transboundary* because it is located on the mainstream of the Mekong River – which crosses several national borders, flowing from the Tibetan Plateau in China to its Delta in Vietnam – and it will likely have an impact on downstream

countries (i.e. Cambodia and Vietnam). This is the transboundary dimension of the Xayaburi dam, of interest for this research since it has an impact on Vietnam, in respect to which its effect on the relational power is observed. However, it must be noted that, as detailed in the reconstruction below, the dam has also been transboundary in another way since 29th October 2011, when the Xayaburi Power Company Limited and the Electricity Generating Authority of Thailand (EGAT) signed a Power Purchase Agreement (PPA), according to which EGAT will buy 95% of the electricity produced.³⁶

The focus of this study is on the interaction between Laos and Vietnam in relation to Laos's plan to build the Xayaburi dam. The role of Cambodia is of no relevance in this respect because the analytical framework requires the observation of the effect of MTIs on the relational power of small states with regard to more powerful actors. Therefore, while the Vietnam–Laos relationship is clearly asymmetric, as already explained in chapter 1, the relationship between Cambodia and Laos is not. Laos and Cambodia, in fact, hold a similar asymmetry of power with Vietnam and, interestingly, a recent academic paper analysed Cambodia's foreign policy towards Vietnam in the framework of small state diplomacy (Leng 2016). Moreover, this research focuses on the state-to-state level, looking at the international diplomatic side of the Xayaburi dam issue rather than at the environmental, social, economic and legal dimensions, which are equally important but which have already been addressed by, among others, Jakkrit (2015), Le (2013), Baran et al. (2011), Rieu-Clarke (2015) and King (2015). Therefore, examining, for instance, whether or not the dam will hurt the Mekong's biodiversity or the

³⁶ The installed generating capacity of the Xayaburi dam will be 1,285 MW, which will allow it to produce 7,370 GWh per annum. The official website of the dam states that "The project comprises 7 turbine generator units of 175 MW each that will generate and transmit power through the 500 kV transmission system to EGAT, and one 60 MW unit that will distribute power through the 115 kV transmission system for domestic use in Lao PDR". Source: Xayaburi Power Company Limited, available at http://www.xayaburi.com/Power_GC_eng.aspx. On doing the maths, it emerges that EGAT will receive 1,225 MW out of 1,285, i.e. a share equal to 95.3% of the dam's total production.

livelihoods of people who rely on the river's resources, inside and outside Laos, and whether or not it is economically and socially sustainable, are all matters beyond the scope and aims of this research. The issue, which involves several countries and interests, does in fact have far-reaching international implications. The extraordinary diplomatic relevance of this specific multibillion-dollar hydropower project is evidenced not only by the large number of newspaper and magazine articles – when googled together, the words “Xayaburi dam” return more than 60,000 results – but also by the academic research carried out by political scientists, who have focused on the political dimension of the problem – see in particular works by Cronin and Hamlin (2012), Thabchumpon and Middleton (2012), Geheb et al. (2015), Hensengerth (2015), Mirumachi (2015) and Suhardiman et al. (2015).

The above-mentioned studies all stress the conflict between Laos's interests and Vietnam's regarding the dam, but a crucial question remains unexplored: how was the small state of Laos able to pursue its interest with regard to Vietnam, in so doing prevailing over one of its closest allies, by far more powerful than itself? The bilateral relationship between Laos and Vietnam, as already explained in chapter 1, is clearly asymmetric both in quantitative and qualitative terms. Here it is sufficient to remember that, on the quantitative side, in 2014, according to the Economist Intelligence Unit (EIU), Vietnam's GDP was nearly 16 times that of Laos and its population 13 times bigger. On the other hand, from a qualitative-relational perspective it is crucial that since the end of the Vietnam War in 1975, the two countries have shared a “special relationship” that builds on the 1977 Treaty on Friendship and Cooperation in which Vietnam is without doubt the stronger party (Pholsena and Banomyong 2006). Therefore, applying the relational definition of small states proposed in chapter 2, in which a small state is the weaker part in a bilateral relationship, Laos can without doubt be defined as small in its bilateral relationship with Vietnam.

Thus, the purpose of this chapter is to provide an in-depth analysis of the interactions and negotiations between Vientiane and Hanoi without delving too much into technical and institutional details already addressed by the above-mentioned studies and available through reports published by governments,³⁷ the Mekong River Commission and NGOs (e.g. International Rivers). Therefore, by focusing on the international and diplomatic dimensions of the issue and thanks to the data collected through the elite interviews with key stakeholders and policymakers, this chapter provides first-hand original information, shedding new light on the aspect of the Xayaburi negotiations that have received least coverage. The chapter is divided into four main sections. The first section sets the context in which the dam has been planned and in which construction has begun by illustrating Laos's policies related to hydropower development. The second section provides a full reconstruction of the negotiations between Laos and Vietnam, tracing the process at both the bilateral and the multilateral levels and highlighting stakes, priorities and implications. The third section takes stock of the data provided by the previous one in order to interpret and explain the different phases and steps of the negotiations. Finally, the last section discusses the findings: first, carrying out a relational power analysis in the light of the data that have emerged and in accordance with the analytical framework developed in chapter 3; and second, analysing the theoretical implications of the findings.

5.2 The policy context: the Mekong River as a key development resource for Laos's "battery of Southeast Asia" policy

Plans to exploit the lower stretch of the Mekong River – the twelfth-longest river worldwide³⁸ – by damming its mainstream, with the objective of producing electricity, emerged in the late 1950s, when the United Nations Economic Commission for Asia

³⁷ See, for instance, the webpage the Lao Ministry of Energy and Mines has dedicated to the project, available at <http://www.poweringprogress.org/new/news/articles-presentations/207-xayaburi-hydroelectric-power-project>.

³⁸ More data on the Mekong River can be found here: <https://wle-mekong.cgiar.org/mekong-river-facts/>.

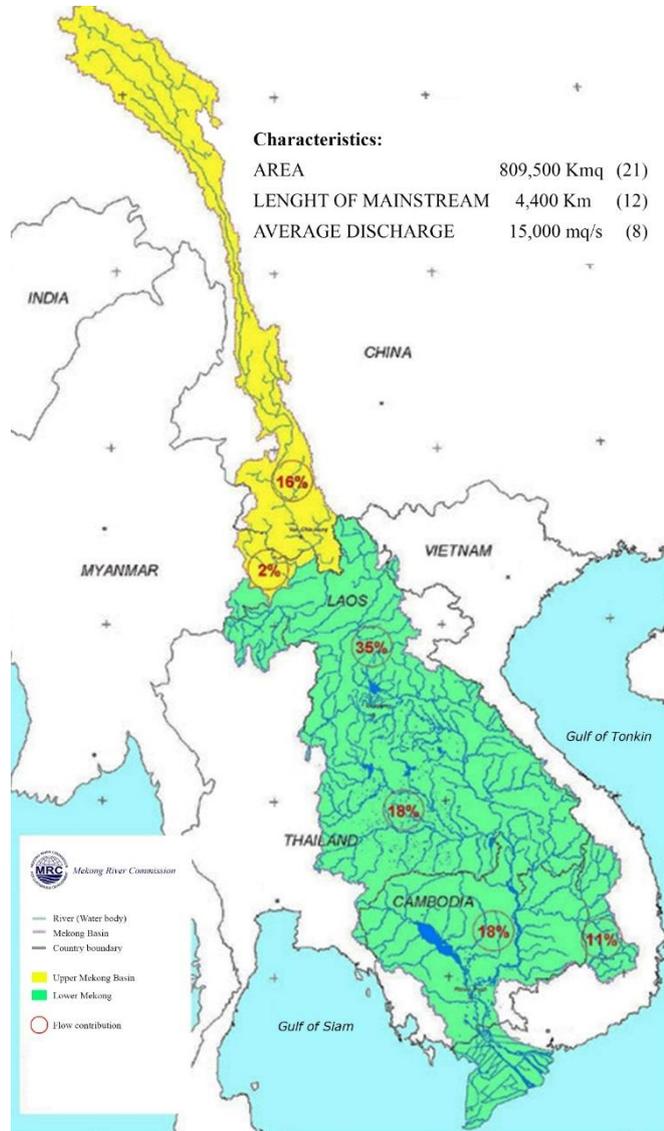
and the Far East (ECAFE) indicated the need for dam building to serve the region's economic development (Jacobs 2002). However, only with the end of the war in the region did the plans become politically viable. As Bakker points out in her abstract,

With renewed economic interest in the Southeast Asian region following the “peace dividend” of the early 1990s, numerous hydrodevelopment plans have been initiated in the Mekong basin. The river-as-resource, in a glibly bioregional metaphor, has been transformed from a Cold War “front line” into a “corridor of commerce”, drawing six riparian states together in the pursuit of sustainable development through economic and infrastructural integration and cooperation, promoted by multi- and bilateral donors and lending institutions. (Bakker 1999: 209)

The potential of the Mekong River and of its tributaries in the post-war context made it appear to be one of the few resources at hand for the underdeveloped and politically, economically and geographically isolated, landlocked, communist Laos. Pholsena and Banomyong (2006) describe this dynamic, stressing that from the 1990s, interest emerged in dam construction in the country thanks to the impetus towards it from the GoL and simultaneously from foreign investors and international lenders, who saw in the exploitation of water – blue gold – the best development strategy for Laos. The authors refer here to the *Country Operational Strategy Study for Lao People's Democratic Republic*, developed and published by the Asian Development Bank (ADB) in 1996, quoting the following passage: “the exploitation of hydroelectric resources represents for the Lao People's Democratic Republic the most direct route to increase exports and raise GDP growth” (Pholsena and Banomyong 2006: 86). When it comes to the Mekong River, it cannot be forgotten that in this case the small Laos has been blessed by geography since it accounts for the largest share (25%) of the Mekong's drainage basin of 790,000 sq. km (above Thailand's 23% and China's 21%) and for 35% of the water discharged into the sea, followed by Thailand and Cambodia (18%),

China (16%) and Vietnam (11%), as shown on the map below (Figure 5.2). Equally important is Laos's mountainous morphology: thanks to the beneficial elevation of its territory, Laos has high hydropower potential.

Figure 5.2 - The whole Mekong Basin



Source: UNESCO

It is no surprise, then, that the country has sought – and seeks – to tap the river’s potential in order to increase its exports and improve its poor account balance. To this end, the GoL signed the first government-to-government (G2G) memorandum of understanding (MoU), which initiated the power exchange programme with Thailand in

1993.³⁹ It was then renewed in 1996, 2006 and 2007, bringing the agreed amount of electricity to be supplied by Laos to the Electricity Generating Authority of Thailand (EGAT) up from 1,500 MW to 7,000 MW. These agreements were followed by similar deals with Vietnam (5,000 MW under the 2006 MoU) and Cambodia (Vongsay 2013). The interest in hydropower and the related policy of focusing on it to increase the country's exports potential and attract foreign exchange was then conceptualised in the formula of becoming the "battery of Southeast Asia" in the coming decades as a key national strategy (Weatherbee 1997). Hydropower promised to be the best solution to the structural problem of a poor external account record, not only thanks to the MoUs signed to export electricity to neighbouring countries but also because at the same time it would have reduced the need for hydrocarbons imports (Cooper 2014: 156). Therefore, for the GoL, implementing hydropower facilities became a necessary path towards economic development and poverty reduction⁴⁰ and the sector was identified as a priority in order to achieve the Millennium Development Goals with the aim of graduating from the status of least developed country (LDC) by 2020 (Vongsay 2013). In addition, given Laos's lack of financial resources and technologies, hydropower development concurrently appeared to be a viable method of attracting foreign direct investment (FDI) (Geheb et al. 2015). Therefore, hydropower became a key area for the application of the liberal policies on foreign investment pointed out in Chapter 1, leading to a boom of Public-Private Partnerships (PPPs) and Build-Operate-Transfer (BOT) agreements in the hydropower sector, facilitated regional investors such as

³⁹ Before the signature of the 1993 MoU with Thailand, however, Laos already exported to Thailand the electricity produced by the Nam Ngum Dam, the country's first hydropower facility, completed in 1971 with a potential of 150 MW and built on the homonym Mekong's tributary. Despite its limited capacity, in the mid-1990s the Nam Ngum Dam still accounted for some 25% of Laos's foreign exchange (Hirsch and Warren 1998).

⁴⁰ See for reference the National Policy "Environmental and Social Sustainability of the Hydropower Sector in Lao PDR", signed on 7th June 2005 by the current Lao prime minister, Thongloun Sisoulith, then deputy prime minister as well as chairman of the Committee for Planning and Investment and chairman of the Lao National Committee for Energy.

Thailand and China as well as by international financial institutions such as the World Bank, the International Finance Corporation and the Asian Development Bank (Middleton and Dore 2015). This resulted in a significant privatization of the electricity market where in 2015 Independent Power Producers (IPPs) accounted for some 87% of the total generation capacity of electricity (ERIA 2017). These drivers have informed Laos's policymaking on hydropower from the mid-1990s and continue to guide the action of the GoL, as can be seen from the Seventh Five-year National Socio-Economic Development Plan (7th NSEDP), which sets the socio-economic agenda for the period 2011–2015. The document in fact states that

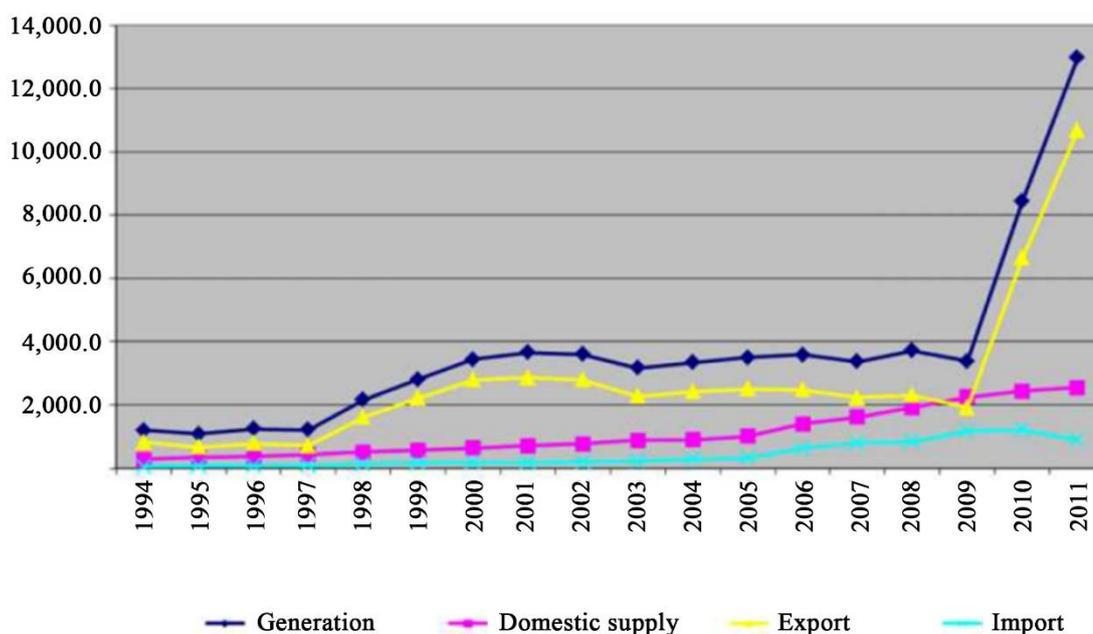
[Over] 5 years, it is aimed to construct 8 hydropower plants with a combined installed capacity of about 2,862 MW during the plan period. The next target is to expand medium voltage power transmission lines of 22 KV, provide off-grid electricity in rural and remote areas, and make electricity accessible to 80% of the total households in the country by 2015. Laos PDR has set rural electrification as an important factor for achieving MDG⁴¹ target. (Ministry of Planning and Investment of the Lao People's Democratic Republic 2011: 103)

The draft of the 8th NSEDP, published in 2015, then focused on highlighting the cross-border dimension and the need to develop the transmission system in order to increase exports, particularly to Thailand, Vietnam, China and Cambodia (Ministry of Planning and Investment of the Lao People's Democratic Republic 2015). Indeed, the hydropower sector was a key component in leading Laos's economic growth, as underlined by Hansakul and Wollensak (2012). It is estimated that together with the mining sector it accounts for some 25% of Laos's economic growth and for 15% of its total export revenues (Ministry of Planning and Investment of the Lao People's Democratic Republic 2015). These fulfilments were made possible by the rapid economic growth of the region, which stimulated a steady increase in demand for

⁴¹ Millennium Development Goals (<http://www.un.org/millenniumgoals/>).

electricity among Laos’s neighbours. As can be seen in the figure below (Figure 5.3), the tremendous increase in electricity generation that took place in Laos in 2010 – provoked by the 1,075 MW Nam Theun II dam coming into operation – was almost completely absorbed by exports.

Figure 5.3 - Laos’s electricity market (MW, 1994–2011)



Source: Vongsay (2013)

Moreover, the prospects for a further rise in electricity exports look promising, not only because of the rising demand from current importers⁴² and the expansion of cross-border transmission lines, but also thanks to the likelihood of exporting to non-neighbouring countries. For instance, in 2015 Laos was negotiating electricity exports to Singapore going through Thailand and Malaysia (Interview 18-2015).⁴³ It is very likely, therefore, that the GoL will continue pursuing its “battery of Southeast Asia” policy and

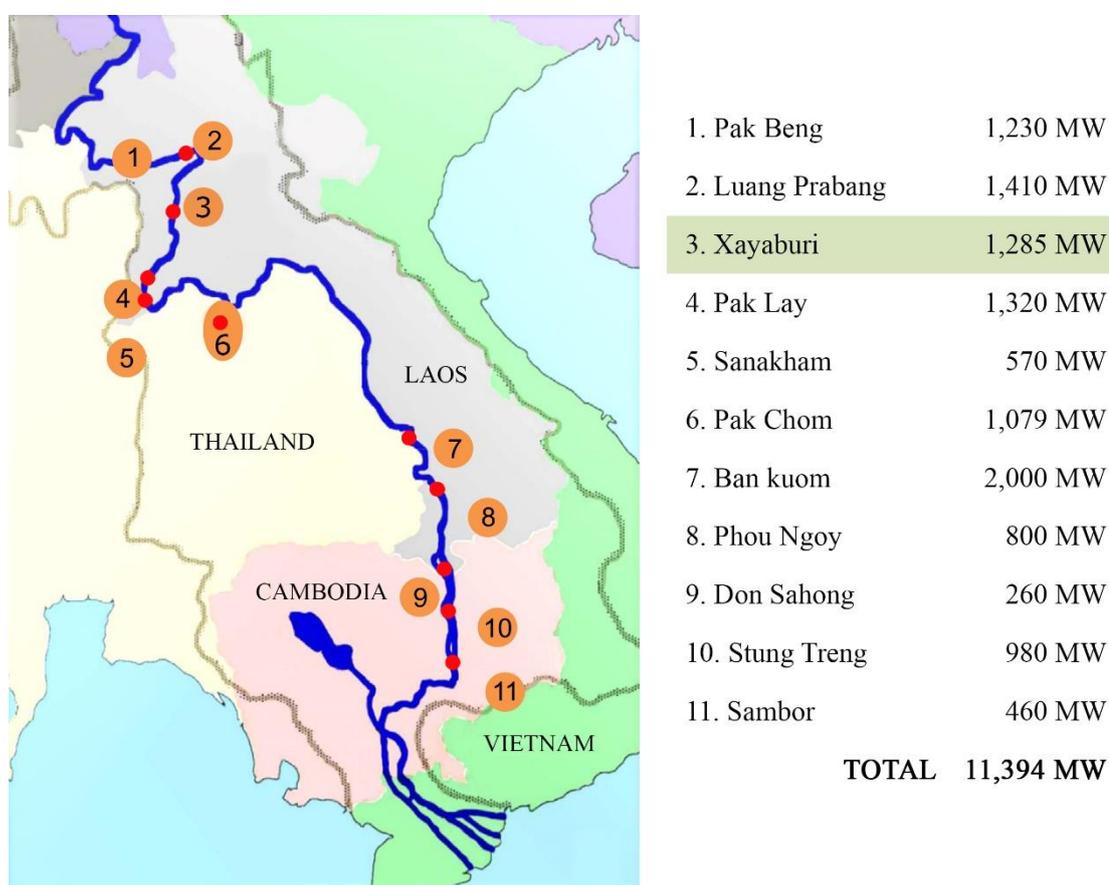
⁴² To meet its great electricity needs, Vietnam is also developing nuclear facilities, with a target of over 10,000 MW of nuclear power capacity by 2030. To this end it has signed an agreement on civil nuclear cooperation with the United States (Wroughton 2013).

⁴³ There is a pilot project between Singapore, Thailand, Malaysia and Laos to see whether it is feasible to export electricity from Laos to Singapore. In 2014 a working group was formed to study technical details and in early 2015 a visit to study Singapore’s energy market was organised. Singapore, which currently imports only liquefied natural gas (LNG), would initially buy 100 MW. Given the very high prices of energy in Singapore it might be a tremendous opportunity for Laos: prices per kW are 7 US cents in Laos but 20 US cents in Singapore, due to its high taxation (Ministry of Energy and Mines of the Lao PDR 2015).

developing transmission lines to connect with the rest of the Greater Mekong Subregion (GMS) and other ASEAN countries.

In this context, it certainly comes as no surprise that the Mekong River is at the core of Laos's hydropower policy. The GoL in fact has plans to use the river's unexploited potential to build a cascade of nine mainstream dams that, once operational, will have a total capacity of nearly 10,000 MW, about 38% of Laos's total theoretical hydropower potential, which is estimated at 26,000 MW (Vongsay 2013).

Figure 5.4 - Mainstream hydropower projects planned in the Lower Mekong in Laos and Cambodia



Source: Phomsoupha (2015)

These nine mainstream projects (Figure 5.4) combined thus have an enormous economic relevance for the GoL as they are expected to attract some 25 billion dollars in FDI and generate 2.6 billion dollars of yearly revenues from electricity exports, i.e. more than two thirds of the country's total (Stone 2011, cited in Matthews 2012: 394). However, such projects have been delayed for years as a consequence of their economic

and technical complexity and of the uncertainty regarding their environmental impact, which has especially worried downstream Cambodia and Vietnam. The Xayaburi dam changed this story, becoming the first mainstream hydropower facility under construction in the lower branch of the Mekong and thus providing a great opportunity for a MTI case study. Moreover, when this research began the other eight mainstream dams in Laos that can be seen in the figure above were not started yet⁴⁴. The next section provides an analysis of the process that led to the official groundbreaking ceremony for the Xayaburi dam project in November 2012.

5.3 Reconstruction of the negotiations on the Xayaburi dam MTI

Once completed, the Xayaburi dam, a 3.8-billion-dollar and 1,285 MW power plant currently under construction in the Xayaburi province of Laos, will be the first mainstream dam in the Lower Mekong Basin (LMB). As with general plans for hydropower development in the Lower Mekong, highlighted in the previous section, the origin of the Xayaburi project can be found in the Indicative Basin Plan drafted by the Mekong Committee, the predecessor of the Mekong River Commission (MRC) in 1970: as pointed out by Geheb et al., in that plan the location was “identified as a potential mainstream dam site” (Geheb et al. 2015: 112). The Government of Laos (GoL) dusted off the project in the first few years of the 21st century and appeared to be ready for concrete steps in 2007 when the negotiations and the bidding process took place, leading to an MoU signed on 4th May 2007 between the GoL and the Thai construction company Ch. Karnchang, whose proposal won against those of another Thai company and the American AES Corporation (WikiLeaks 2007). In order to build the dam on 22nd June 2010, the Xayaburi Power Company Limited (XPCL) was registered in Laos, where the headquarters were established. Three months later, on 29th October 2010 the

⁴⁴ Then in 2016 the construction of the Don Sahong dam at the border with Cambodia commenced, being followed by progresses on the Pak Beng dam in the North (see the dedicated pages provided by International Rivers and accessible respectively at: <https://www.internationalrivers.org/resources/media-kit-on-the-don-sahong-dam-8103> and <https://www.internationalrivers.org/node/10852>).

company signed a Build–Own–Operate–Transfer (BOOT) agreement with the GoL, according to which, XPLC, after having built the Xayaburi dam, would operate it for 29 years from the beginning of commercial operation, i.e. until 2048, before transferring the dam to the GoL.⁴⁵

From that time onwards, until the official groundbreaking ceremony held on 7th November 2012 at the dam site, complex negotiations were carried out that involved the four MRC members (Cambodia, Laos, Thailand and Vietnam). The negotiation process could be conceptualised as having developed along three main lines: economic, which mainly involved Thailand and Thai financiers and contractors and Lao counterparts; environmental and social impact, which involved MRC members as well as donors and NGOs; and foreign policy. As pointed out in the previous chapters, this study is an international relations analysis and therefore looks at the international dimension of the issue through the lens of the analytical framework of chapter 3 and in the light of the theoretical concepts that emerged from chapter 2. Therefore, it focuses on the preferences and actions of Laos and Vietnam during the process, with the aim of observing the effect of the Xayaburi MTI on the relational power of Laos versus Vietnam.

5.3.1 The first phase: the multilateral negotiations within the Mekong River Commission

Being a mainstream dam, the Xayaburi project needed to go through the Procedures for Notification, Prior Consultation and Agreement (PNPCA) required by the 1995 Mekong Agreement (Mekong River Commission 1995). The Xayaburi case therefore became the first case in which the MRC applied this six-month long process, which formally began on 22nd October 2010 following the submission from Laos one month earlier (Mekong River Commission 2011). As Hensengerth emphasises, “during the following six

⁴⁵ All the information regarding the Xayaburi Power Company Limited can be accessed at the company’s official website: <http://www.xayaburi.com>

months, the standard duration of the PNPCA, the four governments were unable to reach a compromise” (Hensengerth 2015: 918). On 15th April 2011, just a week before the end of the six-month period, Vietnam submitted the “Form for Reply to Prior Consultation” to the MRC through the Viet Nam National Mekong Committee (The Socialist Republic of Viet Nam 2011). The document clearly identifies Vietnam’s concerns related to upstream dam developments in terms of food and water security for its vital Delta region:

Located further downstream, the *Mekong Delta is vital to food and water security* of not only Viet Nam, but also the region and the world. The *livelihood of nearly 20 million people of Viet Nam* has long started to observe the changes caused not only by the natural variation but, as evidence shows, also by the fast developments in the upper reaches of the Mekong River. The threats would become more severe if combined with the possible impacts caused by climate change and sea level rise, *and mainstream development*. Recent studies conducted by the Mekong River Commission as well as other international organizations have shown that *upstream hydropower development, especially the mainstream cascade, will present serious threats to the Mekong Delta*, in particular saline intrusion, reduced fisheries and agricultural productivities, and degradation of bio-diversity. They also point out that no benefits, for example from electricity productivity or unconfirmed regulation in dry season, would be able to outweigh the potential damages. (Socialist Republic of Vietnam 2011: 2, emphasis added)

The document concludes by appealing to the close friendship between Hanoi and Vientiane and for cooperation among Mekong riparians, which should prevent unilateral benefits and damage to other states. It asserts that

Viet Nam expects that its requests will be taken thoroughly and seriously into account by Lao PDR in the “Mekong Spirit”⁴⁶ and fully in line with all

⁴⁶ As underlined by Mirumachi (2015), the discourse about the management of the shared water resources of the Mekong “is often associated with the ‘Mekong Spirit’, or the goodwill of the states to work together despite being political adversaries” (Mirumachi 2015: 106).

principles set forth in the 1995 Mekong Agreement and the recent Hua Hin Declaration. Viet Nam wishes to reiterate its *strongest commitment and full cooperation* with other Member Countries, especially Lao PDR, the close friend of Viet Nam, in their respective endeavours toward its own prosperity, but *not at the expense of the environmental health of the Basin as well as of other riparian countries*. (The Socialist Republic of Viet Nam 2011: 3, emphasis added)

Four days later, the MRC members attended a special session of the MRC's Joint Committee in Vientiane, in which they recognised the impossibility of reaching an agreement and the need for the issue to be discussed at the ministerial level (International Rivers 2014). As an MRC technical advisor explained in an interview, the various riparian countries had different opinions and this led downstream ones to demand a 10-year moratorium to allow a comprehensive assessment of the environmental risks:

The special session took place on 19th April and the four countries met to discuss the review of the Xayaburi project and to actually come to a conclusion on the prior consultation process. What was really the result of the meeting is that the countries had different opinions on the issue, for example Vietnam took the position that the knowledge was not strong enough. There are a lot of uncertainties and further investigations would be needed, so they were asking to have the project deferred by 10 years. (Vogel 2011)

Vietnam's request for a 10-year moratorium was based on the *Strategic Environmental Assessment (SEA) of Hydropower on the Mekong Mainstream*, prepared by the International Center for Environmental Management (ICEM) for the Mekong River Commission and published in 2010 (ICEM 2010).

Once the six-month period was over, Laos claimed that the PNPCHA was automatically finished (International Rivers 2014). According to a senior researcher, Laos did not see the Xayaburi dam as a transboundary project, and it considered that the PNPCHA had

forced Laos to do something that it did not want to and that had never happened before. So the Government of Laos felt that it was already granting considerable concessions (Interview 15-2015). As a matter of fact, Suhardiman et al. (2015) stress that “fearing opposition from its downstream neighbors, and from Vietnam in particular as its closest ally (*Inter Press Service* 2011; *Voice of America* 2011a), Laos agreed to conduct more studies to assess the dam’s environmental impacts” (Suhardiman et al. 2015: 212).

5.3.2 The second phase: negotiating at the government level

So, despite the Laos prime minister’s reassurances to his Vietnamese counterpart, Nguen Tan Dung, during the 18th ASEAN Summit, which was held in Jakarta in early May 2011 (Thanh Nien News 2011), the GoL did not actually stop the project. This became evident shortly after the meeting in Indonesia, since Laos went ahead with its arrangements with the Thai developer, communicating to Ch. Karnchang in June of the same year that the PNPCA process was over and that the project could move forward (International Rivers 2014). This happened even though the compliance report commissioned from Pöyry Energy AG, the Swiss subsidiary of the Finnish consulting company, by the GoL in May 2011 was yet to be released. The GoL had to commission such a report given the divergences – and pressures from downstream countries – that emerged during the PNPCA process and the lack of an MRC mechanism to assess compliance with its standards (King 2015). The report aimed to alleviate downstream concerns and did confirm that the GoL complied with the MRC Design Guidelines and that it had taken into consideration the comments submitted by the other parties within the Prior Consultation process. However, it also pointed to the need for “adaptations and improvements” related to “sediment transport through the reservoir” and to “fish passing facilities” to be carried out during the construction (Pöyry Energy AG 2011: 9). In an interview with the author, Hans Guttman, chief executive officer of the MRC from 14th November 2011 for three years, recalled that

In April 2011, Cambodia asked for more studies and Vietnam for a moratorium of 10 years with respect to the proposed Xayaburi Dam. Thailand's position was unclear, probably it was uncertain. Laos took note of this and discussion followed until the MRC Council meeting of 8th December 2011, where it was agreed to conduct more studies, but in which Vietnam and Cambodia did not change their opinion since they deemed the degree of uncertainty unacceptable. From the perspective of Vietnam and Cambodia the PNPCA process has never been completed, but has been suspended. However, Laos (who considered the PNPCA completed after 6 months) informed Thailand that the process was complete, therefore Vietnam and Cambodia cannot say, as happened on a few occasions, that Laos acted unilaterally, increasing the tension. Laos, on its part, insisted that it discussed with other counterparts all the relevant issues. (Interview 11-2015)

On 17th April 2012 Ch. Karnchang publicly informed the Stock Exchange of Thailand that its Lao subsidiary had signed a contract with the Xayaburi Power Company: the “Engineering, Procurement and Construction Contract for the Xayaburi Hydroelectric Power Project” (The Nation 2012). Declaring that the construction had commenced on 15th March 2012, it appeared clear that Laos was determined to go ahead with the project. In July 2012, the diplomatic repartee showed a new surge, with Vietnam and Cambodia asking to halt the construction. The Lao Minister of Foreign Affairs said it had actually stopped but was contradicted by the Ministry of Energy and Mines (MEM) of Laos on the same day and these declarations were followed by a visit to the dam site, organised by the MEM in response to an MRC request, which was attended by some 70 foreign delegates (International Rivers 2014). The last phase of the negotiations, before Laos officially gave the green light to the project, took place in early September 2012. On 7th September, just one day after the *Vientiane Times* reported that the Xayaburi dam would have gone ahead (*Vientiane Times* 2012), the then president of Vietnam, Truong Tan Sang, intervening at the APEC 2012 CEO Summit in Vladivostok (Russia), defined water as the oil of the 21st century and mentioned Vietnam's recent proposal for getting

the Mekong countries to cooperate with Japan in conducting “research on sustainable utilization and development of the Mekong River, including research on the impact of hydro-power dams on the mainstream” (Truong 2012). The Vietnamese president did not mention Laos or the Xayaburi dam directly but the timing of the speech and his references to upstream Mekong mainstream dams, as well as to the threat to the “largest granary of Vietnam” (the Delta), left very few doubts about the target of his discourse.

5.3.3 Laos begins the project

The groundbreaking ceremony for the Xayaburi dam in Laos held on 7th November 2012 demonstrated that the decision by the GoL to go ahead was anything but easy. In fact, the news came out in the press suddenly on 5th November, while dozens of heads of state were engaged at the ASEM 9 meeting in Vientiane. The next day, Prime Minister Thongsing Thammavong of Laos denied that a groundbreaking ceremony was scheduled, saying to the *Wall Street Journal* that the event was just a visit for the press and for experts and that it did not signal the start of the project (Otto 2012; Radio Free Asia 2012). This, however, was not the case at all as the banner prepared for the day and visible in the figure (Fig. 5.5) below made clear.

Figure 5.5 - Laos's deputy prime minister Somsavat Lengsavad cuts the ribbon for the Xayaburi dam



Source: Ben Otto

Diplomatic representatives of the neighbouring countries attended the event, including the ambassador of Vietnam, Dr Ta Minh Chau (Latsaphao 2012), and there were rumours that the Thai prime minister, Yingluck Shinawatra, sent last-minute apologies because of fears of potential tensions in Thailand (Interview 18-2015). Somsavat Lengsavad, deputy prime minister of Laos, who superintended the ceremony, declared that “We had the opportunity to listen to the views and opinions of different countries along the river. We have come to an agreement and chose today to be the first day to begin the project” (Chenaphun 2012).

The report of the event by the state-owned *Vientiane Times* ran along the same lines, stating that “There has been much conjecture about the project, but the Lao government is now confident it has satisfied all parties with a redesign of the dam, and has undertaken hydrological and fish migration studies” (Latsaphao 2012: 1) and claiming Laos’s right to exploit its own resources by building a run-of-river dam similar to many projects developed in the United States and in Europe. The redesign mentioned in the

quotation above, as well as in the next one, refers to the changes introduced to the project following the above-mentioned compliance report prepared by Pöyry and can be understood as proof of Laos's willingness to be (and appear) cooperative despite remaining firm in its intention to begin construction. According to a subsequent report by Pöyry, the redesign resulted in additional costs of 100 million dollars and in changes to the seismic design, a navigation lock to allow fish migration, and the introduction of low-level outlets and turbines to permit sediments and fish to pass through (Schmidiger and Sierotzki 2015).

The article, which can be considered very much equivalent to an official declaration released through the newspaper's pages concludes that

The government is now of the firm opinion that the project has been properly and thoroughly researched. Every effort has been made to consider the various processes required to improve the design in order to build a "transparent" dam that will have no impact on the geology of the Mekong. The redesign has been tested and found to be viable through the use of a specially constructed hydraulic model. Friendly countries no longer oppose the dam's construction, and the Lao government is now fully confident about making the decision to go ahead with the project. (Latsaphao 2012: 3)

5.3.4 Laos pursues its interests despite Vietnam's divergent preferences

The outcome of the negotiations, after the public opposition to the dam brought to the table by Vietnam, seems clearly to have gone in favour of Laos. After all, through the Xayaburi dam Laos secured its economic-strategic interest by developing one of its few available resources, i.e. hydropower, which is considered crucial both for domestic consumption and for export opportunities, in direct contrast to downstream Vietnam's interest in environmental safeguards, which were explicitly linked by Vietnamese officials to food and human security. For Vietnam, the main risk especially concerns

sediments because of their potential impact on agriculture in the Mekong Delta region (Geheb et al. 2015).

The strategic relevance of the Mekong Delta for Vietnam has been anticipated above and was vividly explained by Nguyen Thai Lai, the Vietnamese Deputy Minister of Natural Resources and Environment, in May 2013:

In Vietnam, the Mekong Delta area is 71,000 km², accounting for over 8% of the whole basin, and being an economic center, with strategic significance, in ensuring food security and sustainable development of communities in the South of Viet Nam and the whole country. Cuu Long Delta in particular, with an area of over 40,000 km², accounting for 12% [of the] total natural area, including 13 provinces & cities, with a population of over 17 million people, contributes 27% GDP annually with 90% [of the] rice exports and 60% [of the] aquaculture exports of Viet Nam. (Lai 2013)

Geheb et al. (2015) argue that the statement released to the BBC⁴⁷ by the Lao Vice Minister of Energy and Mines, Viraphonh Viravong, on the eve of the groundbreaking ceremony in which the latter expressed his confidence that an agreement with Vietnam and Cambodia was reached having them understood that Laos took and addressed their concerns seriously, indicates that Viraphonh Viravong “was certain that Laos had finally *won* them over” (Geheb et al. 2015: 118, emphasis added). Indeed, from Laos’s point of view the end of the process appears to be a clear success once the distance between, on one hand, the project’s economic benefits for Laos and, on the other hand, the risks and costs caused to Vietnam are taken into account. In addition to this development constituting an advancement in its national policy of becoming the “battery of Southeast Asia”, Laos, as stressed by the former CEO of the MRC Mr. Hans Guttman,

expects 150 million dollars per year from the concession period of 27 years. Even though official

⁴⁷ The interview can be found here: <http://www.bbc.com/news/world-asia-20203072>

records in 2013 estimated that the revenue would be around 130 million dollars, this is a huge amount of money for Laos, higher than the 80 million dollars in yearly revenue generated by the Nam Theun 2 Dam. (Interview 11-2015)

The reference here is to a report released by the Ministry of Energy and Mines in 2013, according to which the GoL “expects to earn US\$3.9 billion from the Xayaboury dam throughout the 29 year concession period” (*Vientiane Times* 2013: 21), i.e. 134.4 million dollars per year.

Therefore, considering all the direct and indirect public statements reported above in relation to Vietnam’s standpoint on the Xayaburi dam, the generally accepted interpretation of the issue is one of Vietnam disagreeing with the dam but somehow inexplicably being forced to accept the *fait accompli* and Laos’s unilateral course of action – see, for instance, Otto (2012) or Herbertson (2013). For some analysts, Laos’s decision to move forward had the potential to destabilise the diplomatic ties of the two countries sufficiently to jeopardise the peaceful and prosperous equilibrium the entire region had finally achieved after decades of war (Cronin and Hamlin 2012). A few weeks after the groundbreaking ceremony, Dao Trong Tu, director of the Centre for Sustainable Development of Water Resources and Adaptation to Climate Change (CEWAREC), a Vietnamese state-affiliated organisation, besides criticising the decision to go ahead without sufficient and reliable assessments, asserted that the Government of Vietnam was still really concerned (Giovannini 2012).

However, the length and complexity of the negotiation process, along with the economic – and political – interests at stake for the two countries, suggest it is important to critically examine what appears to be a clear-cut diplomatic victory by Laos (supported by the investor country, Thailand, as highlighted by, among others, Matthews (2012) and Hensengerth (2015)) over the downstream riparian Vietnam (and Cambodia), and also to investigate how the smaller state could have prevailed. Hanoi

reacted to the groundbreaking by sending the Vietnamese ambassador in Laos to attend the ceremony, and it must also be highlighted that a statement released by Vietnam's Foreign Ministry spokesperson, Luong Thanh Nghi, the next day avoided openly criticising the GoL's decision to go ahead, simply saying in general terms that "he hoped Laos will work with Viet Nam, Cambodia and Thailand in conducting careful and comprehensive research on the cumulative impacts on the environment, economics and society of all hydro-power plants expected to be built on the Mekong River", apparently accepting the *fait accompli* (Viet Nam News 2012). However, during the MRC Council meeting of January 2013 in Luang Prabang, Nguyen Thai Lai, Vietnam's Deputy Minister of Natural Resources and Environment, asked for the works on the dam to be halted, obtaining a sharp response from Viraphonh Viravong, who said that Laos would not continue the consultation and that his country had already gone beyond the Mekong Agreement. He put an unquestionable end to the discussion, saying assertively that "After six months, all you can do is record the difference of opinions and that is the end of the process" (Chen 2013).

Therefore, in order to understand how Laos managed to achieve such a result, an in-depth analysis has been conducted to explore the negotiation process that led to the groundbreaking ceremony summarised above, drawing extensively from the primary data provided by the interviewees, which enabled the author to look behind the scenes and beyond what has already been publicly said by the two sides and reported by public sources. The first purpose of the analysis is to understand how Laos prevailed over Vietnam despite the asymmetry of power. Since the outcome has been known – construction of the Xayaburi project began in 2012 and has never stopped, and the dam is expected to start operations by 2019 – the main unanswered question is this: how did Laos manage to start the project unilaterally, avoiding, at the same time, strong retaliation from Vietnam or any other strong diplomatic reaction?

Inevitably, the Xayaburi issue falls within the wider bilateral – and asymmetric – special relationship and involves all four members of the MRC and has a regional scope. A senior Lao official illustrates the bigger picture in this regard, which includes four countries: two that have already developed their water resources (Vietnam and Thailand) and two later developers (Laos and Cambodia). Since all the planned mainstream hydropower plants are in Laos and Cambodia, there is no natural harmony of interests (Interview 9-2015). During the interview, the same informant offered the author an illuminating description of the role of the Xayaburi dam in the broader framework of contemporary Laos's geopolitics:

If one understands Lao history, one can see how Laos has been dependent on outside forces in recent decades and especially on Vietnam. Now this relationship is being challenged by the rise of China and by the development underway in Laos itself. Therefore, the Xayaburi dam is a perfect case to illustrate both the connection between the two countries and the willingness of Laos to test this partnership. In fact, Laos, with the financial and diplomatic support of Thailand, is going ahead with an infrastructure which might be costly for Vietnam. Nonetheless, Vietnam cannot be too openly critical because of the historical special relationship with Laos and because of the increasing role played by China in the country, especially through massive investment. It means that the Vietnamese government needs to manage its relationship with Laos carefully, also due to the emergence of leaders in the Lao political spectrum who are increasingly closer to Beijing than to Hanoi.⁴⁸ All this would have been impossible only 20 or 30 years ago; without China, we would have had a very different story. (Interview 9-2015)

Nonetheless, despite the official position of the GoL being that it has satisfied the downstream countries' requests and concerns, a senior official of the Lao Ministry of Energy and Mines (MEM) clearly explains that Hanoi opposed the project and argues that Laos did not anticipate such a position, asserting that

⁴⁸ A recent study underlining this potential shift within the Lao leadership is offered by Kingsbury (2017).

With the Xayaburi dam, Laos did not want to test the special relationship. Historically nobody paid any attention to these mainstream developments, and Vietnam is not traditionally against hydropower, so we were surprised when they officially changed their minds and demanded a 10-year moratorium without explaining in detail why they needed 10 years. Maybe this dam ended up being a test for Vietnam ... Since Vietnam is in competition with China in the South China Sea, one theory is that they need support, but we cannot neglect any of our neighbours and China is very important for Laos. For this reason, blaming Laos does not influence the balance, so why should you make my life more complicated? Moreover, Vietnam signed an MoU with Laos for building the mainstream Luang Prabang dam, so I am not sure about their behaviour. We do not understand. We want to separate business from politics. It is not fair to meld the two dimensions. (Interview 44-2015)

Besides the official sources quoted above, Hans Guttman also confirmed that Vietnam's reaction surprised Laos, which, given their very strong relationship, had anticipated that Hanoi would support its economic development (Interview 11-2015). Another Lao official recalled that in private meetings Vietnam always said no to the Xayaburi dam and that even though during official visits Lao and Vietnamese leaders hug and kiss each other, when they move on to Mekong affairs, the atmosphere become frosty. "The core of the relationship is still okay, but there is an elephant in the room now that is changing the pattern", the official said (Interview 9-2015). Vietnam's opposition is also remarked on by two scholars of the Faculty of Law and Political Science at the National University of Laos (NUOL), Associate Professor Sengphet Outhay and Lecturer Sypha Chanthavong, who do not deny that downstream nations are worried by upstream development (Interview 1-2015; Interview 2-2015).

These interviews define well the geopolitical concerns that could lie behind the Xayaburi dam, as well as its relevance for the Laos–Vietnam special relationship. The quotes above contain crucial implications that will be highlighted below, but the main points the interviewees raise are twofold. First, the Xayaburi dam has much to do with

international relations and thus with the power relation between Laos and Vietnam, to the extent that it can be seen as a test of the bilateral special relationship itself. This pinpoints the intimate link between a project of such magnitude and sensitivity as the Xayaburi MTI and power. Second, the issue does not relate exclusively to Laos and Vietnam but is framed and negotiated in a complex geopolitical spectrum where the role of actors such as Thailand and China must be taken into account. In the light of these considerations, the next section will examine the negotiations between Vientiane and Hanoi, showing how the former prevailed, and will also thoroughly assess the implications and role of the broader geopolitical and power complex within which the Laos–Vietnam relational power analysis is embedded, before moving on to discuss the findings.

5.4 Analysis of the negotiations

5.4.1 What prevented a stronger reaction from Vietnam?

The interviews confirmed that there was substantial disagreement between the two countries, corroborating the evidence drawn from primary and secondary data. But to understand why Vietnam eventually gave up without taking any concrete countermeasures and why it could not find any leverage to stop Laos's plan, it was necessary to rely mostly on the information provided by the interviewees.

After construction began on 7th November 2012, it was possible to observe signals that behind closed doors the issue was being dealt with at the highest level between Hanoi and Vientiane given that, as already stressed, the Vietnamese ambassador in Laos attended the groundbreaking ceremony and the spokesperson of the Vietnamese Ministry of Foreign Affairs (MOFA), speaking the next day, avoided openly blaming the GoL. It has already been shown that this was also the view made public by Lao leaders at the groundbreaking ceremony, so it is not surprising that it is also shared by a member of the Lao National Mekong Committee (LNMC), who explained how after the

PNPCA and after that the project was redesigned all countries were happy with the new version, which, for example, added five facilities for the passage of fish. The interviewee added that of course the project had to be monitored, but there was no problem since members of the MRC were still working together and there were visits to the dam site every three months (Interview 10-2015). This was echoed by an official of the Department of Water Resources (DWR) of the Lao Ministry of Natural Resources and Environment (MONRE), who emphasised the fact that transparency and focus on details were crucial elements in reaching a compromise and concluded that “We never thought to leave the 1995 agreement, although American and Vietnamese NGOs published statements that we were close to doing so” (Interview 30-2015). It must be noted that the reference to a compromise contained in this interview, and any following reference to a *compromise* or to an *agreement* between Laos and Vietnam on the issue, relates to the fact that the two countries avoided a more direct and stronger confrontation on the Xayaburi issue described in this section, and does not indicate any official or specific agreement or deal signed by the two governments.

However, while Lao officials involved in the “Mekong affairs” put the stress on details and transparency, an official of the Ministry of Foreign Affairs (MOFA) of Laos, as well as a consultant close to the Lao Ministry of Planning and Investment (MPI), claimed that the agreement was reached at the highest level. The MOFA representative stressed that a compromise was possible because the Vietnamese government to some extent understood Laos’s position on the issue (Interview 13-2015). In addition to these inputs from Lao officials, similar statements were made by an ambassador of another ASEAN country in Vientiane, who was convinced that after going through the MRC procedure, and after the adoption of revisions to the dam relating to fisheries and sediments, Vietnam agreed (Interview 27-2015). A Vietnamese scientist who worked for the MRC noted that Laos went ahead after representatives of the two countries sat

down together and reached agreement, contending that Vietnam said “You can go ahead but you have to make sure the best mitigation of the impact is put in place and when we have problems you have to cooperate” (Interview 1-2016). However, very significantly, a senior Vietnamese diplomat, in an interview with the author that took place three years after the inauguration event, clarified the issue. The following quote represents the first published statement from an official Vietnamese source that explains the factors that lay behind the situation:

Our two countries are very close friends, but the mainstream of the Mekong is also relevant for Vietnam so we are very concerned about mainstream projects in Laos. We asked Laos to provide a serious environmental assessment, but to some extent we are also supporting Laos in its plans because Vietnam also has hydropower plants in Laos in order to import electricity to Vietnam. In the Xayaburi case, we negotiated with Laos and after Laos conducted environmental studies on the impact for fish and the environment more generally, we agreed. It is also relevant that although there are concerns about environmental aspects, all Laos’s neighbours are interested in investing. If Vietnam does not invest there are other countries ready to replace us. It is also a fact that people and offices in the North of Vietnam are less concerned than local authorities and people in the South of Vietnam. (Interview 42-2015)

This was a key interview, and the words of the Vietnamese diplomat, who cannot be named, combined with the positions of the Lao sources reported above, corroborate the argument that, despite the divergence of interests between the two countries, at some point before 7th November 2012 they reached a compromise that avoided worsening the dispute and causing further confrontation or conflict to erupt. From the last passage, it clearly emerges that the issue was not dominated only by environmental and economic calculations, and that various factors, from geopolitical considerations to domestic elements, informed the negotiations, making it a multidimensional process.

The fact that Vietnam continued to express its concerns after the groundbreaking ceremony, for instance during the MRC Council meeting held in Luang Prabang in January 2013, might seem to contradict the findings that a compromise was reached. However, this actually confirms the substantial divergence between the preferences of the two states and can be explained by two factors. First, as indicated by former MRC's CEO Hans Guttman, with respect to the evolving understanding of the likely impacts of the Xayaburi dam Vietnam may have preferred to save face and keep up appearances: "Vietnam is facing different opinions on the Xayaburi dam issue", he said, "but it is difficult to change their position. Although from 2013 the pressure decreased (there were high-level meetings), they cannot explicitly change their position" (Interview 11-2015). The second reason can be found in the different views and priorities of different ministries and agencies and, since the Xayaburi dam was the first mainstream dam in the Lower Mekong, and thus the first test of the incompatible interests of the riparian countries, this might have created problems for the Vietnamese government. Explaining that Laos was surprised by Vietnam's reaction, Hans Guttman argued that "it is likely that different factions in the Vietnamese government had different opinions but finally the threat to the Mekong Delta was considered paramount", adding that "it should be noted that although Hanoi had strong words over Xayaburi there was no noticeable reduction in other assistance and cooperation between Laos and Vietnam" (Interview 11-2015). For the central government in Hanoi, it was also difficult to push too much against the Xayaburi project because such a position could hardly be viewed as sustainable if one considers that Vietnam's "position to defer mainstream dam development contradicts its ambition to proceed with national hydropower plan (ie, Lower Sesan 2) regardless of its downstream impacts (to Cambodia)" (Suhardiman et al. 2015: 211) and that Central Highland dams in the country create similar environmental problems (Le 2013; Geheb et al. 2015). These two factors explain why in

the MRC the Viet Nam National Mekong Committee continued to publicly express its concerns without undermining the state-to-state compromise reached by its government with Vientiane.

On 28th June 2011, a few months after the end of the PNPCA process, and at a time when the destiny of the Xayaburi project was still uncertain, Stratfor analyst Zhixing Zhang wrote that the construction had already begun and rightly forecasted that “Laos’ dam ambition is unlikely to be halted” (Zhang 2011). But interestingly, the analyst added “Will be interesting to see Vietnam’s response on the resumption. However, this may have secretly get nod from Vietnam, given the diminishing lever in influencing the plan” (ibid.). Indeed, from the data analysed and presented above, it emerges that Vietnam faced constraints that limited its leverage and its capacity to implement effective countermeasures. It also emerged that the core dimension that supports understanding of why Vietnam had to accept the *fait accompli*, and why Laos prevailed, relates to geopolitics. The next section, therefore, examines in greater depth the wider geopolitical and strategic context in order to explain exactly how it led to such an outcome, first by providing an overall assessment and then by focusing on the most important actors.

5.4.2 The role of the geopolitical context

The analysis above points to the fact that the most important factor that prevented Vietnam from taking an even stronger stance on Laos’s hydropower project and from reacting in a stronger way can be found in the common history that shapes the Laos–Vietnam bilateral relations that inform Vietnam’s long-term foreign policy strategy. It can be noted, in fact, that Lao officials, in the interviews reported, highlighted the virtues of the dam itself as well as of their country’s open and transparent behaviour, while the Vietnamese ones underlined factors such as the strength of the bilateral relationship and the capacity to cooperate, the need to face economic competition, and

indirect benefits. In this respect, the reference by the Vietnamese diplomat to the need to take into account the fact that other countries might “replace” Vietnam as an investor in Laos must not be overlooked. Thanks to the context in which this statement was placed, and especially considering that the same interviewee also explicitly said that the two countries eventually reached a compromise, as well as appealing to their close friendship, it seems that the Vietnamese diplomat’s allusion to the problem of competition can be seen not only as the expression of the contingent need to cooperate in spite of Laos’s adverse behaviour, but also as a strategic imperative dictated by the common past of the two states (and leaderships), as well as by Hanoi’s long-term foreign policy strategy. As is evident from the Vietnamese diplomat’s words, with Laos having a great strategic importance for Vietnam, another interviewee suggested that Hanoi could have feared that making too much trouble in the Xayaburi case could have resulted in a less favourable attitude by Laos towards Vietnamese interests and investments (Interview 8-2015). This point of view is also shared by Martin Stuart-Fox, one of the most important Laos historians, who, in an interview with Bloomberg, declared that “From the Vietnamese side, they would have to be very reluctant to put too much pressure on Laos out of concern it would just push them into the arms of the Chinese” (Bloomberg 2014). Further, the role of the long and crucial bilateral relationship in the reaching of an agreement has been underlined in several interviews. The same LNMC official quoted above, while openly minimising the environmental risks and probably putting too much emphasis on Vietnam’s interests, highlighted the special relationship between the two countries by vividly asserting that

If I meet a Vietnamese abroad we help each other. During the Cold War, there were many exchanges and trips between Laos, Vietnam and the Soviet Union. If we do not get a win-win solution it is very difficult! We cannot be unilateral; it would be very risky. Laos aims to improve its economy: this is not comparable with the case of a very small fish that might not be able to pass through the Xayaburi dam.

I cannot deny that in this case Laos and Thailand get all the benefits. (Interview 10-2015)

In addition, the powerfulness of the bilateral ties must be put in perspective: in fact, the combined effect of fears of competition for influence over Laos and the fact that, despite the serious threat posed to the Delta region by the dam, the issue was probably not considered a matter of life or death in Hanoi. As already mentioned, the Xayaburi dam negotiation process can be seen as difficult but not one worth compromising good relations for (Interview 29-2015). The relative importance within the broader bilateral ties between Hanoi and Vientiane persuaded the former of the need to appear cooperative, regardless of how reluctantly this was done. Indeed, according to another interviewee, at the end of the consultation phase of the PNPCA process Vietnam did not agree but it preferred to keep a low profile in order to show its goodwill towards a harmonious coexistence (16-2015). Besides the relative importance of the issue within the Government of Vietnam's priorities, it is also necessary to consider that while the Xayaburi MTI was not perceived as a vital matter in Hanoi, it had a much higher importance for other actors. As pointed out by Associate Professor Ruth Banomyong, Head of the Department of International Business, Logistics and Transport at Thammasat University in Bangkok and co-author of one of the rare accounts on Laos's geopolitics⁴⁹,

Vietnam never agreed on the Xayaburi dam, but could not do much. Other actors had more influence, especially Thailand since it will buy most of the energy produced by the dam. However, Vietnam was not very happy to say the least. (Interview 17-2015)

The predominance of Thai interests has also been stressed by Laos's Vice Minister of Energy and Mines, Viraphonh Viravong, who explicitly claimed "It would be too expensive for anyone to damage the project. It's like starting a war. The stakes are too

⁴⁹ The already cited work by Pholsena and Banomyong (2006).

high for Thailand” (Janssen 2015). This reasoning refers to the fact, already mentioned above, that the Thai company Ch. Karnchang owns the majority of the shares, Thai EGAT will buy 95% of the produced electricity, and funding is provided mainly by Thai financiers.

Given the geopolitical context, in which Vietnam appeared to have its hands tied too tightly by the imbalance between diplomatic costs and opportunities to raise its opposition to the Xayaburi dam to the level of an open confrontation and diplomatic rift with the GoL, some have speculated that, despite being able to anticipate what the outcome of the dispute would be, the Government of Vietnam nonetheless opposed the project for years by adopting a preventive strategy. An official of the Lao Ministry of Energy and Mines acknowledged this view, saying “Vietnam knew in advance that we would have gone ahead in any case, so it is possible that Vietnam bluffed in order to observe Laos’s reaction and to obtain something” (Interview 44-2015); and Cronin and Hamlin (2012) envisioned that “one tack that Vietnam could consider would be to raise the issue of damages that may result from the Lao dams. This could at least be a bargaining chip to gain greater Lao consideration for Vietnam’s concerns” (Cronin and Hamlin 2012: 41). In fact, it was commonly thought that the Xayaburi dam would pave the way for all the other proposed mainstream dams in Laos and that the cumulative effect of the 11 planned dams in the Mekong mainstream in Laos and Cambodia might be extremely negative (ABC 2012), so Vietnam’s strategy was probably informed by this concern and involved trying to anticipate future dangerous developments and put pressure on the GoL in order to delay and disincentivise the rapid building of the entire Mekong cascade (see Figure 5.4). As a matter of fact, it must be noted that such concern proved to be appropriate since, as pointed out above, in the following years Laos moved ahead with other two of the remaining eight projects: the Don Sahong dam and the Pak Beng dam. Another reason to implement a preventive strategy and another way to use

this bargaining chip can be found in the competition with China over influence – and investment – in Laos, which has already been stressed. Phuong Nguyen, a research associate with the Sumitro Chair for Southeast Asia Studies at the Center for Strategic and International Studies (CSIS) in Washington, highlighted how “At the core of the controversy surrounding dams on the Mekong River is China’s role in supporting and financing the construction of dams in Cambodia and Laos” (Phuong 2014: 2). In fact, even though the Xayaburi dam is being built by a Thai contractor, for three of the next eight dams, MoUs have been signed with Chinese companies while only one has been granted to a Vietnamese company⁵⁰ (Lee and Scurrah 2009; Interview 18-2015).

To conclude, it seems clear how geopolitical factors have played a crucial part in relation to both the very outcome of the Xayaburi dispute and the ability of the two parties to compromise and to not escalate the dispute. If, on one hand, the Xayaburi dam can be considered a conjunctural shock for the Laos-Vietnam special relationship, on the other hand, this very alliance facilitated a compromise between the two countries by providing Laos with the opportunity to avoid a costly – and probably unsustainable – direct confrontation, and Vietnam with a way to contain the risks and potential damage thanks to the assurances of long-term cooperation entailed in the special relationship. The findings above show that the Xayaburi dam issue involved more states besides Vietnam and Laos. Two of them are obvious and inevitably linked to the issue by their membership in the MRC, and because they are riparian countries and they have clear and direct interest in the dam – positive in the case of Thailand and negative in the case of Cambodia. China, instead, also appeared to play an indirect role, mainly by constituting a geopolitical competitor for Vietnam. Nevertheless, the roles of these actors need to be further clarified, along with that, so far overlooked, of the United States.

⁵⁰ Laos and the Vietnamese Petrovietnam Power Corporation signed an MoU in October 2007 for the construction of the Luang Prabang mainstream dam (1,410 MW).

5.4.2.1 Thailand's direct support for Laos

Considering that an action against the Xayaburi project has been compared by Lao leaders to a warlike act, given the stakes Thailand has in the dam (Janssen 2015), it is thus necessary to explore the dynamic of Thai investment in the project and what it represented for the Laos–Vietnam negotiations. When asked about the role of the Xayaburi dam in the bilateral relations, a senior official at the Thai embassy in Vientiane provided an answer that clearly indicated Thailand's aspiration to become a source of not only economic but also diplomatic diversification for Vientiane, and the role of the Xayaburi project in this respect⁵¹:

Vietnam is getting a lot of investment and concessions in Laos, which significantly are not value-adding for Laos since they are all processed in Vietnam. The two governments are still very, very close. Nonetheless, our ambassador is very proud of the Xayaburi dam project, the biggest Thai foreign direct investment (FDI) in Laos so far. In general, I think that Laos has not pursued its advantage too much so far, but this dam is an example in the opposite direction. Laos should get more asking for FDI and hydropower projects. (Interview 37-2015).

The Thai diplomat goes on to point out how Laos's development is a priority for Thailand, as demonstrated by the fact that for both the Thailand Investment Cooperation Agency (TICA) and the Neighbouring Countries Economic Development Cooperation Agency (NEDA), Laos is the first destination country, in the case of NEDA accounting for some 70% of its loans⁵² (Interview 37-2015). From the just-quoted interview a picture clearly emerges of the competition under way in the country and the fact that the Xayaburi dam was a turning point from Thailand's perspective.

Moreover, and equally importantly, besides the positive effect for Laos and for its bilateral relations, Thailand has a lot to gain from projects like the Xayaburi dam. In

⁵¹ Historical difficulties between Laos and Thailand were highlighted in chapter 1.

⁵² TICA, for instance, cooperates with the Ministry of Foreign Affairs of Laos, providing human resources training (Interview 37-2015).

fact, Thailand's stance on the project was informed by two key national priorities that perfectly match Laos's "battery of Southeast Asia" policy: the internationalisation of hydropower production and the diversification of its energy mix, which is currently dominated by hydrocarbons, with fossil fuels accounting for 98% of the country's primary energy consumption in 2014 (Oxford Business Group 2016). First, the purpose of internationalising the production of electricity from hydropower derives from the strong anti-hydropower social movement inside Thailand and from the fact that the internal potential has already been exploited; second, Thailand has a particular interest in diversifying its energy mix because it relies on natural gas imported from Myanmar for its electricity production (Matthews 2012; Jakkrit 2015; Cronin and Hamlin 2012). As Cronin and Hamlin (2012) have stressed,

The Xayaburi dam and other dam projects in neighboring countries receive formidable backing from the country's National Energy Policy Committee (NEPC), which is chaired by the prime minister. The Energy Policy and Planning Office (EPPO) of Thailand's Ministry of Energy, which describes itself as "a pivotal agency in the formulation and administration of energy policies and planning for the national sustainability," has been the lead agency in formulating the country's national energy policy. EGAT is chaired by a permanent secretary of the Energy Ministry. (Cronin and Hamlin 2012: 26)

In this framework, the "Thai dimension" is always very relevant for hydropower development in Laos and, according to Thammasat University's Professor Ruth Banomyong, this increased significantly after the Nam Theun 2 hydroelectric project (Interview 17-2015).

The combination of all these internal Thai factors resulted in a strong interest in investing in the Xayaburi dam, paving the way for approval by the NEPC in December 2010 of the PPA with the Xayaburi Power Company and for overcoming the hurdles originating from regional foreign policy considerations. In fact, as Cronin and Hamlin

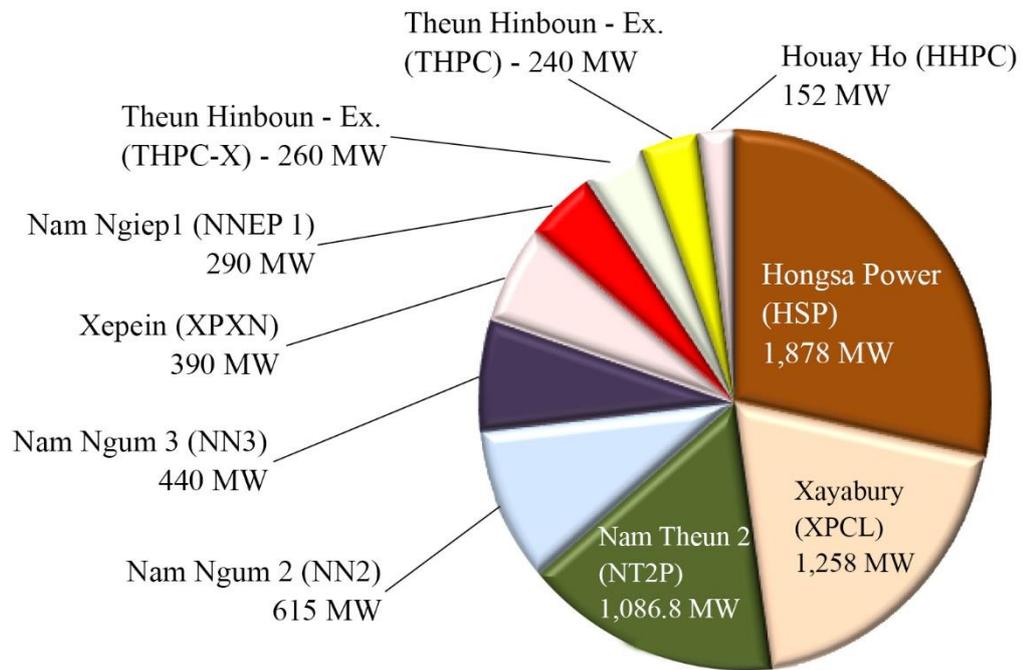
(2012) clearly point out, “both at the Ministry of Foreign Affairs and at the highest political level in the former Abhisit administration, Vietnam’s strong opposition to the Xayaburi dam pitted domestic interests against important foreign policy and regional stability interests” (Cronin and Hamlin 2012: 41). Such concerns, indeed, at the time of the MRC’s Joint Committee meeting in April 2011 led Abhisit’s government to align itself with Vietnam and Cambodia, going, as Cronin and Hamlin (2012) note,

against Thailand’s second largest construction company, the powerful state-owned Electrical Generating Authority of Thailand (EGAT), the Ministry of Energy, and the four country’s largest banks⁵³ – mainly out of consideration for Vietnam’s strong opposition to the project. (Cronin and Hamlin 2012: 15)

In this respect, the fact that Yingluck Shinawatra’s government did not stop the project in 2012 meant that Thailand’s eagerness to secure the economic benefits achievable through investment in the Xayaburi dam prevailed over the above-mentioned domestic pressures and international concerns. The figure below demonstrates not only that all electricity provided to EGAT by GMS countries comes from facilities located in Laos, but also, and more importantly, the share the Xayaburi dam will account for.

⁵³ Bangkok Bank, Kasikorn Bank, Krung Thai Bank and Siam Commercial Bank. Later, the export credit agency Export-Import Bank of Thailand (EXIM Bank) and Thai Investment and Securities Company Limited (TISCO) also joined the financing pool (King 2015).

Figure 5.6 - GMS Power Project Sales to EGAT



Source: Moungharoen (2013)

5.4.2.2 China's economic-strategic goals

Although Thailand, despite some foreign policy concerns, showed clear and direct interest in pursuing the Xayaburi investment, China played a more indirect and passive role, but for various reasons it might be considered to have supported Laos in its venture. In fact, although China had no stake in the Xayaburi project itself, it is nonetheless a major hydropower developer in the region, had completed four mainstream dams in its branch of the Mekong at the time, and had signed agreements with the GoL for four out of nine proposed Mekong mainstream dams. Besides its role as a potential investor, however, China can be considered as the “enabling actor” since, as stressed by Trandem “China’s own upstream dam construction on the Mekong has helped pave the way for the Lower Mekong mainstream dams to re-emerge on the region’s agenda” (Trandem 2011). Therefore, being the first in the mainstream hydropower cascade envisioned by Laos (and Cambodia) in the Lower Mekong, the Xayaburi case was of crucial importance in opening the door for the other 10 planned

dams. Beyond China's interest in setting a precedent in the Lower Mekong Basin, the Xayaburi dam was also highly relevant for Beijing from a strategic point of view. As stressed by a Stratfor brief published back in April 2011,

Vientiane's hydropower ambitions run the risk of straining ties with its patron, Vietnam. In a rare move, Vietnamese government officials voiced strong criticism of the plan ... Vietnam's criticism goes against a 1977 treaty of friendship and cooperation that enshrined a "special relationship" between Vietnam and Laos. Decades have since passed from the revolutionary period, when Laos aligned itself with Vietnam and the Soviet bloc. But Vietnam still maintains the greatest geopolitical influence over Laos of any country. Hanoi provides Laos an alternative route to the sea through the Red River corridor, and has long been the country's top investor and benefactor. Vietnam has cultivated ties with Laos at the political and military levels, providing training to Laos' government and military leaders. This has enabled Vietnam to secure its dominance over its fellow communist country and to expand its influence over the region. As Vientiane opened up its economy and accelerated integration with regional markets, especially with Thailand and China... a rebalancing of Vietnam's strategic influence appears to be under way ... China has welcomed Laos' expanding cooperation with Thailand, which it sees as helpful in setting a precedent on hydropower and further loosening Laos' bond with Vietnam. (Stratfor 2011)

It emerges from the analysis above that China had clear geostrategic interests that went together with its willingness to invest in the hydropower sector in the Mekong Region and in the big mainstream dams that will follow the Xayaburi project. It is thus important to take into account the role played by China alongside Thailand, since both had a clear strategic interest (although the drivers that informed Thailand were mainly economic in nature, the investment was seen by its diplomats as key to improving Thailand's position in Laos) in supporting Laos's decision to build the Xayaburi dam and it provided the GoL with sources of diplomatic support crucial to counter Vietnam's opposition.

5.4.2.3 The overlooked role of the United States

However, Vietnam was not alone in its attempt to prevent the building of the Xayaburi dam. Besides the Cambodian opposition already mentioned above, throughout 2012 the United States joined the two downstream Southeast Asian countries (Chang 2013), balancing out Thailand's direct support to the GoL. Geheb et al. (2015) make clear how at the same ASEAN Summit in May 2011 at which Laos reassured Vietnam, it also addressed US concerns. In fact, the US's active opposition to the project emerged clearly when the US Congress passed the Mekong River Protection Act of 2011, which was to

instruct the United States Executive Directors of the World Bank and the Asian Development Bank to oppose the provision of any loan or financial or technical assistance for the construction of hydroelectric dams or electricity transmission systems in the Mekong River Basin unless the Secretary submits a related report providing certain assurances with respect [to] environmental protection, public health, economic effect, and resettlement concerns to Congress. (US federal legislative information 2011)

This became evident when the GoL went public and declared its intentions to hold a groundbreaking ceremony on 5th November 2012. On that very day, the US Department of State released a statement that sharply criticised Laos's decision to go ahead:

The United States recognizes the important role that dams can play in managing water resources to advance economic growth. At the same time, our own experience has made us acutely aware of the economic, social and environmental impacts that large infrastructure can have over the long-term. The extent and severity of impacts from the Xayaburi dam on an ecosystem that provides food security and livelihoods for millions are still unknown. While these are sovereign development decisions, we are concerned that construction is proceeding before impact studies have been completed. We continue to believe that the Mekong River Commission (MRC) can be a useful platform to provide access to the best science and facilitate consultation with all

stakeholders. We also understand that the members of the MRC have not reached consensus on whether the project should proceed. The United States values its long-standing partnership with the MRC and its member nations. We have a strong interest in the sustainable management of the Mekong River, and we view our robust engagement as a sign of our strong commitment toward a lasting and positive relationship with the region. We hope that the government of Laos will uphold its pledge to work with its neighbors in addressing remaining questions regarding Xayaburi. We encourage the MRC countries to continue to work together to realize their shared vision of an economically prosperous, socially just and environmentally sound Mekong River basin. (US Department of State 2012)

So, why would Washington get involved in the dispute? At first glance, there are two potential reasons. First, it might have wished to support Vietnam (an important partner for the US⁵⁴), or, second, it might have just wanted to counter Chinese economic activities in the region. It can also be argued that it was driven by a combination of these two considerations. In fact, as suggested by an interviewee, there is a substantial convergence of interests between the US “Pivot to Asia” policy – in which Laos becomes part of their grand vision for Southeast Asia, since many high-level US politicians policymakers think in terms of containment instead of a constructive engagement with China (Interview 35-2015) – and the ever-improving Hanoi–Washington partnership; during a visit to the United States in 2013, Vietnam’s president, Truong Tan Sang, stressed that the two countries would cooperate to preserve the Mekong’s sustainability (Hutt 2015). Based on such possibilities, the US stance on the issue might be seen as an opportunity for it to strengthen its diplomatic ties with Vietnam by backing Hanoi’s concerns, but also as a way to exploit this good relationship in order to oppose more broadly mainstream hydropower development,

⁵⁴ Washington granted to Hanoi the status of Normal Trade Relations in 2002 and the United States became Vietnam’s primary destination for exports (21.2% in 2015). Economic ties were matched by the strengthening of political ties, culminating in the achievement of a Comprehensive Partnership in 2013 and the lifting of the arms embargo in May 2016 (Giovannini 2016).

which is – and will be – fuelled mostly by Chinese investment, and to support the development approach proposed by the US Lower Mekong Initiative (LMI), which was launched in 2009 with Cambodia, Laos, Thailand and Vietnam⁵⁵ with the aim of fostering cooperation on environment and water, health, agriculture, connectivity, education and energy security (the six pillars of the initiative).⁵⁶

However, the United States is linked to the Xayaburi project by a specific and direct interest that has, surprisingly, been completely ignored by both media and academic debate on the issue. In fact, as already mentioned above, in 2007 AES Corporation, an American company headquartered in Arlington (Virginia), competed with another Thai company alongside Ch. Karnchang to try to win the contract for the Xayaburi dam. However, evidence of this can only be found in three diplomatic cables sent by the US embassy in Vientiane between April and May 2007 and later released by WikiLeaks in August 2011. Since no reference to these cables is available through other sources, and the content has not so far been reported or mentioned anywhere else, it is worth providing here a summary of the negotiations that the US government was involved in before the contract was granted by the GoL to Ch. Karnchang, as can be seen from the three cables. The overlooking of the facts summarised below could have led, and did in fact lead to incomplete or misleading conclusions; as in the case of King (2015), who studying the Xayaburi project in the framework of social and environmental regulations in ASEAN, argues,

Although the Thai banks by no means stand alone as influential stakeholders, without the financing they are providing, the Xayaburi dam could not be built. This is particularly evident in light of international financial institutions such as the World Bank Group (WBG) and the Asian Development Bank (ADB) declining to provide funding to this project due to the social and environmental risks in the SEA

⁵⁵ Myanmar joined in 2012.

⁵⁶ More information can be retrieved from the LMI's official website available at: <http://lowermekong.org/>

Report. This position is particularly striking in light of the WBG and ADB track record of providing technical and financial support for dams in Lao PDR, such as the Nam Theun 2. (King 2015: 106–107)

The first cable⁵⁷ indicates that AES submitted its proposal for a planned investment of 1.3–1.5 billion dollars to the GoL on 29th March with a strong letter of support signed by the then US ambassador to Laos, Patricia M. Haslach. The joint effort carried out by AES and the US embassy in Vientiane to lobby the GoL in order to get the contract is described in full detail in the communication, which concludes by asking the Department of State to “support AES’ request for a letter from the Secretary of Commerce in support of the project” (United States Embassy in Vientiane 2007a). However, what seems of particular relevance is the mention of the competition between the American proposal, possibly backed by multilateral development banks such as the Asian Development Bank,⁵⁸ and the Chinese developer SinoHydro, which was believed to be interested in building all the four Mekong mainstream dams planned by the GoL at that time. The relevance of this competition emerges from a concluding comment that reads

If AES is awarded the rights to develop the Xayabury project, it would instantly raise the profile of American investment in Laos. Currently, the stock of U.S. investment in Laos is generously estimated to be \$15 million. AES’ success might also signal to the GOL that [the establishment of] normal trading relations, granted by the United States in 2004, is starting to provide the economic growth opportunities so far hoped for, but not yet seen. If SinoHydro develops the project, it would represent another coup for the growing Chinese commercial presence in Laos. (United States Embassy in Vientiane 2007a)

⁵⁷ 07VIENTIANE312_a, sent on 17th April 2007 and available at https://wikileaks.org/plusd/cables/07VIENTIANE312_a.html

⁵⁸ With regard to the ADB, there is a specific reference to the interest expressed to AES by ADB officials in Manila in providing financing for the Xayaburi project if the AES bid were to be successful.

A clearer and more direct explanation of what the Xayaburi project represented for Washington could hardly be imagined. The wording of the cable, in fact, points to the unique opportunity for immediately skyrocketing US investment, which would have been raised a hundredfold by this facility alone, even though the estimated overall value of the investment was significantly lower, as well as to the concurrent opportunity to counter China's rising influence in the region.

The second cable⁵⁹ reports that the letter of support signed off by the then US Secretary of Commerce, Carlos Gutierrez, was delivered to the Lao Prime Minister's Office and to the Lao Committee for Planning and Investment. Reading between the lines of the document, it appears of great relevance that during her meeting with Soulivong Daravong, president of the Committee for Planning and Investment – who later became Minister of Energy and Mines – on 30th April 2007, the US ambassador stressed how, if the American bid were successful, AES had the capacity to meet high environmental standards, adding that

these standards will be raised by NGOs and environmentalists because of both the sheer size of this project (\$1.5 billion) and the fact it will be the first dam project in Laos on the Mekong River itself rather than on one of its tributaries. (United States embassy in Vientiane 2007b)

The US ambassador's warning statement apparently materialised when International Rivers, a US-based advocacy organisation, launched a strong campaign against the dam later in the same year.

The third cable⁶⁰, the only classified one of the three,⁶¹ sent on 11th May 2007, acknowledges the failure of the AES bid and so of the lobbying effort made by the

⁵⁹ 07VIENTIANE351_a, sent on 30th April 2007 and available at https://wikileaks.org/plusd/cables/07VIENTIANE351_a.html

⁶⁰ 07VIENTIANE390_a, sent on 11th May 2007 and available at https://wikileaks.org/plusd/cables/07VIENTIANE390_a.html.

⁶¹ The first two were listed as "Sensitive But Unclassified" (SBU).

United States. The message reflects the disappointment experienced, not only at having lost the bid but also at not having been properly notified, stating that

notwithstanding intensive lobbying by the US Government on behalf of AES, there was no notification to either the Embassy, nor to AES, that the contract had been awarded to another company, or that a signing ceremony was to be held just four days after the Ambassador had called on the President for the Committee for Planning and Investment of Laos to lobby for AES. (United States Embassy in Vientiane 2007c)

So, what the evidence from the three cables tells us is mainly that, in contrast with the generally accepted idea that the US had only an indirect interest in the issue, driven by their solid relationship with Hanoi and the attention to the environment and sustainable development highlighted in the Lower Mekong Initiative (LMI), they in fact had direct commercial and geopolitical interests in the Xayaburi dam. As an American diplomat told the author in 2015, the position of the United States is now as follows: “in a perfect world there are no dams in the Mekong River” (Interview 26-2015). Indeed, Washington’s U-turn on Mekong mainstream dams became evident in the years after the AES bid, and became official when Hillary Clinton, during the first visit of a US Secretary of State to Laos for 57 years, urged suspension of the construction (Hilton 2012). Therefore, it has been argued that the outcome of the AES bid triggered Washington’s opposition to mainstream hydropower development in the Mekong because the US might have realised that all the other large mainstream dams were going to be awarded to Chinese or other regional competing developers: of this opinion are CSIS researcher Phuong Nguyen and the director of the Centre for American Studies of Chinese Fudan University (Hutt 2015). The latter clearly declared that

I think what the US is doing is trying to stop China from gaining more power in Southeast Asia, and this is just another tactic ... It is politically motivated, and is aggressive towards China. The Lao

government wants to build dams and China is helping them. (ibid.)

In conclusion, the analysis of how the broader geopolitical context was intertwined with the bilateral asymmetric negotiations between Laos and Vietnam over the Xayaburi dam demonstrates that other states had direct or indirect interests in influencing the outcome. However, given the fact that such pressures were not unidirectional – Thailand and China supported Laos, but the United States aligned with Vietnam (and Cambodia) in opposition – it has been seen how the Xayaburi MTI allowed Laos to mobilise and leverage such interests in order to achieve its goals in spite of asymmetric opposition from Hanoi.

Now that the findings that emerged from tracing the process of the Xayaburi negotiations have been exposed, next they will be discussed in order to evaluate the effect of the MTI on Laos's power over Vietnam, as well as to point out their potential theoretical implications and conclusions.

5.5 Discussion of the findings

5.5.1 The MTIs–relational power analytical framework applied to the Xayaburi dam case

In this section, the MTIs–relational power analytical framework developed in chapter 3 is applied to analyse the empirical findings in terms of relational power. The next section will then discuss the relevance of the findings against the theoretical backdrop of the small states literature analysed in chapter 2.

In the case study of the Xayaburi dam MTI, the empirical outcome appears to be in favour of the smaller party, in contrast to what the literature on small states would suggest. The observation of this empirical outcome generated the research question: how has Laos been able to go ahead with the construction of the dam despite Vietnam's opposition? In the applied analytical framework developed in chapter 3, the Xayaburi MTI is the independent variable and the relational power of Laos – the small state – is

the dependent one, and therefore we now need to carry out a “relational power analysis” of Laos with respect to Vietnam (the domain) and within the scope of the management of the Mekong River, in which the Xayaburi MTI is being constructed.

5.5.1.1 Assessment of preferences

The divergence of interests between the two states, as well as Laos’s success, has been extensively examined in the previous sections, but it is important – before moving on to the discussion – to highlight the fact that key interviewees all agreed that Laos succeeded. To this end, exactly how these informants expressed these thoughts is faithfully reported below – to give a concrete and vivid sense of how the issue was seen by people who, despite having different nationalities and coming from different professional backgrounds, played important roles in the negotiation process themselves (or had access to people who played important roles). First of all, the comment from the Vietnamese diplomat, who said sharply that “Xayaburi to some extent can be seen as a test of the special relationship with Vietnam: Laos passed the test” (Interview 42-2015), must be reported. It is also crucial to point out that, in accordance with their Vietnamese colleague, diplomats of the four countries that had an interest in the issue – Laos, Thailand, China and the United States – agreed that the Xayaburi dam represented not only an economic success for Laos, but also a diplomatic victory (Interview 13-2015; Interview 26-2015; Interview 37-2015; 47-2015). The Thai diplomat asserted that “In general, I think that Laos has not pursued its advantage too much so far, but this dam is an example in the opposite direction” (Interview 37-2015), arguing that the Xayaburi investment marked a discontinuity that provided Laos with greater advantages than it had traditionally managed to obtain. A Western consultant underscored the novelty that the Xayaburi dam brought to Laos’s foreign relations, saying that “Others had never seen Laos in this way. It became a player” (Interview 18-2015). Finally, the senior Lao official already cited frequently since she/he provided comprehensive diplomatic points

of view again helped the author to put things in perspective by concluding that “Laos is nowadays internationally much more confident than it was only five to ten years ago (but especially in the last five years) and ready to pursue one national priority, such as hydropower development” (Interview 9-2015).

However, if the Xayaburi project negotiation process clearly ended well for Laos, in order to observe the case in terms of relational power, investigating Vietnam’s position was crucial. The findings show that the consistency of this success, clearly expressed in the quotes reported just above, stems from the strong divergence between Laos’s and Vietnam’s interests. Thus, this research confirms the thesis, expressed by the vast majority of scholars and analysts, that Vietnam would have preferred a dam-free Lower Mekong River.

Therefore, the main conclusion from the findings presented by this chapter is that the Xayaburi dam MTI enabled Laos (A) to get Vietnam (B) *to do something* (accept the construction of the dam) *that it would not* (in an ideal scenario, i.e. following its own preferences informed by national interests) *otherwise do*. This outcome, according to Dahl’s definition of relational power, means that the Xayaburi dam, the independent variable, had a positive impact on the relational power of Laos in its bilateral relations with Vietnam. The clear opposition of Lao and Vietnamese preferences on the issue leads to the possibility of *power to prevail* and at the same time as the “potential for establishing causality” (Goh 2016: 12) is strengthened. However, to control the consistency of this conclusion and to appreciate the ways in which this relational power was expressed and materialised, the analytical framework will now be fully applied. First, it will be highlighted that the two conditions of relational power can be identified in the Xayaburi case. Second, the forms of this power will be assessed. Third, absolute gains and costs for the prevailing state will be uncovered.

5.5.1.2 Conditions of power

From the analysis above, it clearly emerges how the criterion of a *causal relationship* between the Xayaburi MTI and the impact in terms of power in the Laos–Vietnam relation, i.e. between the actor that is supposed to increase its power and the target, is satisfied. Undoubtedly, at the end the Government of Laos’s green light for the project was the crucial factor causing a change in relational power terms. In other words, the realisation of the MTI resulted in an outcome that went against Vietnam’s preferences and interests and thus in a situation in which Laos prevailed, because of its decision to build it in the first place and then because of all the necessary preliminary tasks (arrangements with Thai stakeholders, MRC procedures) to be carried out in order to reach the goal of building the MTI. With respect to *goal attainment*, the findings presented in the assessment of preferences above clearly point to the fact that the outcome was consistent with Laos’s preferences and against Vietnamese ones. Moreover, Laos, having decided to go ahead with the project, was stuck with its decision from 2007 to 2012 and consistently promoted its goals, pressuring Vietnam to adapt. The analysis of the negotiation process demonstrated that Laos acted cautiously, conscious of its status, but that from 2007 never stopped or changed its plans. A clear example of this can be found in the GoL’s behaviour in mid-2011 after the PNPCA procedure: it first showed an accommodating attitude when Laos’s prime minister assured his Vietnamese counterpart that the Xayaburi project had stopped, but in the meantime it was undertaking all necessary steps in order to move on with the infrastructure.

5.5.1.3. Forms of power

With respect to forms of power, the findings are in line with Goh’s (2016) key assumption that in a power relation shaped by opposing interests, power would take the form of *hard power*, and *coercion* would be the most important tool exploited by the prevailing actor, despite the potential coexistence of softer forms of power. As a matter

of fact, it has been seen that, rather than being induced or persuaded to accept the Xayaburi dam, Vietnam was forced to accept the *fait accompli* and Laos's unilateral decision to go ahead with the construction despite Vietnam's strong disagreement with the project. Vietnam's opposition is indisputable (as clearly confirmed by the official statements against the dam made within the MRC framework by the Vietnamese president, Truong Tan Sang, just before Laos organised the groundbreaking ceremony, and by the interview with the Vietnamese diplomat reported in this chapter). However, despite its attempts to change Laos's plans, Vietnam was forced to *comply* mainly by geopolitical constraints, which meant that a stronger reaction towards Laos's plans was not strategically viable. In fact, in refusing Hanoi's requests for a 10-year moratorium, suspending the project until more studies were conducted on its impact downstream, Laos coerced Vietnam into accepting the construction of the dam, displaying hard power. This was also manifested in assertive declarations by Laos leaders, such as responding to Vietnam's further requests to stop the project by rejecting them and saying "After six months, all you can do is record the difference of opinions and that is the end of the process" (Chen 2013). Therefore, Vietnam was forced to *comply* in order to avoid the *costly consequences* signalled by Laos's behaviour. As comprehensively pointed out in the analysis of the negotiations, Vientiane managed to end up in such a coercive position thanks to a skilful (and conscious) mobilisation of the geopolitical resources that could support its hydropower goal. First of all, Laos leveraged Thailand's interests (and then its stakes), facing which it could have been compared to "starting a war", as Viraphonh Viravong, the Lao Vice Minister of Energy and Mines, put it. Second, as acknowledged by Stuart-Fox and by the Vietnamese diplomat interviewed, leveraging the importance of the special relationship between Laos and Vietnam could, in the light of China's potential competition for influence in Laos, have provoked costly consequences for Hanoi. Lao officials appeared well aware of these constraints, as was

made clear in the interview in which a Lao official in the MRC stated that “without China we would have had a very different story” (9-2015).

Moreover, the findings are also coherent with Goh’s assumption that in practice a combination of coercion, inducement and persuasion is likely to occur, although in the Xayaburi case hard forms of power are preponderant. Laos managed to some extent (the findings prove that it at least tried) to persuade Vietnam by presenting itself as a small and poor country that might only develop its economy by becoming the ‘battery of Southeast Asia’. The presence of this softer form of power clearly emerged in the quote from an official of the Lao National Mekong Committee, who stressed the broader bilateral ties in conjunction with a minimisation of the Xayaburi project’s negative impact for Vietnam, suggesting that “a very small fish that might not be able to pass through the Xayaburi dam” should not compromise the excellent historical ties between the two countries (10-2015).⁶²

5.5.1.4 Outcome

In terms of absolute gains and costs the balance appears to be clearly in Laos’s favour since it secured its main interest of building the Xayaburi dam and succeeded diplomatically by testing the special relationship, while facing only minor costs, such as the delay of the project caused by Vietnam’s opposition (both within the MRC and bilaterally) and the need to revise the original design in order to meet Hanoi’s demands, which led to additional costs of 100 million dollars. The costs that resulted were lower than the gains from pursuing one of the most important national economic policies – i.e. becoming a leading hydropower exporter in the region – as well as from the concrete and direct economic benefits that will be generated by the Xayaburi dam, which will generate around 4 billion dollars throughout the 29-year concession period ending in

⁶² The focus was placed on the narrative aspect of the negotiations by the interviewed American diplomat (Interview 26-2015).

2048. In addition, the infrastructure provides potential control over the flow of the river and so it could become a “weapon” at Laos’s disposal.

To summarise, the relational power analysis demonstrates that the Xayaburi MTI allowed Laos to increase its relational power over Vietnam, securing its interests despite the divergence with Hanoi. The next section will point out the theoretical implications of this conclusion, stressing how small states studies might benefit from drawing on the literature on transboundary water politics.

5.5.2 Theoretical discussion of the findings

The most evident theoretical conclusion that can be drawn from the findings relates to the level of analysis for examining small states. As it is clear from the reconstruction and the analysis of the events how geopolitical factors were crucial in enabling Laos to prevail over Vietnam and concurrently avoid a strong reaction from Hanoi, it can be said without doubt that in the Xayaburi issue the systemic level played the most important role. The case study’s findings, thus, accord with the claim that the systemic-structural level is the predominant explanatory factor when it comes to small states international politics, as argued by scholars such as Jervis (1978), Schweller (1992), Snyder (1991) and Walt (1985). This also reflects what has been found through the case studies collected in Hey (2003), including the chapter on Laos by Abuza (2003).

Nonetheless, the most interesting theoretical result is represented by the role of geographic factors, which highlight the relevance of geography besides domestic and systemic levels.⁶³ The most notable contribution to knowledge in this respect is the complete opposition to the thesis proposed by Handel (1990), the only IR scholar who has explicitly assessed the role of geographic position for small states. Handel, in fact, concludes with the proposition that holding a central geographic position, instead of lying undisturbed in the middle of an ocean, has a negative impact on small polities. It

⁶³ The relation of geography with the two analytical levels was discussed in chapter 2.

is easy to appreciate how Laos's central geographic position was key to the very possibility of altering its relational power with Vietnam thanks to a transboundary facility. Moreover, the analysis shows that geography must not be conceived of only as position and borders, since even when taking into account Laos's location, a conceptualisation of the country as an empty and homogeneous space⁶⁴ would probably have led to neglect or underestimation of the importance of its internal territorial aspects such as its morphology and the presence (along and across borders) of the Mekong River – thanks to which, Laos has hydropower potential.⁶⁵ Since in this case study geography proved to be a powerful and crucial explanatory factor, the evidence shows that paying more attention to geographic elements could shed new light on hidden and overlooked aspects of small states' foreign policy.

Furthermore, the findings of the Xayaburi case appear to also be consistent with the above-mentioned study on Nepal–India relations around water resources (Gyawali 2002). In fact, like Nepal, Laos successfully managed its asymmetric relations, dealing with its inferiority in aggregate power but enjoying power as a consequence of its upper hand over Vietnam. However, while Gyawali (2002) was discussed in chapter 2 in the literature review of small states and asymmetric relations, there is a vast and rich literature on transboundary water politics that cannot be overlooked by this research, and which promises to be very useful for small states scholars more generally. This literature was not included in the review carried out in chapter 2 because it does not explicitly investigate small states politics. However, it actually contains several elements of interest to this research, not only because the MTI observed in this chapter is a dam but, more interestingly, because of the insights into power and geography provided by several works on hydropolitics published by scholars of International

⁶⁴ A reification in line with the tradition of structural-realism and his “father” Kenneth Waltz, but, as stressed by Kadercan (2015), common also in works belonging to neo-institutionalism, constructivism and the English School of IR.

⁶⁵ Studies that provided a structured critique of this approach were cited in chapter 2.

Relations. Geography, as noted in chapter 2, is mainly absent in small states research, but it has been widely addressed in the literature on hydrohegemony, starting with the seminal article by Zeitoun and Warner (2006) which developed the Framework of Hydro-hegemony. The understanding of the importance of geographic position in this article shows how small states studies might benefit from taking this body of literature into consideration. In fact, in discussing the role of riparian position, Zeitoun and Warner (2006) emphasise how an upstream position can become a coercive resource with the capacity to alter the balance of forces among the actors involved:

The effects of gravity and geography must be given their due consideration. Water conflict theorists Frey and Naff did not lose sight of this dynamic when they observed that from an *upstream position*: “one can usually take actions that confront downstream competitors with *faits accomplis*, the alteration of which is *far more demanding* than the original action. Diversion, overuse, contamination and flow delay are *tactics* available in accordance with one’s position on the riparian totem pole (Frey & Naff, 1985: 78). Riparian position is perhaps the most static form of *coercive resource*, and one that is essentially outside of the struggle for a better position in the *balance of power* between States. Political entities blessed with such a coercive resource are not likely to have it eroded, short of territorial conquest by another. (Zeitoun and Warner 2006: 450, *emphasis added*)

This succinct proposition embeds, in a nutshell, several elements that emerged from the analysis of the Xayaburi dam case outlined above, to the extent that it could have been written with the Xayaburi issue in mind. First of all, Laos exploited its upstream position and forced Vietnam to face the *fait accompli*. Second, it has been seen how different constraints prevented Vietnam from altering Laos’s course of action, precluding a stronger reaction from Hanoi. Third, tactics such as those listed by Frey and Naff (1985) in the quote above – diversion, overuse, contamination and flow delay – show the concreteness of the weapon, as it has been described, at Laos’s disposal and

the related potential costs for Vietnam. Finally, the expected outcome in terms of balance of power is consistent with the findings on the effects of the Xayaburi MTI on the relational power between the two countries. Nevertheless, if a weaker state is able to manage an issue in which it challenges a stronger neighbour with a *fait accompli* and avoids retaliation – building on the fact that in hydropolitics interactions the use of “brute power” is not “cost-effective, efficient or attractive” (Beaumont 1997; Wolf 1998; Barnett 2000, cited in Dinar 2009: 333) – it results in an increase in relational power for the small state. Therefore, as the case of Laos is one of geographic supremacy in relation to Vietnam, the findings of this chapter are in line with previous research on transboundary water interactions and on the relation between geography and power, according to which the states’ location is a key variable in understanding power relations and outcomes and an upstream position brings power regardless of the level of aggregate capabilities (see, among others, Lowi 1993; Daoudy 2009; Dinar 2009; Tir and Ackerman 2009; Cascão and Zeitoun 2010; Zawahri and Mitchell 2011; Warner and Zawahri 2012; Kuenzer et al. 2012; Hensengerth 2015; Menga 2016). Menga (2016) includes geographic position in the concept of material power, arguing that the “riparian’s position can significantly impact on material power” (Menga 2016: 411). Dinar (2009), for instance, underlines how upstream riparian states that are weaker in terms of absolute and aggregate power, could, thanks to having the “geographic upper-hand ... bring to bear issue-specific structural power and may very well influence the outcome” (Dinar 2009: 330). Seemingly, Cascão and Zeitoun (2010) stress that

the so-called weaker (“non-hegemonic” is the preferred term) states are not always as weak or optionless as they are credited to be. Deeper examination of each case reveals evidence of counter-hegemonic mechanisms employed by the non-hegemonic states, with the aim to change the outcomes of water control and allocation towards a more equitable configuration. (Cascão and Zeitoun 2010: 38)

Moreover, the outcome aside, even the tools through which this can be achieved, as stressed by Dinar (2009), are consistent with the findings of this research, which has explained why Vietnam's hands were bound: "In general, the strategies used to alter state pay-offs in favor of cooperation include, but are not limited to, reciprocity, foreign-policy considerations and issue-linkage, and side-payments (Oye 1986: 11–18; Victor, Raustiala, and Skolnikoff 1998: 12 [...])" (Dinar 2009: 334).

However, it is not only the relation between geographic position and power present in the hydropolitics literature that the Xayaburi dam case confirms, but also the relevance of the opportunity for small states to mobilise external political and financial support present from Zeitoun and Warner (2006)'s study. As Kehl (2011) puts it,

Weak riparians are most successful at influencing water-sharing policies when they utilize the resources of external actors to augment their economic and technological capacity. With external support, weak riparians can assert economic leverage and soft power, which this study shows to be the most effective in achieving cooperation in hydropolitical complexes. (Kehl 2011: 231)

So, Laos's geographic position, with its cross-border implications, combined with the multinational nature of a large hydroelectric facility that needed external financial and technological support, created a mix that allowed to neutralise absolute power when looked at in its relational and dynamic aspect within the domain (the relation with Vietnam) and scope (the management of Mekong River) of a specific interaction. Thus, to summarise, when discussing a transboundary hydropower issue from a small state's perspective, it can be seen that there is great potential for fruitful cross-fertilisation between the two subfields of International Relations: hydrohegemony and counter-hegemony analyses, and small states studies. There are three main reasons for this: a) both fields offer a number of interesting case studies, so that could provide raw material for comparative research; b) power and power asymmetries, while more dominant in

small states studies, are crucial factors in both research subfields; and c) the hydrohegemony and counter-hegemony literature provides invaluable inputs related to the role of geography that might benefit small states scholars. The case of Laos itself clearly supports this argument, since, as will be further elucidated in chapter 7, Abuza's (2003) cited work, developed from a small state perspective, would certainly have profited from taking into account hydrohegemony studies on the power interplays in the Lower Mekong Basin (LMB).

5.6 Conclusion

The conclusion that can be drawn from this chapter is that the *multinational* and *transboundary* nature of the Xayaburi dam represented the preconditions for Vientiane to prevail over Vietnam in relational power terms and make the latter do something it would have not otherwise done. Without these constitutive elements, we would not have seen the smaller side securing gains while forcing a more powerful neighbour to accept a *fait accompli*.

The *transboundary* dimension, in fact, was the key dimension for increasing Laos's relational power, since with a different geography Laos would simply not have had this opportunity to exercise its relational power, through an MTI, over a bigger neighbour. In other words, had there not been any transboundary river between Laos and Vietnam, the former would not have had provoked problems for the latter, and the latter would not have suffered any threat from a smaller neighbouring country through and from a multinational transboundary dam. If the Mekong had run outside Laos's territory, the one crucial tool for gaining relational power would simply have been absent.

Second, it has been seen how the *multinational* nature of the infrastructure provided Laos with the opportunity to gain external support thanks to the stake the Thai investor had in the facility. The reconstruction of the negotiations showed how Vietnam faced

different constraints because the Xayaburi dam involved the diverse interests of various public and private actors.

To summarise, the Xayaburi case shows how with specific geographic and geopolitical conditions a small country such as Laos might take advantage of external financial resources and in so doing mobilising its geography to boost its capacity, also in relation to stronger states, to the extent of acting with impunity against their interests and increasing its relational power within a bilateral and asymmetric relationship.

CHAPTER VI

THE IMPACT OF THE BOTEN–VIENTIANE HIGH-SPEED RAILWAY MTI ON THE RELATIONAL POWER OF LAOS VERSUS CHINA

All major railway projects started as dreams, and many remained in the field of fantasy. Their number and variety is a reminder that railway building was a fundamental element in the dreams of a whole century – no country, no statesman, no businessman, no political scientist, it seems, was without his own locomotive vision – Nicholas Faith 2014⁶⁶

6.1 Introduction

To the study of the impact of MTIs on Laos’s relational power, this chapter adds the second case study: the high-speed railway project that will cross the country, connecting it to China in the North and to Thailand in the South, and then to its Southeast Asian neighbours. The MTI analysed in this chapter, besides being different in nature from the Xayaburi dam, concerns a different bilateral relationship since it involves Laos’s most powerful neighbour in absolute terms: China. As in chapter 5, the focus will be on the negotiations, in this case between China and Laos about the Boten–Vientiane section of the Kunming–Singapore high-speed railway (HSR⁶⁷) project – a 427 km HSR line that will carry both passengers and freight – within Laos–China bilateral relations, and presents the findings generated from the analysis of the primary and secondary data. The outcome of this investigation highlights the effect of this specific MTI on the relational power of Laos with respect to China (the domain) and within the scope of transport connectivity in the broader China–Southeast Asia context.

⁶⁶ Faith (2014: 204).

⁶⁷ Hereinafter, the terms railway, rail, railroad and rail link will be used interchangeably.

Consistent with the approach and the analytical framework of this research, this chapter, like the previous one, focuses on the inter-state level of the negotiations without delving into technological, environmental or social details; even if they inevitably emerge at some point, it is not within the goals of this work to address them if they are not diplomatically relevant and are not brought to the negotiation table by the two parties.

According to the definition provided in chapter 3, the Boten–Vientiane HSR project can be classified as an MTI since it is *multinational*, being built thanks to foreign investment, and since it is also directly *transboundary*, first of all because it will cross the border between China and Laos, and also because the project is conceived as an infrastructure network that crosses multiple borders.

However, researching the negotiations on this MTI was significantly different from doing so for the case study presented in the previous chapter because when this research began in 2013 the Xayaburi dam had already been inaugurated, while the fate of the railway project appeared to be far from clear and predictable. It is important to underline this difference here, as the status of the project during the investigation had an impact on the research process. The early stage of this MTI, in fact, made it more difficult to see through the complex and opaque negotiation process both for diplomatic and business-related reasons, because, understandably, as a multitude of public and private actors across several sectors had stakes and interests in this project of around 6–7 billion dollars, while it was still under negotiation any information was cautiously preserved. The economic stakes involved in the project were clarified by a diplomat who told the author that an entrepreneur was calling him/her every week to get updates on the project, for which her/his company hoped to get a furniture contract (personal communication, March 2015). Such a context made all the research phases more complicated and time-consuming, from the literature review and the identification of the first group of potential interviewees with whom to start the snowballing to the interview

and analysis process. First, as a consequence of the project's uncertainty until late 2016 (unlike with the Xayaburi case), and despite several newspaper articles on the subject being available, the absence of in-depth (and academic) studies led to a much higher gap in knowledge of the two countries' interests in and positions on the project. Therefore, the data contained in this chapter will provide the first comprehensive account of the Boten–Vientiane railway project, not only within International Relations, but in general. Second, one clear example of such difficulties relating to the selection of interviewees was the total absence of publicly available references in English to the official Lao body in charge of the project, the “Lao–Sino Railway Project” Special Unit within the Ministry of Public Works and Transport (MPWT), which appeared to be unknown even to several informants in Vientiane. Despite the numerous media articles on the issue, this unit has never been mentioned, and in early 2017 evidence of it still could not be found through a Google search in English. Third, with regard to the interviewing process, despite learning from a US diplomat of the presence inside the US embassy in Vientiane of a special observer dedicated to the project full-time, it was not possible to arrange a meeting. Fourth, it was necessary to continuously update the data until the negotiations were over (late 2016), using primary and secondary sources and following up with some interviewees with whom the author was able to establish a good relationship and who were therefore willing to provide additional updated information by email as well via phone and Skype calls.

This chapter has the same structure as chapter 5. It begins by exploring in the first section the interests (and related policies) of the two states between which the negotiations occur (in this case, in relation to the Boten–Vientiane MTI), as in chapter 5. However, while in chapter 5 the role the GoL gives to hydropower in its development goals was the focus of the analysis, since the Xayaburi MTI development was driven primarily by Laos, here the analysis will start from China's interests and plans, since in

this case the initiative came from Beijing. The second section then reconstructs all the phases of the negotiations, while the third analyses the data. Finally, the fourth section discusses the findings in relational power terms as well as from a theoretical point of view.

6.2 The policy context: China's and Laos's connectivity agendas

This section aims to illustrate the context of the connectivity agenda in Beijing and Vientiane in order to situate both sides' interests in the broader field in which the specific MTI analysed in the next section is located. The analysis will begin by addressing China's main connectivity policy – the One Belt, One Road (OBOR) initiative launched in 2013 – because, as will be seen, the Kunming–Singapore high-speed railway plan is a key component of China's cross-border infrastructure ambitions. Then, it will be explored how, within OBOR, the diplomatic impetus relating to the high-speed railway has so far been overlooked by academic research. And finally, the way Laos's connectivity agenda relates to China's plans will be demonstrated.

6.2.1 One Belt, One Road: China's multi-billion connectivity initiative

On 17th October 2012, just a few weeks before the opening of the 18th National Congress of the Communist Party of China (CPC) in Beijing and the beginning of the Xi Jinping era, Professor Wang Jisi – Hu Jintao's key foreign policy advisor⁶⁸ and then dean of the School of International Studies at Peking University, after having acted for nearly a decade as president of the Institute of International Strategic Studies of the CPC's Central Party School – published an op-ed in *Global Times* titled “‘Marching Westward’: The Rebalancing of China's Geostrategy”,⁶⁹ which was destined to become a milestone and to shape China's foreign policy under the new leadership. In it, Wang

⁶⁸ See in this respect the interview with Professor Sukhee Han by the East Asia Institute, available at

http://www.eai.or.kr/type/panelView.asp?bytag=p&code=eng_multimedia&idx=11285&page=1

⁶⁹ The article (in Chinese) can be accessed at <http://news.sina.com.cn/pl/2012-10-17/071525374379.shtml>. The article was then articulated in a chapter of a book by Wang (2014), published in 2014.

argued that China needed to be strategically repositioned towards the West and to develop a New Silk Road to (re)connect China with the rest of the world and particularly with the Eurasian continent. A turn towards the West was motivated by systemic strategic imperatives and was perceived to be a response to Obama's "Pivot to Asia" policy of reorienting towards the Pacific, capable of avoiding dangerous zero-sum games in troubled East Asian waters. So, the West was identified by Wang as the area in which China could foster its economic and diplomatic presence, allowing Beijing to diversify its foreign policy and acquire more options. At such a turning point, Wang's analysis emerged as "the most important policy exposition of China in the past 2–3 years" and US diplomats in China mobilised to investigate its "details and implications" (Sun 2013). If at first Wang's article did not attract much attention outside foreign policy circles, its impact became clear at a global scale with Xi Jinping's announcement of the One Belt, One Road (OBOR) initiative one year later in Kazakhstan. In fact, as emphasised by several scholars and practitioners, Wang's continental impetus constitutes the core component of the new Chinese grand design – see, among others, Fardella (2014), Zhao (2015) and Clarke (2016). Often referred to as OBOR or BRI (Belt and Road Initiative),⁷⁰ the policy has two dimensions. The first dimension – terrestrial and oriented to the West, incorporating Wang's recommendations – is the Silk Road Economic Belt, proposed by Xi Jinping during a speech at Kazakhstan's Nazarbayev University on 7th September 2013 in which, according to an official statement released by China's Ministry of Foreign Affairs he "gave a comprehensive elaboration of China's policy of good-neighbourly and friendly cooperation toward countries in Central Asia" and "proposed to join hands building a Silk Road economic belt with innovative cooperation mode and to make it a grand cause benefiting people in

⁷⁰ This thesis adopts the term OBOR instead of BRI (Belt and Road Initiative) to allow consistency with the transcripts of the interviews, since the vast majority of the interviewees referred to it as OBOR.

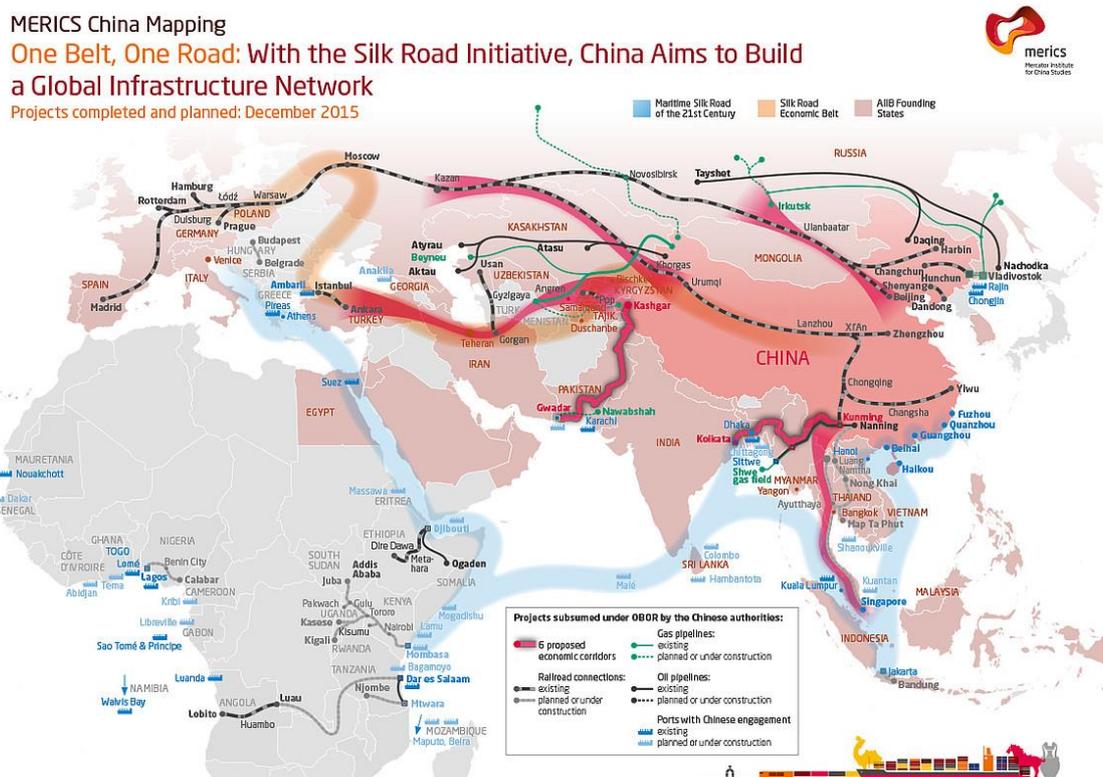
regional countries along the route” (Ministry of Foreign Affairs of the People’s Republic of China 2013).

The second dimension is the 21st Century Maritime Silk Road, which was announced by the Chinese president on 3rd October 2013 during his visit to Indonesia, the first he paid to an ASEAN country (Wu and Zhang 2013). On that occasion, Xi advocated closer ties with ASEAN, which shares a common destiny with China, proposing to his counterpart, the then Indonesian president Susilo Bambang Yudhoyono, along with the maritime road, the establishment of the Asian Infrastructure Investment Bank (AIIB) as a key financial tool to build infrastructures in the region and implement the policy (CCTV 2013). As a matter of fact, the new multilateral development bank was conceived as a tool of OBOR, and it has since been supported by the emerging facts; as noted by Gabusi (2017), in its first year of activity the AIIB approved 12 loans related to projects in 7 countries (Indonesia, Bangladesh, Azerbaijan, Oman, Myanmar, Pakistan and Tajikistan), which are all stretched across the six OBOR corridors.

The two dimensions, terrestrial and maritime, were soon incorporated into a single formulation during the third Plenary Session of the 18th Central Committee of the Communist Party of China (CPC), held in November 2013, during which there emerged the necessity of “accelerating the interconnection of infrastructure among neighboring countries, and facilitating the construction of the Silk Road Economic Belt and 21st Century Maritime Silk Road” (China Daily 2015). In March 2015, China’s National Development and Reform Commission (NDRC) released a systematic document titled *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, through which were highlighted the background, principles, framework, cooperation priorities and mechanisms; the Chinese regions’ role in the opening-up process; and future prospects related to the OBOR initiative. The purpose of the release was “to promote the implementation of the Initiative, instill vigor and

vitality into the ancient Silk Road, connect Asian, European and African countries more closely and promote mutually beneficial cooperation to a new high and in new forms”, emphasising that the initiative had a win–win nature since it promoted international cooperation and common economic development in an open and inclusive way (National Development and Reform Commission of the People’s Republic of China 2015). As shown in the map below,⁷¹ OBOR is articulated along six economic corridors and encompasses several countries from the Pacific to the Mediterranean.⁷²

Figure 6.1 – The One Belt, One Road (OBOR) Initiative



Source: Mercator Institute for China Studies (MERICS)

To undertake such an ambitious project, China has mobilised (and is mobilising) massive financial resources, equal, according to official figures, to some 890 billion

⁷¹ An interactive map with details regarding the individual projects has been prepared by the *Financial Times* and is available at <https://ig.ft.com/sites/special-reports/one-belt-one-road/> (accessed 15th October 2016).

⁷² A comprehensive account of countries, organisations, initiatives and projects related to OBOR is provided by the Center for Strategic and International Studies (CSIS) and is available at <https://reconnectingasia.csis.org/database/initiatives/one-belt-one-road/fb5c5a09-2dba-48b9-9c2d-4434511893c8/> (accessed 15 February 2017).

dollars and set to rise to 4 trillion (*The Economist* 2016). To manage this money, China promoted the institution of two tailored financial tools, the Silk Road Fund (SRF) and the Asian Infrastructure Investment Bank (AIIB),⁷³ into which, respectively, Beijing pumped 40 billion dollars (Carsten and Blanchard 2014) and over 30 billion dollars (Wong 2016).

Infrastructures, therefore, are a key factor and will play a crucial role in China's "Going Out" effort, in fact, as underlined by Andornino (2015), according to Zhang Yansheng, director of the Institute for International Economics Research of the National Development and Reform Commission, China aimed to pursue some 1.2 trillion dollars in outward FDI between 2014 and 2020. Andornino (2015) also notes that a sizeable share of these resources will move to countries under the scope of OBOR. Chinese OBOR-related investment, therefore, appears to be crucial in tapping the huge demand for infrastructure along the OBOR routes, as confirmed by the fact that in 2015 Chinese FDI in OBOR countries rose twice respect to the total increase of China's outward FDI and that these countries attracted nearly half of China's engineering projects – a quota rising to 52% between January and June 2016 (*The Economist* 2016). The implications for Asia and Southeast Asia are tremendous, since, as already underlined in chapter 3, Asia alone will reportedly need 8 trillion dollars of investment in infrastructure by 2020, and it must be noted here, since the country under examination is Laos, that ASEAN countries are estimated to need some 110 billion dollars per year by 2025 (ASEAN Secretariat 2015). To get a vivid sense of OBOR's extent and how it is – or can be – perceived, one might also look at the LinkedIn profile of Sir Richard Heygate, a former

⁷³ Though not officially linked to OBOR, the AIIB's members consistently overlap with countries along OBOR's two dimensions. Moreover, Xi Jinping referred to OBOR in his closing remarks at the Inaugural Meeting of the Board of Governors of the AIIB held in Beijing on 16th–17th January 2016. The document is available here: https://www.aiib.org/en/about-aiib/governance/board-governors/.content/index/_download/20160816034745788.pdf. For details regarding the membership, shares, percentage of vote and projects under way, see the AIIB website: www.aiib.org.

senior partner of McKinsey and Company for over 20 years, hired as an international agent by China Railway Engineering Number 3 Group, whose summary reads as follows:

I am now advisor to China Railway Engineering Number 3 Group, a very large state-owned company and part of the group that has been responsible for constructing much of the infrastructure that has led to the success of modern China. Under the Chinese government “One Belt One Road” policy they are now funding and managing infrastructure projects internationally. They have very substantial assets as well as access to Chinese institutional funds, which can now be invested overseas. They started in Africa but now want to move into the more developed world. They will fund/build infrastructure like roads, rail, airports, new towns, pipelines, science parks, commercial estates, affordable housing – anywhere where land is available and owners want a large infrastructure partner with access to virtually unlimited funds and expertise. Sums involved typically exceed \$1 Billion. China is also interested in trading and operations opportunities associated with infrastructure and here we are developing local partnerships. (Heygate 2017)

In the light of the overview provided here, it can be understood why in the last three years OBOR has established itself as a flagship programme, a catch-all formula able to capture China’s new global stance and the consequent geopolitical adjustment. However, this research does not aim to analyse OBOR in itself, to which, in the past few years, a flourishing body of academic literature has been dedicated, besides plenty of newspaper articles; rather, it outlines OBOR’s key facts to set the context in which the Boten–Vientiane section of the broader Kunming–Singapore (via Vientiane, Bangkok and Kuala Lumpur) high-speed railway project has been negotiated. For a better understanding of OBOR’s drivers, implications and prospects, see, among others, Djankov and Miner (2016), Sakhuja and Chan (2016), Das (2017), Shambaugh (2015), Summers (2016), Swaine (2015), Wan (2016), Lim et al. (2016) and Wang (2016). OBOR, thus, represents a global factor driving infrastructure development through

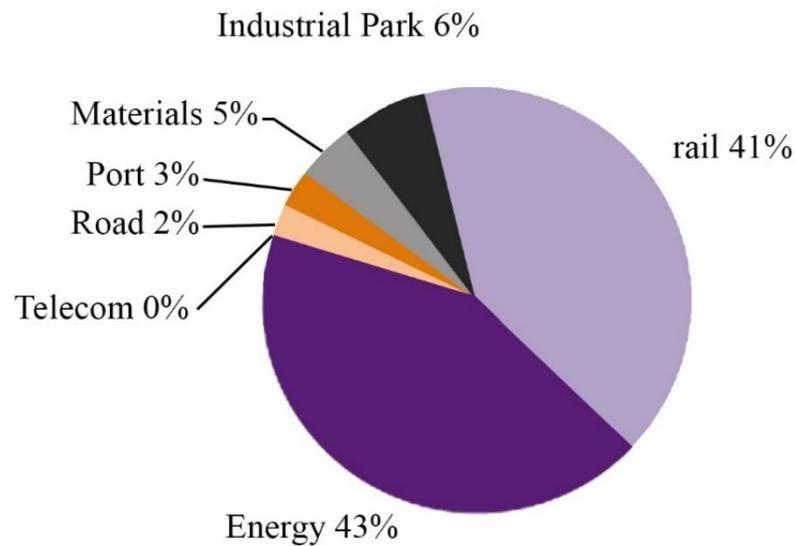
mobilisation of resources, international partnerships and institution building (e.g. the AIIB). As a consequence, OBOR is leading to rapid and huge development of MTIs, not only in China or Asia, but also across the Eurasian landmass and beyond. It can be clearly seen how OBOR is intrinsically connected to MTIs thanks to its geographic transboundary scale and scope, and because, China being the investor, all infrastructure projects under the OBOR umbrella and outside China are MTIs by definition if they are directly or indirectly cross-border.

6.2.2 China's high-speed railway diplomacy: OBOR's overlooked facet

Nonetheless, one OBOR facet that is significantly under-researched is China's high-speed railway diplomacy (HSRD), launched by the Chinese premier, Li Keqiang, only one week after Xi Jinping's above-mentioned visit to Jakarta, during a meeting with the then Thai prime minister, Yingluck Shinawatra (The State Council of the People's Republic of China 2015). The meeting was held on the occasion of the opening ceremony of an exhibition concerning China's high-speed railway in Bangkok, which, according to the press release of the Chinese Ministry of Foreign Affairs "sponsored by China Railway Corporation, is aimed at further strengthening Thai public understanding of China's high-speed railway technology, and at promoting bilateral railway cooperation" (Ministry of Foreign Affairs of the People's Republic of China 2013). Subsequently, Premier Li became known as China's "high-speed railway spokesman" as he travelled the world promoting HSRD.

In contrast to the great scholarly attention paid to OBOR in the past few years, China's HSRD has not so far been systematically investigated by International Relations scholars, despite it being, as can be seen from the figure below, a key OBOR ingredient and despite its economic and political significance.

Figure 6.2 - Belt & Road Investments by Industry



Source: Garcia-Herrero (2017)

However, rising awareness of its relevance and of the need for more investigation culminated in 2016 with the publication of two working papers: Chang (2016) and Kratz and Pavlicevic (2016). As noted by Kratz and Pavlicevic, in fact,

Although China-backed overseas HSR projects have increasingly attracted the attention of both Chinese and overseas media, this interest has not been matched by substantial academic or policy level research and analysis. The precise nature of China's overseas HSR initiatives and the implications of its HSR diplomacy remain obscured. (Kratz and Pavlicevic 2016, page unnumbered)

China's promotion of its high-speed railway development preceded OBOR, but the timing of Li's announcement showed that in late 2013 the new leadership in Beijing started to pursue it at a new level and within the clear diplomatic framework provided by the OBOR initiative, clearly indicating the overlap, complementarity and common rationale of the two diplomatic efforts, as well as the reprioritisation at the international level. This emerged from a study focused on the economic-technological dimension of

Chinese railway development in the era of high-speed railways, and not on its geopolitical-diplomatic aspects and implications:

The rapid deployment of HSR infrastructure and the accumulated knowledge and experience gained from Chinese HSR projects have frequently been promoted in other countries through Chinese diplomacy ... China released an ambitious international HSR development plan to connect Europe, Southeast Asia, and even North America through three trans-continental HSRs. Even though such a blueprint seems somewhat overambitious, given the economic concerns of its projected high cost and limited benefit, due to insufficient demand for high-speed railway travel, it does confirm the idea of connecting foreign nations with HSR infrastructure networks as an agenda item with the Chinese government. In fact, a new series of marketing endeavours has been initiated since 2013, after debates took place on the intellectual property rights of HSR technologies and concerns were dispelled about HSR safety, triggered by 2011's HSR accident.⁷⁴ Unlike previous efforts, which were primarily steered by the Ministry of Railways and Chinese railroad enterprises, China's top leaders, including the prime minister (PM), have used a number of diplomatic visits to promote Chinese HSR expertise and internationally, in terms of technology, finance, and construction. (Chen and Haynes 2015: 105)

Moreover, Kratz and Pavlicevic (2016) assert that the links between OBOR and HSRD are evident when looking at the overlap between the financial institutions and tools backing the two initiatives. This intimate relationship is also implicitly entailed in Arase (2015), where the author discusses the high-speed railway's importance within OBOR without even distinguishing the two diplomatic endeavours.

Although explaining in detail the internal economic, political and strategic drivers of HSRD would go far beyond the scope of this study, given that the purpose is to assess China's and Laos's preferences and interests in one specific MTI project, the broader picture in China must, however, be taken into account as China's international

⁷⁴ The reference is to the Wenzhou train collision, which occurred on 23rd July 2011 and resulted in 40 deaths and injuries to more than 200 people (Wilson 2011).

projection through HSRs is deeply rooted in domestic factors that have the potential to reverberate through all Chinese HSR investments or plans. The first and most important of these factors is the tremendous development of its own HSR network over the past decade: the first HSR line was laid in 2008, to connect Beijing to the port of Tianjin, and in 2013 China completed the first 10,000 km, linking 100 cities and surpassing the HSR coverage of the whole of Europe, surprising those sceptical observers who estimated that there would not be enough demand (*The Economist* 2013). Then in 2016 the figure was doubled, exceeding 20,000 km, making the Chinese HSR network larger than that of the rest of the world combined (*The Economist* 2017), and there are plans to reach 45,000 km by 2030 (Xinhua 2016). An expansion of the HSR industry of this calibre led Chinese firms to become leaders in the global rolling stock sector, a position further strengthened in 2015 with the establishment of CRRC Corporation Limited after China CNR Corporation and CSR Corporation Limited were merged into an industrial giant of 130 billion dollars (Bloomberg 2015) with nearly 200,000 employees.⁷⁵ The skyrocketing of the internal HSR network, combined with structural overcapacity in sectors such as energy and steel, and in financial as well as workforce resources (Lanjian and Wei 2015), makes hunting for customers abroad an almost obvious policy in consequence, and the creation of CRRC serves precisely this outward trajectory, which is explicitly mentioned, moreover, on the company's website. In fact, in 2014 China was already exporting 3.74 billion dollars of locomotive equipment, and CRRC is targeting 2.5 billion dollars of international sales up to 2020, building on the competitive advantage of being not only an exporter of technology and equipment— an industry that is one of the ten selected by the government to make of China an industrialised economy – but also an investor and developer, able to offer the best

⁷⁵ CRRC's website, accessed on 22nd February 2017, states that it has 186,963 employees. Available at <http://www.crrcc.com/en/g5141.aspx>.

railways at the cheapest price, and these functions are all packed together in the Chinese HSR offer model (Bloomberg 2015; Seneviratne 2016).

Therefore, it can be clearly seen how closely the domestic and international dimensions of China's HSR development are intertwined, giving birth to the so-called HSRD. In this framework, China, being surrounded by several countries that are poorly connected – if not almost completely disconnected – and sometimes, as in the case of Laos, lacking any railways at all, provides a logical starting point. Nevertheless, in spite of these terrific developments and efforts, to date China has actually completed just one project under its HSRD (*Financial Times* 2016), the Ankara–Istanbul high-speed rail line in Turkey, which opened to the public in 2014 (Sweet 2014), and consequently, and most importantly for this thesis, no transboundary HSRs at all so far. As a consequence, Laos will host China's first HSR MTI within the wider OBOR and HSRD vast and ambitious policy and diplomatic endeavours, but despite being in all likelihood a game-changing project that will underpin many other similar HSR links over the next decades, it has not yet been thoroughly investigated.

6.2.3 The impact of OBOR and HSRD on China–Southeast Asia railway connectivity: from the Singapore-Kunming Rail Link (SKRL) to the Pan-Asian railway

On 25th December 2016, in the picturesque and historic city of Luang Prabang in the North of Laos, the Chinese and Lao governments held a ceremony to initiate the first HSR MTI within the ambitious Chinese geopolitical strategies of OBOR and HSRD (Xinhua 2016b). This very project is set to become the first, and therefore the key showcase through which Beijing can demonstrate its HSR prowess and its capacity not only to export HSR technology but also, as underlined by Rajaratnam School of International Studies (RSIS) researcher Wu (2016), to link its national rail network with that of other countries, increasing its economic benefits by connecting China to the growing economies of Southeast Asia and especially of the city-hubs the railway will

pass through (and connect). In fact, as pointed out by George Yeo, Singapore's former Minister of Foreign Affairs and currently chairman of Kerry Logistics Network, in an interview with the *New York Times*, "The big objective is Bangkok ... It's a huge market, lots of opportunities. From there, Bangkok to Dawei in Myanmar – that will enable China to bypass the Malacca Straits" (Perlez and Feng 2013).

China's outward HSR strategy develops in four directions: Chongqing–Xinjiang–Europe and Central Asia–Iran–Turkey–Europe to the west, the Sino–Pakistan railway to the south-west and the Pan-Asian railway to the south (Lanjan and Wei 2015). However, the Pan-Asian railway is the Chinese version of the Singapore–Kunming–Singapore Rail Link (SKRL), which was first proposed during the 5th ASEAN Summit more than 20 years ago, in December 1995, under a Malaysian proposal. The project became the cornerstone of the ASEAN Mekong Basin Development Cooperation (AMBDC) and in subsequent years it was repeatedly placed at the centre of the regional association's agenda, since, as underlined by Fau (2016), the SKRL project, along with the ASEAN Highway Network (AHN) plan, was the most important in the region. The feasibility study completed in 1999 examined six routes, all going from Singapore to Bangkok and then connecting to China in six different ways (Table 6.1). As Route 1, through Cambodia, Laos and Vietnam, required fewer financial resources the consultancy team recommended it together with the partial development of Route 2 to link Myanmar to the region. Therefore, as can be seen in the map below (Figure 6.3), the envisioned SKRL was not supposed to run along Laos's North–South axis.⁷⁶

⁷⁶ An ASEAN assessment of the Initiative for ASEAN Integration (IAI) is available at <http://www.asean.org/uploads/archive/IDCF/pdf/INFRAS%20INSERT-5.pdf> (accessed 12th May 2014).

Table 6.1 - The alternative routes for the Singapore-Kunming Railway

Study Route	Total Capital Outlay [US\$ Billion]	Route Distance [km]	Missing Links [km]	Countries Involved
Route 1	1.8	5,382	431	Cambodia, Lao PDR, Vietnam
Route 2	6.0	4,559	1,127	Myanmar, Thailand, China
Route 3	1.1	4,259	531	Lao PDR, Vietnam
Route 4	5.7	4,164	1,300	Lao PDR, China
Route 5	1.1	4,481	616	Lao PDR, Vietnam, Thailand
Route 6	1.1	4,225	589	Lao PDR, Vietnam, Thailand

Source: The ASEAN Secretariat. (2000)

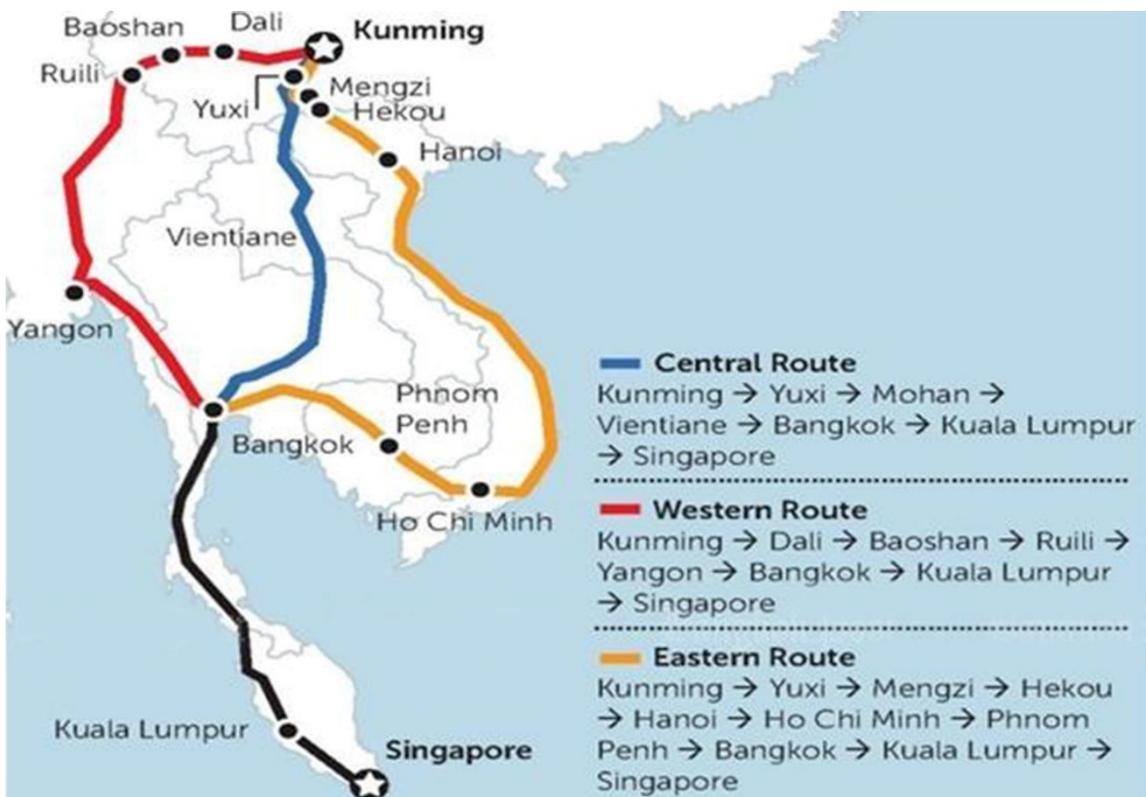
Figure 6.3 – The SKRL does not cross Laos



Source: The ASEAN Secretariat. (2000)

By contrast, China’s Pan-Asian railway project’s major difference from the SKRL is that it envisages a middle line that goes straight from Yunnan in the North down to Vientiane in the South, through Laos and then to Bangkok after having crossed the Mekong River (Figure 6.4). Although the overall logic and rationale behind the two differently named projects is the same, i.e. linking China with Southeast Asia via a rail network, the name by which the project has been referred to changes “as China accepted to play a greater part in the Singapore–Kunming Railway project and began working on the track departing from Yunnan region the expression ‘Pan-Asian railroad’ was starting to be used in Chinese press” (Cicero 2013: 17). It must be emphasised that even though the SKRL is still relevant in the ASEAN agenda, as it is part of the Master Plan on ASEAN Connectivity (2016–2025) and of the Transport Strategic Plan (2016–2025), the main high-speed railway line between China and Southeast Asia is going to be the one through Laos that is currently being constructed by China.

Figure 6.4 - The Pan-Asia Railway Network and the Central Route through Laos



Source: Bangkok Post

Such a change of perspective, towards a project led and driven by China, reflects, as highlighted in an interview in March 2014 by Xu Liping, researcher at the China Academy of Social Sciences, the golden era of China–ASEAN relations experienced in the past decade, which opens the door for an era of even better and closer ties and high-quality developments, in which “all transport link[s] are key to this development and the railway is a fitting solution” (CNC News 2014). As Xu points out, this network is in fact of crucial importance to Beijing since once “the Trans-Asian railway is finished the transport distance from China’s western areas to the Middle East and Europe will be shortened by about 3,000 to 5,000 km in comparison with the traditional sea route” (ibid.). Southeast Asia’s centrality in the OBOR trajectory is also acknowledged by Sun Zhang, professor with expertise on railways at Shanghai’s Tongji University, who stresses that the “‘One Belt One Road’ initiative starts and goes through Southeast Asia, thus strengthening the transportation system between Asia and Europe, and improving the interconnectedness of the regional economy” (Chen 2015).

This Chinese initiative might well be seen as a harbinger of the new role Beijing was ready to act even before the official announcement of the OBOR strategy. At a time when the rapid high-speed railway network was ready to take off, China started to consider, and proposed, the first transboundary link to expand its domestic network towards the region that is often considered as its own backyard (see, among others, Osborne 2006; Santasombat 2015; Goh 2016). Playing a more active role in pursuing integration with Laos, with the Mekong Region, and thus with Southeast Asia as a whole was in fact also a milestone and a driver of China’s so-called “Yunnan as a Bridgehead” strategy, developed in 2010 with the goal of making, out of the underdeveloped and isolated inland Yunnan region, an economic corridor to the promising developing economies of Vietnam, Laos and Myanmar (Xinhua 2010). The “Yunnan as a Bridgehead” strategy, however, is deeply rooted in two of China’s foreign

policy initiatives developed from the mid-1980s and strongly related to Southeast Asia: the “Policy of Good Neighbourliness” (PGN) and the “New Security Concept” (NSC) (Haacke 2005). The main strategic goal of the PGN was (re)building trust between Beijing and the governments of states on China’s periphery, assuring them of the peacefulness of China’s foreign policy through political support and strengthened economic cooperation. (ibid.) The NSC policy initiated in 1997 seemingly served to stress China’s adherence to a refusal to use force and threat (ibid.).

Therefore, it can be argued that all the economic power displayed through the OBOR and HSRD initiatives, ideally and materially, converged in this very test case. It has been seen that HSRD first saw daylight in Bangkok in 2013, so the Kunming–Singapore line becomes crucial for the 21st Century Maritime Silk Road and so to “open[ing] up a route for China to the maritime highways of the Gulf of Thailand and Bay of Bengal” (Ghosh 2016).

The Burmese historian Thant Myint-U, although discussing Myanmar and not Laos, brilliantly depicted the new geographic relation between Yunnan and Southeast Asia that results from the policies implemented in China in recent years summarised in the present section:

China just completed the Longjiang Grand Bridge between Baoshan and Tengchong in western Yunnan. Billions of dollars in new roads, bridges and railways are bringing the Chinese interior ever closer to Myanmar. Whereas it once took months to travel from Kunming to Mandalay, soon it will take hours. Yunnan next door is also a far richer place than it was just 5 years ago. Rural incomes have grown faster than anywhere else in China. This is the shift in geography [...] for which Myanmar's leaders need to have a clear strategy. (Myint-U 2016)

Seemingly, Laos, like Myanmar, needs to cope with the geo-economic transformations under way just behind its northern border, which appear to be of existential importance

for the country. The need to develop policies to face this rapidly changing economic and diplomatic environment appears to be at once a great challenge for a country that in recent decades has been very secluded from the international system, and a tremendous potential opportunity, since, bordering China, Laos is what Khanna (2016) has called a “ground zero” for these huge Chinese endeavours. Can Laos henceforth bet on its position, trying to exploit it by leveraging from being a key starting (and missing) link within China’s grand connectivity designs? The next section will outline how the Chinese policies and strategies summarised above interact with Laos’s own vision, goals and strategies.

6.2.4 Moving from landlocked to land-linked: Laos’s own connectivity agenda

In chapter 1, it was seen how contemporary Laos is abandoning its traditional role of being a buffer zone and an in-between land – a condition particularly acute during the Cold War and the Indochina War – and is turning itself into a crossroads (Jerndal and Rigg 1999; Evans 2002; Pholsena and Banomyong 2006). Nevertheless, this plan dates back to the colonial era when, inspired by the dream of opening up the Chinese market in their competition with the British, the French planned to build a railway along the Mekong River (Tan 2015). They were also willing to construct a railway connecting Laos to Vietnam as a way to develop the country’s economy: some 80 years ago, Roland Meyer announced that “the year 1936 will see the arrival of the locomotive on the bank of the Mekong, an event which will announce the economic awakening of Laos” (Meyer quoted in Stuart-Fox 1995: 128). Nearly a century has now passed but, apart from the 3.5 km line connecting Thanaleng station with the Thai border, there is still no trace of railway services in Laos, because decades of conflict and economic underdevelopment have made it an impossible project. As Tan (2012) concisely expressed it, China is thus succeeding in the “*mise en valeur* of Laos that the French

only dreamed of during their colonial rule but failed to implement” (Tan 2012: 73).⁷⁷ In a subsequent study Tan also noted that, “once again, the role of Laos will be to serve as a transit corridor” (Tan 2015: 2). There is, however, a crucial difference from the situation of the colonial years, since nowadays Laos is ready to take such plans forward under its own governance and sovereignty, following its own geopolitical and economic agenda. In other words, we need to avoid neglecting Laos’s agency and the dialectic nature of its relationship with China, as if, being a small and weak state, it would only be at the service of (in this case) China’s connectivity goals and desires. In fact, besides having embraced openness and integration into regional and global economic and governance structures with the introduction of the New Economic Mechanism (NEM) in 1986 (Kyophilavong and Lamphayphan 2014), as outlined in chapter 1, the Lao leadership developed a policy expressly to target the country’s connectivity historical deficit. Well before China’s announcement of its “Yunnan as a Bridgehead” strategy and the OBOR and HSRD initiatives, the GoL developed its own connectivity strategy, aiming to move the country from landlocked to land-linked (hereinafter the strategy will be referred to interchangeably as “land-linked” or with the acronym LLLL):

Being a land-locked country with poor infrastructure has put a constraint to the socio-economic development of Lao PDR. In view of this, the Government of Lao PDR has introduced a “land-linked” strategy parallel to regional and sub-regional infrastructure development trends, especially in the frameworks of, among others, the ASEAN, Greater Mekong Sub-region, and Triangle Development Area. The strategy addresses the importance of infrastructure development, particularly the road/transport sector, as the means to achieve the 2020 vision for the country to graduate from the list of less developed countries (LDCs) and to eradicate mass poverty by 2010. Infrastructure development has been identified as significant both for poverty

⁷⁷ Tan here refers to Stuart-Fox (1995), who recalls French studies published during the colonial period that analysed how France could have achieved the *mise en valeur* of Laos, such as those by Maurel (1894) and Deloncle (1930).

reduction and private sector development.
(Oraboune 2008: 166)⁷⁸

The policy moves on from the recognition of the state of infrastructure in the country and especially transport infrastructure, necessary in the processes of liberalising and opening up the economy, increasing trade and investment volumes, and linking the country to regional and global supply chains. However, there is a sharp difference respect to the Xayaburi dam case because while Western donors, international financial institutions and regional partners rushed to tap the economic offered by the hydropower sector, the construction and transport sector was much less attractive. In fact, in the period between 1989 and 2014 the former accounted for over 53% of the total inflow of FDI, while the latter only for 3.5% (GoL 2016). As a consequence, the liberal policies undertaken by the GoL in line with its liberal laws on foreign investment. As a matter of fact, despite the economic growth, Laos is currently experiencing there is a big infrastructure gap: according to the World Bank's 2016 Logistics Performance Index (LPI), Laos is ranked 152nd out of 160, ahead of only Tajikistan, Lesotho, Sierra Leone, Equatorial Guinea, Mauritania, Somalia, Haiti and the Syrian Arab Republic. Laos is also the least connected country in Southeast Asia (Figure 6.5), below Papua New Guinea, and Figure 6.6 illustrates how the sector mostly in need of investment is indeed that of transport infrastructure.

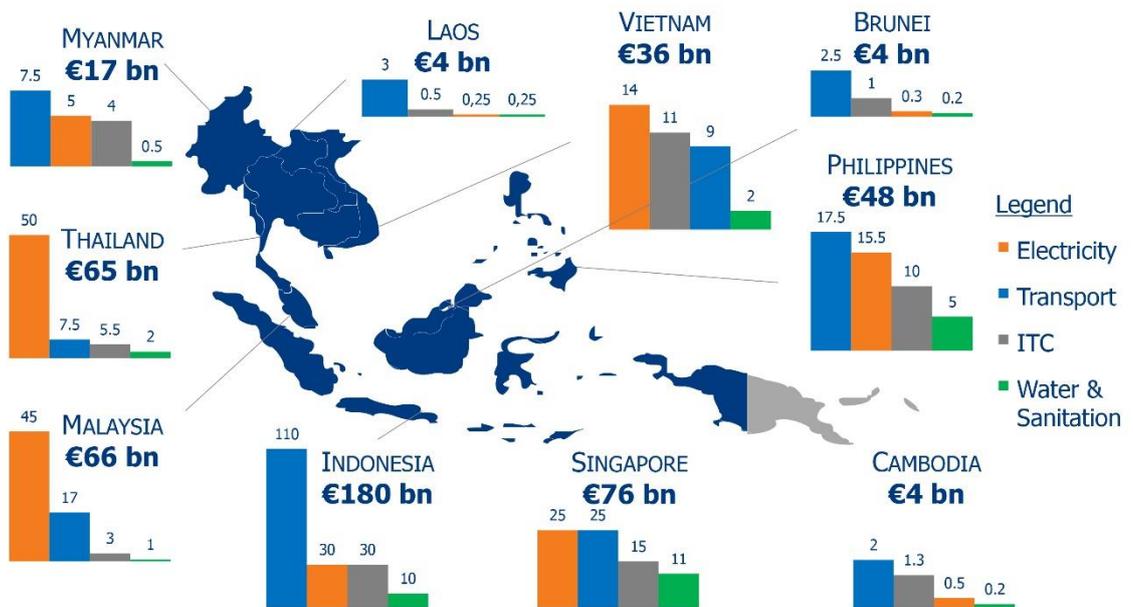
⁷⁸ Another reference to the policy from the same year can be found in Kunze and Tolentino (2008).

Figure 6.5 - Laos: the least connected country in Southeast Asia



Source: Logistics Performance Index (LPI) 2016⁷⁹

Figure 6.6 - Southeast Asia needs €500 billion for infrastructure by 2020

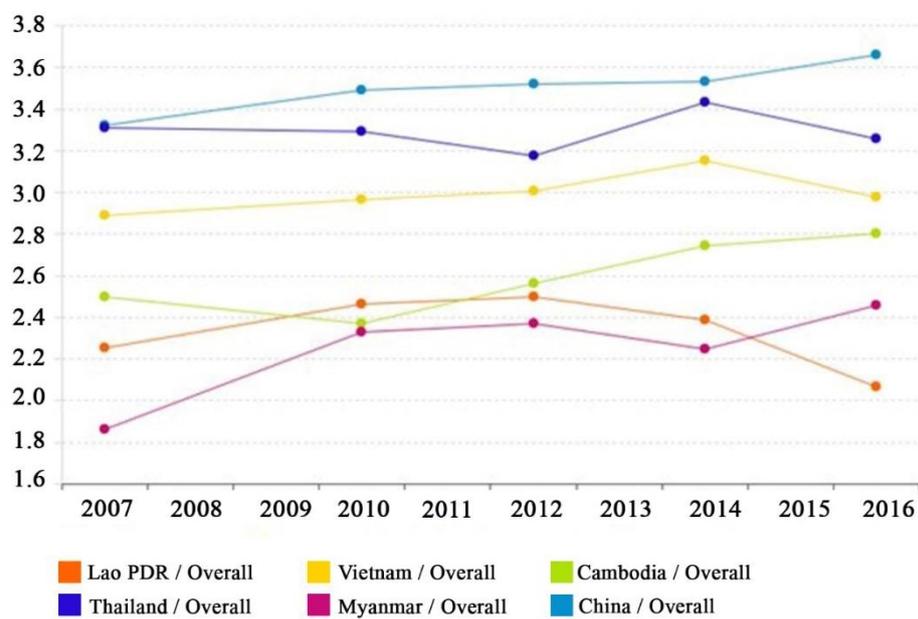


Source: The European House – Ambrosetti (2016)

⁷⁹ The LPI index can be consulted here: <http://lpi.worldbank.org/international/global/2016>.

Looking at the Logistic Performance Index published by the World Bank, we can see that the perception⁸⁰ of Laos’s performance is getting even worse, leaving Laos last among its neighbours. In fact, although in 2010 it was ranked above both Cambodia and Myanmar, in the past six years these countries have improved their records (Figure 6.7).

Figure 6.7 - Laos’s logistic decline (2017–2016)

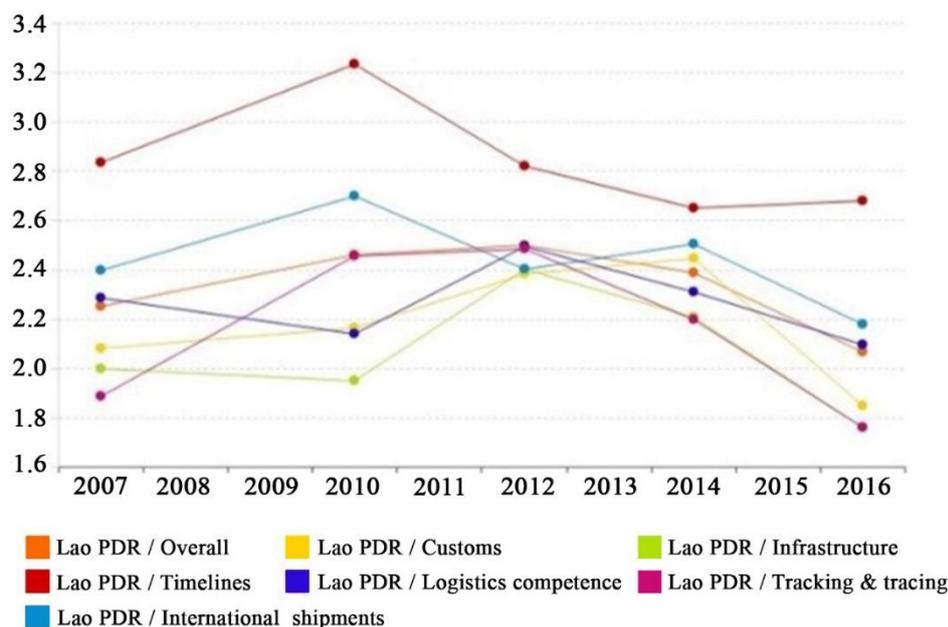


Source: Logistic Performance Index, World Bank (2016)

Figure 6.8, moreover, shows a negative trend from 2014 and how this decline especially involves infrastructure, together with all the segments of the index apart from timeliness.

⁸⁰ The LPI is in fact built on the perception of operators who participate in the survey. The full methodology of the index can be accessed here: <https://wb-lpi-media.s3.amazonaws.com/LPI%20Methodology.pdf>.

Figure 6.8 - Laos's infrastructural decline (2007–2016)



Source: Logistic Performance Index, World Bank, (2016)

The data displayed in the figures above clearly highlight the rationale behind the GoL’s “land-linked” policy and the focus on infrastructure development.

Officially, therefore, Chinese and Lao purposes are complementary, and against the backdrop of Laos’s infrastructure deficit it comes as no surprise that the GoL has welcomed China’s OBOR and HSRD initiatives (*Vientiane Times* 2012a). When on 19th October 2012 the National Assembly of Laos approved the project, the relevance of the Boten–Vientiane HSR MTI project for Laos clearly emerged from the *Vientiane Times*’s reporting:

Laos has now decided to assume sole ownership of the project, as it considers that transforming the country from being landlocked to a land link is central to the future of the nation’s development ... Deputy Prime Minister Somsavat Lengsavad reported on the project to the National Assembly yesterday, recounting developments to date. He stressed how important the railway is in terms of

turning Laos into a land link within the region, attracting more foreign investment, and boosting economic growth. (*Vientiane Times* 2012b)

In this framework, the case, examined in this chapter, of the Lao leg of the China-sponsored Pan-Asian railway, which would run for 427 km through Laos, is undoubtedly crucial both for China, as explained above, and for Laos. With virtually no railway – as seen above, so far there is only a 3.5 km link from the Thai border to the outskirts of Vientiane – the country also has an extremely poor road network: of 40,000 km, only 10% meets high standards without showing “occasional or frequent holes” (Cooper 2014: 165). This state of development has made it impossible so far for Laos to overcome its traditional logistic and economic isolation,⁸¹ but with the construction of this HSR line the country will leap straight forward into a new, modern, global chapter of its history, shaped by the term connectivity. Therefore, a reader would certainly not be surprised by the annual review published on 31st December 2012 by the state-owned *Vientiane Times*, in which the “agreements on two highspeed railway projects”⁸² were included among the country’s “landmark achievements in the international arena” in 2012 (*Vientiane Times* 2012a: 12). For the purposes of this research, however, of much greater importance is the inclusion of the Boten–Vientiane HSR project among the GoL’s top five priorities in terms of infrastructure building that were made official in the 2016–2020 Eighth Five-year National Socio-Economic Development Plan (Ministry of Planning and Investment of the Lao People’s Democratic Republic 2015: 92, emphasis added); the HSR project is listed in second place:

⁸¹ A study published in 2014 by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) highlighted that very little trade is conducted through the country’s airports and that the average Lao citizen cannot afford air services (GIZ 2014).

⁸² The other railway project agreed by the GoL is a 220 km double electrified track railway from Savannakhet Province in Laos to Lao Bao at the border with Vietnam. The railway will have a total cost of around 6.3 billion dollars and will be built by Giant Rail Company Limited (GRCL), a Laos-based company constituted to develop the project, which will be built by the Malaysian investor Giant Consolidated Limited (GCL).

1. Upgrade roads that connect to the neighbouring countries such the Mekong Sub-region corridors (GMS), Asian Highway, East–West Corridor, North–South Economic Corridor.
2. *The Railway Boten–Vientiane.*
3. Create comprehensive logistic systems by focusing on 4 areas: Natoei, Savannakhet, Vientiane and Champasak.
4. Upgrade domestic airports to meet the international standards and expand more routes to regional and international destinations in order to have comparable services internationally.
5. Shifting away from enterprises that are state owned, like Nampapa to be privatized for more effective and more competitive, while facilitation and advice on pricing are provided by the government.

In the light of the potential geo-economic transformations for Laos implicit in this HSR project and of the official stance of the GoL reported here, one could argue that the Chinese policies of OBOR and HSRD not only perfectly match Laos’s strategic needs, representing for the country a concrete way to achieve integration and turning into a “land-linked” nation, but also provide a unique opportunity to access billions of dollars in funding, something that a country with a GDP of only 15.9 billion dollars in 2016 (see chapter 1) could not otherwise afford. However, the fact that the project has been stalled and delayed from its original agreement in 2010 until now suggests that there is a gap between theory and practice and that such apparently clear-cut complementarity might hide difficulties, and perhaps a certain degree of divergence, between Vientiane and Beijing. The next section reconstructs the process that started in 2010 when the two governments signed a memorandum of understanding (MoU) to build the HSR from Boten to Vientiane, highlighting the various phases. It will examine why, despite the policy convergence exposed in this section, the project struggled to get started. Therefore, through the analysis of this key HSR project, the rest of the chapter will not only analyse the impact of this MTI project

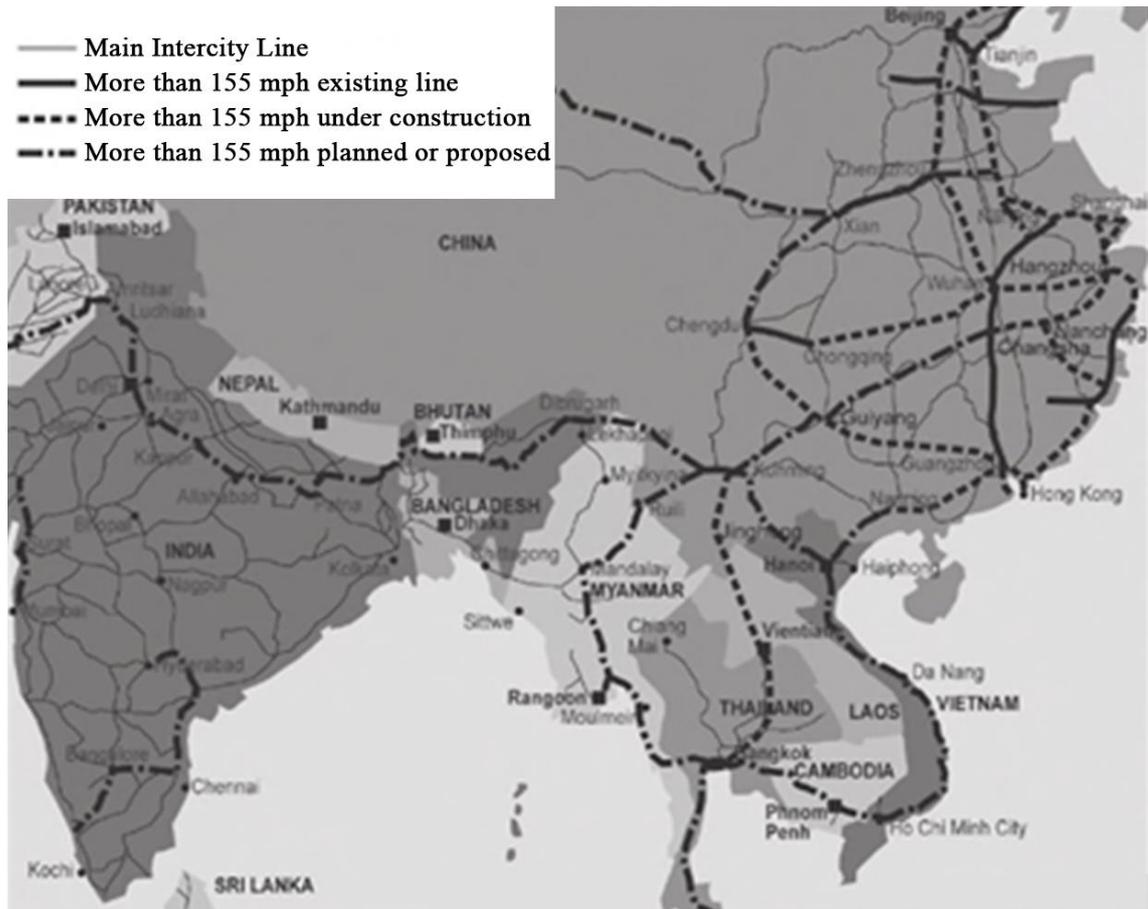
on the relational power of Laos with respect to China, but, through the Laos case study, will also illuminate how China's OBOR and HSRD work in practice.

6.3 Reconstruction of the negotiations on the Boten–Vientiane high-speed railway MTI

This section aims to reconstruct the key events that shaped more than six years of negotiations between the governments of China and Laos on the Lao section of the Pan-Asian railway: the Boten–Vientiane HSR MTI. Following on from the previous chapter, it is necessary here to provide a more comprehensive account of what happened because the railway issue proved to be significantly more obscure with respect to the Xayaburi dam, first of all because it was still under negotiation at the time of the data collection in 2015 and had only just been launched when this chapter was written in early 2017. Therefore, it has been deemed essential to provide as many background facts as possible to make it possible to navigate these complex negotiations before moving on to the analysis and then discussing them in terms of relational power.

Nonetheless, until very recently the already underlined obscurity and confusion surrounding the project complicated the task of understanding what was going on, before the fieldwork, during it and afterwards. It was only the extensive network of contacts developed in Lao, Chinese and international environments in Vientiane that gave the author the opportunity to separate misleading from correct information. The map below (Figure 6.9), for instance, originally published in 2011 and then included in Fau et al. (2014), epitomises this confusion, because it showed the Boten–Vientiane leg of the link as being under construction when it was very far from that stage, as will emerge from the events and processes traced in this section.

Figure 6.9 - The Kunming–Bangkok Railway – ‘under construction’ in 2011 and 2014?



Source: Fau et al. (2014)

Even in mid-2016, Joshua Kurlantzick, a leading Southeast Asia and Laos expert at the Council on Foreign Relations (CFR) in the United States and author of a recent monograph on the US’s secret war in the country⁸³, told the *New York Times* that in his view the project had only a 50% chance of going ahead (Strangio 2016). Another indication of the high degree of vagueness and lack of information around the project, as well as of the difficulties in gaining information, even for experts on the ground, is represented by a request for information on the project the author received via email from the Land Information Working Group in March 2017, a network of civil society organisations based in Laos. The group works on policy with local institutions such as the Lao National Assembly, the Prime Minister’s Office and the Ministry of Natural

⁸³ Kurlantzick, J. (2017). *A Great Place to Have a War: America in Laos and the Birth of a Military CIA*. New York, NY: Simon & Schuster.

Resources and Environment (MONRE), as well as with international stakeholders including the World Bank, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Food and Agriculture Organization of the United Nations (FAO). The request showed how little information was available even to organisations with a local presence and good access, since it asked for further information in particular on the precise route the railway would take (personal communication, March 2017). Such great uncertainty made it essential to carry out a preliminary comprehensive study and reconstruction of the facts, which is precisely the content of the following sections.

6.3.1 2009–2012: The failure of the first joint venture MoU signed in April 2010

When, on 5th March 2009, a grand opening took place for the Lao–Thai Railway Operation at Thanaleng station, despite the fact that the railway, after crossing the Mekong River and the border with Thailand, ran for only 3.5 km into Laos’s territory, it was nonetheless a historic day, since this was the first rail line ever to be opened in the country (Ministry of Public Works and Transport Department of Railways 2014). This was more a symbolic achievement than a real one, as the railway was merely a branch of the Thai network, crossing into Laos. However, only a few months later Laos seemed ready for a much bigger and potentially game-changing infrastructure link that promised to put an end to the traditional isolation of the country: a massive HSR line all the way north to the Chinese border, which would have cut travel time from Vientiane to Boten from the 13 hours necessary to drive along Route 13 to slightly more than 2 hours cruising at a speed of 200 km per hour (Radio Free Asia 2012). In fact, once the presidents of the two countries had approved the HSR project at the end of 2009 (Janssen 2017), and once, after that, beyond the Chinese border, the Kunming–Yuxi line stretching southward in the heart of the Yunnan province had begun to be upgraded and extended in order to link the Chinese railway network with the planned Pan-Asian

railway (*Railway Gazette* 2012), the two governments of China and Laos signed a memorandum of understanding (MoU) on 7th April 2010, according to which China had to finance 70% of the 7-billion-dollar project through a “long-term and low-interest loan” (Radio Free Asia 2010). A groundbreaking ceremony was scheduled for 25th April 2011, in correspondence of the 50th anniversary of the beginning of Laos–China bilateral relations, and the construction should have commenced by 28th October and then been completed in about four years, i.e. by 2015 (WikiLeaks 2011). Yet for more than six years after the closing of the deal in 2010 not a single kilometre of railway was built.

The first event that contributed to slowing the process down was the removal of Liu Zhijun, the Chinese Minister of Railways, during an investigation for corruption in February 2011, only a few months before the planned ceremony (Branigan 2011). This was then followed by the Chinese company pulling out of the joint venture for reasons never openly clarified but probably linked to difficulties in reaching a compromise on various aspects of the investment structure, with China considered to be worried about its profitability (*Vientiane Times* 2012b; Knowles 2013) and Laos concerned about the strategic implications of the “tough conditions demanded by the Chinese government” that some might have considered to be at risk of leading to a Chinese occupation of Lao soil (Wichit 2012). According to another source, the stalemate on the project resulted from Laos’s growing concerns related to China’s “involvement”, especially with respect to “property rights along the route” and “the social impact of a large influx of Chinese workers settling in northern Laos ahead of construction starting” (*Railway Gazette* 2012).

6.3.2 2012–2013: Laos refuses unsustainable conditions

Despite the failure of the original joint venture agreement with China, the Lao National Assembly, during an extraordinary session held on 18th October 2012, nonetheless

decided to “assume sole ownership of the project”, which was going to be funded, according to then deputy prime minister Somsavat Lengsavad, through a loan that would have been delivered by the Export-Import Bank of China. On that occasion, Somsavat Lengsavad also clarified that, unlike with the previous project, the GoL was now planning to build a railway whose maximum speed was 160 km/h for passenger trains and 120 km/h for goods trains – thus, a slower HSR line than the one previously suggested, which had been planned to run at 200 km/h. The only exception was identified in the route between Vientiane and Vang Vieng, where trains could possibly have run at 200 km/h. It must be underlined here that the new structure of the project granted a greater role to Lao stakeholders, and that the terms of the loan agreed with China allowed the latter to receive royalties from Laos’s mining resources, such as copper, gold and bauxite, which would have been shipped to China by rail once the link was completed (*Railway Gazette* 2012). According to the just-quoted report by the *Vientiane Times*, a groundbreaking ceremony was now planned to take place during the soon-to-be-inaugurated 9th Asia–Europe Meeting Summit, which was going to be hosted in the Lao capital on 5th–6th November that year. But, once the ASEM meeting was over, no sign of such a ceremony materialised, while, as explained in the previous chapter, Laos surprised many by launching the Xayaburi dam the next day (*Vientiane Times* 2012b). A factor that might well have again halted the process was the size of this investment, which risked driving up the interest rate to an overwhelming level and sinking the country to the ranking of fourth among the most highly indebted nations, a perspective that presumably triggered concerns and opposition to the project in Laos (Knowles 2013). Subsequently, in early December 2012, Radio Free Asia (2012b) quoted an anonymous official of the Lao Ministry of Finance as saying that the total sum of the interest Laos would have to pay back to China was around 3.33 billion dollars, as a result of a 30-year loan at a rate of 2%. Since a study estimated the break-

even point to be 38 years, but the loan was due within only 30 years, the Lao official pointed out that proceeds from the Chinese-owned Sepone (gold) and Champasak (bauxite) mining operations would probably be entirely used to repay the loan without providing revenues for the Laos's budget. Moreover, according to the same source, "at least nine legislators [in Laos] ... have expressed opposition to the project" (Radio Free Asia 2012b).

Such internal worries and opposition were reportedly coupled with external international advice along the same lines. On 1st January 2013, the *New York Times* wrote that

In mid-November [2012], when Prime Minister Wen Jiabao of China visited Vientiane for a summit meeting of European and Asian leaders,⁸⁴ he was expected to attend a groundbreaking for the railroad. The ceremony did not take place. An assessment of the rail project by a *consultant for the United Nations Development Program* [UNDP] said the terms of the financing offered by China's Export-Import Bank were so onerous they put Laos's "macroeconomic stability in danger." At the same time, construction through northern Laos would turn the countryside into "a waste dump," the consultant's report said. "An expensive mistake" if signed under the terms offered, the report concluded. As collateral for the loan, Laos was bound to provide China with minerals, including potash and copper. Other international donors echoed the findings. "Partners, including the *Asian Development Bank* and the *World Bank*, expressed concern, and the *International Monetary Fund* was here and said, 'You have to be very careful,'" said an Asian diplomat briefed on the reservations expressed to the Laotian government. (Perlez and Feng 2013, emphasis added)

The *New York Times* report therefore confirmed what had already emerged in the previous months and been recognised both in and outside Laos. The following events demonstrated that in the end Laos did indeed refuse to pursue such a risky investment. It

⁸⁴ The reference here is to the ASEM Meeting mentioned on the previous page.

took years of protracted high-level negotiations for the two countries to find a solution, as described below.

6.3.3 2013–2015: stalemate followed by steps towards a new deal structure

These hurdles continued to present an insurmountable obstacle for more than three years afterwards, a period shaped by extreme uncertainty regarding the future of the project. During this period, the two sides' general position of willingness to get the project under way appeared to be consistent, but the complexity of the negotiations emerged clearly not only from their length, but also from the needs of multiple high-level contacts. However, even though on such occasions Chinese and Lao leaders repeatedly expressed their commitment to building the HSR, this was not followed up straightaway on the ground, highlighting the persistency of obstacles and distance between Beijing and Vientiane. In September 2013, Laos's prime minister, Thongsing Thammavong, met with his Chinese counterpart, Li Keqiang, in Nanning (China) and called the HSR project a priority, emphasising that a (new) formal agreement needed to be signed soon (Eimer 2013). Early in the next year, however, EXIM's decision to suspend loans funding infrastructure and construction projects in Laos, in favour of mining and hydropower projects, was a setback to the financing structure that had been the proposal since 2011 (Radio Free Asia 2015). Nonetheless, the project in itself was in no way abandoned, as indicated by the occurrence of another round of high-level meetings and statements in April 2014. First, the two countries' leaders convened at the Boao Forum for Asia that took place 8th –11th April, where a consensus on the railway was reached and a joint statement was issued that defined the project as crucial in the framework of the bilateral relationship, especially to increase trade and economic cooperation (China Railway International Group 2014; Radio Free Asia 2015). Second, later in the same month, a delegation of the China Railway International Group (CREC), led by its President, Mr Lu Bo, visited Laos from 24th to 29th April, where, in a series of high-

level meetings with relevant Lao authorities and Chinese actors the company's support and commitment to the project was restated (China Railway International Group 2014). A few months later, on 28th July 2014, the issue was discussed at the highest level between the Chinese president, Xi Jinping, and the Lao president, Choummaly Sayasone, who met at the Great Hall of the People in Beijing. During the meeting, the Lao President expressed his hope for continuous support from China for Laos's development, and he mentioned the railway along with agricultural and network projects that needed Chinese assistance (Ministry of Foreign Affairs of the People's Republic of China 2014). Probably as a consequence of successful and fruitful talks during such high-level meetings, China made a strong move forward, approving the construction of the HSR from Kunming to the border with Laos in September 2014 (Gluckman 2014). Soon after going ahead in its own territory, China gave a new pledge to make the HSR happen in Laos. The Chinese ambassador in Vientiane, Mr Guan Huabing, defined the project as strategic and historic in the framework of bilateral relations and declared that both governments were "working on some concrete issues and China is willing to work with Laos to begin the construction as early as possible" (Radio Free Asia 2014). Although, as already stated, great uncertainty continued to characterise the project until late 2016, these steps undertaken by China in the autumn of 2014 represented the first real turning point since the beginning of the negotiations nearly five years earlier. As a matter of fact, in an interview granted to *Nikkei Asian Review* in March 2015 – a rare interview with a foreign media organisation – Somsavat Lengsavad, then deputy prime minister of Laos and head of the Laos–China Railway Project Steering Committee, enucleated three key points that encapsulate what was at stake for his country (Janssen 2015, emphasis added):

1. “Laos hopes to reach an agreement with Beijing *by June*. The plan would then be presented to Laos’s one-party National Assembly.”⁸⁵
2. “Under the envisaged arrangement, Vientiane would provide \$840 million in initial financing, with \$1.26 billion coming from China. The balance of just under \$5 billion would be borrowed from the Export-Import Bank of China by a joint venture company established to build and operate the line ... The venture would eventually be transferred to Laotian ownership.”
3. “The latest talks *could also fail if Beijing rejects* the financial terms proposed by the Laotian government, or if the costs – including interest payments – rise too high.”

It is worth noting that these declarations revealed three main facts, to some extent already known but here made very clear through the interview: a) Laos was determined to complete the project; b) insights regarding the new (potential) financing structure were made public; c) for the first time, one Lao top leader had openly expressed Laos’s financial concerns, indicating that the country was ready to hold on firmly to its conditions.

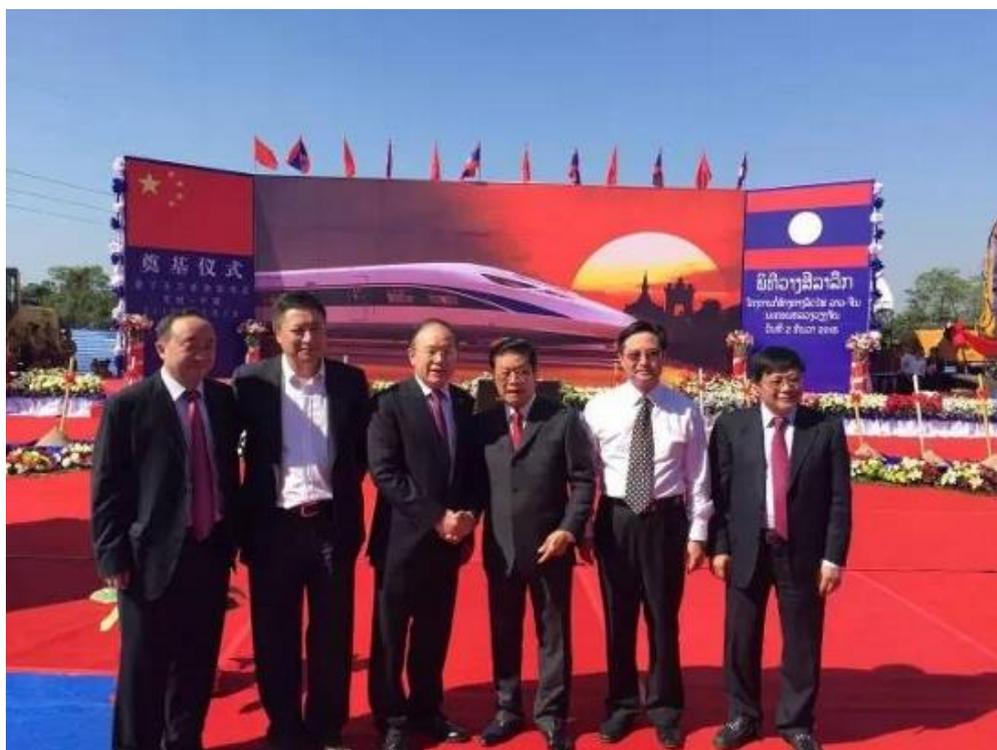
As is clearly reflected by Somsavat Lengsavad’s words above, in 2015 an agreement over the details was still to be reached and no one could have said at that time whether or not these details could once more endanger – and literally derail – the project itself. Nonetheless, at a meeting with the governor of Yunnan province in Laos, the Lao president envisaged officially launching the project by 2nd December 2015, Laos’s National Day (Radio Free Asia 2015). This was yet another signal that the Laos leadership was now determined to close the negotiations before the opening of the 10th Congress of the Lao People’s Revolutionary Party (LPRP), which was to be held between 18th and 22nd January 2016. Such state-of-the-art was confirmed in June 2015 by a senior official of the Lao Ministry of Public Works and Transport (MPWT), who said the agreement was “okay” but the budget was still under negotiation. The official

⁸⁵ In this respect, he noted that “All big investment projects of over \$500 million have to go through the National Assembly”.

also expressed confidence that the bulk of the costs would be covered by a loan from China (Interview 46-2015). Indeed, in line with the interviewee quoted above, Somsavat Lengsavad declared during a National Assembly session on 9th July 2015 that the line would be built (Radio Free Asia 2015c). This was then confirmed when the Lao President went to Beijing in his latest official visit to China to attend the 70th anniversary of the “Chinese People’s War of Resistance Against Japanese Aggression and the World Anti-Fascist War” on 1st September 2015. On that occasion, China’s prime minister and “HSR man”, Li Keqiang, explicitly said “China is willing to push forward infrastructure construction of railways and highways connecting the two countries, cooperate with Laos in areas including energy, mining and agriculture and promote the prosperity and stability of border areas”, and he was echoed by the Lao president, who underlined the relevance of the strategic partnership with Beijing, saying that “Laos is willing to accelerate cooperation with China on major projects, including the Laos–China railway, and find more possibilities for cooperation” (Xinhuanet 2015). Besides high-level commitments from both sides, looking back at the key events of the preceding 15 months (mid-2014 to September 2015), it can be seen that after Choummaly Sayasone’s visit to Beijing clear signals on the ground showed that concrete steps forward were being taken. Only a few days after the meeting in China, in fact, the MPWT opened a bidding process for building the HSR line to Lao and foreign companies. In particular, the Luang Namtha PWT Department started to accept bids, since the first leg of construction was to be carried out there, and news came out that some 30 Lao officials were to be trained by China on HSR-related skills (Radio Free Asia 2015). Although financial uncertainties remained, Laos was reportedly struggling to obtain an interest rate that was as low as possible (Mahitthirook 2015). According to the Deputy Minister of Public Works and Transport of Laos, Lattanamany Khounnivong, China agreed to charge a lower interest rate (Sweet 2015), and then on

13th November a new MoU was signed. According to the new deal, China agreed to finance 70% of the 6.04-billion-dollar HSR project, and the railway was to operate at an average speed of 160 km/h and would be built using Chinese technology and equipment. This development led to the successful launch of the project, with a groundbreaking ceremony organised in Vientiane on 2nd December 2015 (CRRC 2015; Ghosh 2016).

Figure 6.10 – Lao and Chinese leaders launch the Boten-Vientiane High-Speed Railway



Source: CRRC

This happened before the Party Congress took place in January 2016, as auspicated by Laos's president a few months earlier and by the Lao deputy prime minister Somsavat Lengsavad in the quoted interview with *Nikkei Asian Review* in March 2015. This progression was hailed by Wang Yi, China's Minister of Foreign Affairs, as an 'important step' in the OBOR trajectory during a press conference a few months later (Ministry of Foreign Affairs of the People's Republic of China 2016). Soon after the ceremony, it was reported that the two countries had also reached an agreement on a

loan of 480 million dollars that China would provide to Laos to help it finance its own share of the project. According to a statement by Somsavat Lengsavad to the National Assembly, the agreed interest rate was below the 3% requested by China (Amornrat 2015) and Laos did not have to pay any principal for the first five years of the 20-year loan. On the same occasion, the then deputy prime minister declared that the GoL expected some 14 million passengers annually (4 million of whom would be Lao), rising to over 18 and 24.6 million in the mid- and long term (Radio Free Asia 2016).

Questions, however, remained on the table as to whether the new Lao leadership that emerged from the Party Congress in January 2016 could have a negative impact on the deal concluded by the previous politburo. In fact, the results of the Congress looked as if they were far from being in China's favour, with Bounnhang Vorachit, the newly elected Secretary General of the party and soon to be president, deemed to be diplomatically closer to Hanoi than to Beijing. Moreover, Somsavat Lengsavad was not appointed as a member of the new politburo (Potkin 2016). However, the latter kept his key role as main supervisor of the railway project, meaning that the new leadership confirmed its commitment towards it. Although some manoeuvring was still occurring, as demonstrated by the absence of clear information on the future of the project during the first visit to China of the new Lao president in late April 2016,⁸⁶ it was possible to observe some acceleration on the ground. One interviewee, who was contacted via Skype for an update in mid-May 2016 and asked about the future of the project, commented as follows:

In late April [2016], I was in Boten, Luang Namtha province: the local authorities are starting to move a Chinese factory out of Nateuy, to make room for the station of the high-speed train in Luang Namtha. I think that with or without Somsavat Lengsavad, the project will go ahead as the entire leadership in this

⁸⁶ The *Vientiane Times*, for instance, did not cover the HSR project in its report about the diplomatic visit.

country is fantasising about the train. (personal communication, May 2016)

The fact that a point of no return was reached became evident a few months later when the procedure for managing the land along the HSR route officially started. This was the prelude to the last and decisive steps of the coming months. First, Lao news platform Tholakhong advised on 7th July 2016 that those who possessed land in the path of the railway should make themselves known. At the bottom of the notification there was a mention of “Lao–China Railway Construction”, and beneath this, contact details of a certain Mr Thongsay Saengmuang (personal communication, July 2016). In the same month, Somsavat Lengsavad announced that the terms of the MoU signed in December 2015 were not going to be modified and that China would contribute a loan at an interest rate lower than 3% to be added to the initial capital of 630 million dollars (equal to 30% of the initial 2.1 billion dollars) invested by Laos. He also denied the speculation that China was trying to obtain exclusive rights to develop the land along the HSR line (Webb 2016). Second, on 11th August, Laos’s Deputy Minister of Public Works and Transport, Lattanamany Khounnivong, indicated during a lecture at the Party’s Central Committee’s Propaganda and Training Board that work had started (*Laotian Times* 2016b). Third, one week later, the Propaganda Committee for the Lao–China Railway issued a 20-page document (Table 6.2) containing all the details of the final version of the agreement and the rationale for the GoL to go ahead with the venture. This document has not yet been mentioned by international media because an English translation is not available yet. The author got the chance to access it via a contact in Vientiane and the box below presents an unofficial translation of the key incentives and policies related to the project.⁸⁷ The document indicates that Laos and China put in place several specific policies to support this joint revolutionary MTI and, among other details, it emerged that the final interest rate agreed on stood at 2.3%.

⁸⁷ The table below contains Section 3 of the document.

Table 6.2 – Laos’s and China’s incentives and Supporting Policies for the Boten-Vientiane HSR

The Government of Lao PDR has issued the following 6 special policies to support the project:

- (1) Regarding land use rights: given the importance and necessity of the project, the Government of Lao PDR has authorised the joint-venture company to use the following 3 types of state-owned land without charge:
 - Land in the areas of tracks including stations and bridges across rivers for which the actual use must take into account the availability of each area.
 - Land in construction sites during the construction phase and small streets for entry/exit of construction sites.
 - Land in the areas connecting with facilities and public utilities (electricity, water supply, telephone etc.) and areas connecting with the existing national road system.
- (2) Regarding taxes: Approval granted for exemption of business turnover tax and value-added tax in favor of the joint-venture company during the railway construction phase. Appropriate consideration must be made for the commercial operation phase.
- (3) Regarding natural resource royalties: Approval granted for exemption of natural resource royalties for the use of domestic raw materials such as soil, stones, granite and sand during the construction phase.
- (4) Regarding import duties: Approval granted for exemption of import duties – VAT 0% of vehicles, machinery, construction equipment and materials, fuel, parts and other necessary equipment to be imported from foreign countries to serve the construction project.
- (5) Regarding stay and work fees: It is approved to charge half (50%) of normal fees for granting work permits for foreign (Chinese) workers, stay permits and multiple-entry visas for their work on the project.
- (6) Regarding railway supporting projects: The joint-venture company is authorised to develop other supporting projects surrounding the railway project for which the Government of Lao PDR will consider its approval in accordance with the Lao PDR’s Law on Investment Promotion.

The Government of PR China has issued the following policies to support the project:

- (1) Since the Laos–China railway construction project has low effectiveness in terms of finance but provides a high return in terms of the economy, for the project to be realised, the Government of PR China has supported Chinese state-owned enterprises which have the capacity to invest in the construction and operation of such railway.
- (2) It has granted a special loan to its Lao counterpart for funding the project for USD480 million with 2.3% annual interest rate which normally would have not been possible if borrowing was from the international market for such funding.
- (3) The general interest rate for funding railway construction in PR China would be around 4.9% per annum. In this project, however the PR China Government has granted a loan for an annual interest rate of not more than 3%, the difference of which will be subsidised by the PR China Government.

Finally, the culmination of these negotiations of nearly a decade was the signing of the construction contract for sections I, II and III of the HSR project awarded by the Laos–China Railway Co. Ltd to China Railway Group subsidiaries (Global Construction Review 2016). The predominant role of Chinese actors in developing the railway was far from being unpredictable, and in fact this manifested soon after the main contract was signed with the Chinese construction companies, consultancies and professionals who were becoming officially involved in different aspects of the project (Somsack 2016; Xinhua 2016c; *Laotian Times* 2016). The land for construction was then eventually broken at a second ceremony, on 25th December 2016, in the historic Lao city Luang Prabang (Xinhua 2016d), although the two countries had yet to finalise the concession agreement for the management of the railway as declared by the director of the Lao National Railway Company, Koung Souk-Aloun, in December 2016 (Global Construction Review 2017).

In May 2017, new data regarding the financing scheme of the project were released. According to these data, the final grand total of the investment is to be 5.95 billion dollars (instead of 6.04 billion), of which the initial investment will account for 40%, i.e. 2.38 billion. In line with the agreement discussed above, Laos will need to contribute 30% of the investment, and so, in the initial phase, 715 million dollars, while China is responsible for 70%, i.e. 1.67 billion dollars. To cover the investment Laos will draw 250 million dollars from its own budget and borrow the rest from the Export-Import Bank of China at the interest rate of 2.3% already agreed. Specific data on the other 60% of the investment have not been disclosed yet, but according to the Laos–China Railway Company it is going to be provided by “Chinese banks” (Janssen 2017). This reconstruction of the China–Laos negotiations was necessary to provide the raw material for the process tracing analysis in the following section, especially given the lack of a clear and systematic account on the subject and the consequent confusion that

shapes the project. An emblematic example occurred when, in late August 2016, Reuters reported that “The project is now believed to be on hold because Laos is unhappy with the terms of the deal”, while on the ground the deal was actually reached and concrete steps were being taken (Zaharia 2016). The next section therefore analyses the data presented so far.

6.4 Analysis of the negotiations

In contrast with the Xayaburi case, it can immediately be seen from the reconstruction of the long negotiations summarised above that, while in the Xayaburi case there was a clear divergence in the respective interests of the two states, Laos and Vietnam, here there is no such divergence. Consequently, while for the Xayaburi dam the question was how Laos could go ahead despite Vietnam’s opposing interests, here, instead, the intuitive starting question was the opposite: why did China not go ahead with the project, despite its own strong interest and the stark distance in the aggregate power of the two countries? Given the general convergence of the two states’ ambitious policies – OBOR/HSRD and LLLL – which is clearly reflected by the policies adopted by the two governments listed in the box above, what prevented a quicker and smoother deal? In answering these questions, the first factor to be analysed is the specific interests of the two countries in this particular HSR investment project, going beyond the policy context pitched above. This effort allows us to provide a first account of an overlooked issue. Chang’s (2016) study – the first to address the issue in the framework of China’s HSRD –, in fact, provided an overview of the phenomenon that is comprehensive but lacks detail on the Boten-Vientiane railway project. For instance, Chang takes the railway in Laos for granted without explaining why the first MoU signed in 2010 failed and the project experienced continuous delays over the next six years. Therefore, his conclusion with respect to Laos is to put it in the category of the countries “most supportive” of China’s HSRD (Chan 2016), without acknowledging nor explaining the

complexity, difficulties and obstacles experienced by the two countries during the negotiations on the first and crucial material representation of their broader HSRD and LLLL policies.

6.4.1 Crossing the border with Laos: the first test for China's high-speed railway diplomacy

Starting with China, it can be argued that this particular project is crucial for Beijing, as it is the first international expansion of its domestic HSR network and thus constitutes a test of its HSRD. As proudly announced by representatives of the Laos–China Railway Company during a symposium held in Vientiane in late October 2016 (shortly after the first real contracts for the project were signed), the “China–Laos railway will be built ... to become a demonstration project in the ‘Go Global’ strategy in the railway sector and the ‘Belt and Road’ initiative” (Xinhua 2016b).

A few days before the groundbreaking ceremony took place in 2015, Zhao Wenyu, Economic and Commercial Counsellor of the Chinese embassy in Laos (one of the Chinese diplomats from Vientiane who were involved in the HSR project negotiations) offered a comment to Xinhua that leaves no room for doubt about China's interest in the project: “I believe that after the launching of Laos' first satellite and the construction of the railway connecting China and Laos, the trade and economic cooperation between the two countries will be further enhanced” (Rong and Zhang 2015). In an interview with the author six months earlier, a Chinese diplomat at the China's Embassy in Vientiane had further emphasised the position of the China–Laos HSR project in Beijing's and Vientiane's agendas, interestingly highlighting the salience of China's neighbourhood for the OBOR grand strategy:

Laos's dream to transform itself from a landlocked to a land-linked country is a good match with China's “One Belt, One Road” policy. As our president, Xi Jinping, said in 2013, OBOR is very important for China for economic trade cooperation with other countries and it is focused on cooperation

with Asian countries, but also with Europe. However, it *especially targets neighbours* and aims to bring about a *new era*. Everybody is very interested in building the Kunming–Vientiane railway, which is essential to connect China and Southeast Asia, but it is a long negotiation especially due to economic reasons. So now China and Laos need to invest together. If the two governments do not develop any special policy the project in itself is not sustainable because there won't be enough people or goods to be carried. Moreover, it is not enough just to build the railway to Laos – it must reach Bangkok as well. That said, the “One Belt, One Road” policy allows us to have one clear way of cooperating that also applies to this railway project that will finally arrive in Thailand via the middle line through Laos, which is the shortest route. (Interview 47-2015, *emphasis added*)

It is interesting to note how this narrative depicts the intimate and strong interdependence between the HSR project in question – fundamental for the bigger strategy – and the OBOR policy, without which the project would not have been economically viable. Moreover, to conclude on the subject of China: besides official declarations, the interest in forging ahead with the project and overcoming the long stalemate, might well also be deduced from developments on the ground and the Chinese economic commitment to – or gamble on – the project. In spring 2015, a *National Geographic* report showed how in Mohan, the small Chinese town just across the Lao border from Boten, the construction of a big shopping centre was at an advanced stage despite the lack of local demand to justify the investment. This was one of the signs pointing to the fact that China was expecting the HSR to become reality, since Mohan's train station will be the main gateway into China. The *National Geographic's* report also featured a big billboard installed in Mohan several months before the new MoU was signed, announcing the HSR by proclaiming “Strategy is the wide path, fortune is the wide future” (Hemes 2016).

Figure 6.11 – “Strategy is the wide path, fortune is the wide future”



Source: Hemes (2016)

At the same time, according to three interviewees, including a Chinese entrepreneur who is also a member of the board of the Chinese Chamber of Commerce in Laos, by June 2015 at least three engineering Chinese companies had had a physical presence in Vientiane for years, just waiting for the stalemate to be over and for the project to begin (Interview 31-2015; Interview 46-2015; Interview 47-2015).

6.4.2 Laos faces a dilemma

On the other hand, from Laos's perspective things appear to be rather less clear. In fact, despite the GoL's vision and policy to develop the country through infrastructural integration with neighbouring countries, land-linking Laos with the region, one cannot overlook, nor underestimate, the transformative capacity and wider effects of the Boten–Vientiane HSR project. With a socio-economic context characterised by a predominantly rural economy with a very modest industrial basis, an exiguous population and only 3.5 km of traditional railway line, the HSR project put Laos in front of a potentially profound and rapid transformation that will probably have a strong impact on its economy and society as well as on its geopolitics. Anyone who has been

to the country would probably not need much detailed information to understand how radically the railway will metamorphose it. Its domestic connectivity will jump suddenly into the high-tech realm of the 21st century from an underdeveloped status shaped by an extremely poor road network (Kyophilavong and Lamphayphan 2014), which, especially during the wet season, makes transport within and across Laos costly, slow and challenging. The map in Figure 6.11 below shows how the railway will largely follow the colonial national Route 13, completed by the French in 1944 (Stuart-Fox 1997), which runs due south from Boten at the border with China to Vientiane and then to the border with Cambodia following the Mekong River. Route 13 is still the principal artery – and in theory the “highway” – of the country, but at the moment it takes more than 13 hours to drive the 608 km that separate the capital from the border with China, i.e. an average speed of less than 50 km/h.

Figure 6.12 – The transformative potential of the Boten-Vientiane Railway



Source: Author’s elaboration from Google Maps

Once the HSR is reality, this long, trying and sometimes dangerous trip along a narrow and bumpy road will be replaced (at least for those who can afford it) by a comfortable train trip of around 2.5 hours. Besides such a transport and logistic revolution along the

North–South axis, the HSR project also implies a geographic, geological and probably environmental change of a similar scope. Due to Laos’s mountainous morphology, in fact, 258.5 km of the HSR of the total length of 427 km (i.e. 60%) will be made up of the 154 bridges and 76 tunnels required by the infrastructure⁸⁸ (*Railway Gazette* 2016; Lim 2015). The present research does not aim to assess the environmental or social impact of the project but the researcher felt it necessary to outline these key data to provide a complete picture of the reach this particular infrastructure has for Laos. However, in taking stock of the analysis of Laos’s connectivity provided above, it becomes clear that the transformative capacity of this infrastructure might well represent a big step forward for the country’s development. A video released by Lao National Television (LNTV), available on its YouTube channel, shows a rendering of the HSR project, plastically and impressively demonstrating how it will bring about a new future for the country.⁸⁹

Such promises for a brighter and richer future go hand in hand with China’s win–win narrative. When asked precisely how Laos could benefit from the project, a diplomat at the China’s Embassy in Laos replied that

The railway will be a system project, meaning a lot of *Chinese investments* coming to Laos, and the railway is the cheapest way of building infrastructure and *combines very well with Laos’s own policy*. It is also very good for the prosperity of *the whole Greater Mekong Subregion (GMS)* since the mountainous nature of Laos makes land transportation very expensive. That is why the railway will cut the costs significantly. Once the railway is completed *a lot of FDI will follow*, thanks to the great combination of availability of abundant electricity and land resources in Laos. (Interview 47-2015, emphasis added)

The wording of this answer leads us to guess that such “sales talk” had already been used several times over the years of negotiations by the Chinese embassy, with the

⁸⁸ The railway will also be served by 31 train stations.

⁸⁹ Available at <https://www.youtube.com/watch?v=UwDPPruOnPU#t=376.1778244>.

powerful concluding promise that the HSR project would be a driver for plenty of new FDI coming to Laos, not only from China but from all over the region and the world. Not surprisingly, the Chinese narrative found eager ears in Laos, starting with Mr Somsavat Lengsavad, who was, as already stressed, the key policymaker involved in the promotion of the project. In the already quoted interview with *Nikkei Asian Review* in March 2015, he also stresses the concrete economic benefits for his country, saying

We have also suggested to our Chinese counterpart that, based on our electricity production, we could use electricity to power the trains. This would mean saving foreign reserves, because less road transport will be used and Laos will not need to import fuel. (Janssen 2015)

Moreover, the wider economic complementarity between China and Laos represents another push factor towards the construction of the railway. In fact, Laos has huge mining potential, which, according to then Minister of Energy and Mines, Soulivong Dalavong (currently chairman of the Planning and Investment Committee of Laos), might allow Laos to export some 5 million tonnes of minerals to China by 2020 (Gronholt-Pedersen 2012; Penna 2013). Therefore, a clear complementarity emerges between Lao resources and Chinese capital and technology, and the HSR will be a key link to allow the two economies to make the most of such an advantageous configuration. In addition, from Laos's point of view, an even greater incentive is the dream of leaving behind centuries of economic (but also social and political) seclusion, turning, as Yao Bin, the chairman of Krittaphong Group, a leading Lao construction enterprise, put it, into "an attractive logistic centre", a "transport hub" and potentially a trade and financial centre (Seneviratne 2016). Two interviews with two Asian senior diplomats highlight the positive long-term impact of the railway for Laos. The first stresses the competitive advantage for Laos's trade, especially to expand it beyond Southeast Asia:

The benefits for Laos will be relevant, especially since the railway will connect the North with the South of the country, which are now poorly linked because of the very bad condition of the road network. Poor transport infrastructure is also an obstacle in the bilateral trade relationship with more distant but huge markets in South Asia. (Interview 19-2015)

The second instead focuses more on the regional dimension, providing a visionary image of Laos as not only a small transit country within ASEAN and Chinese connectivity plans, but also a potential regional hub of its own:

Laos might become a hub given its position in the middle of the North–South and East–West economic corridors.⁹⁰ In this scenario, it might gain huge benefits as happened in Germany, where even secondary cities like Dortmund or Duisburg exploited the fruits of connectivity. Now everything goes to and through Bangkok, which holds a hub role in the region. Vientiane is not ready yet, but there is a plan for urban development. Therefore, I speculate that the high-speed railway could be good for Laos for exports, imports and tourism, but right now this is just speculation. However, developing road and rail networks concurrently will be good for Laos. At the moment, there are many proposals for roads development since they are much easier, requiring a much lower degree of coordination than an HSR project. (Interview 27-2015)

It is extremely significant that in May 2015, i.e. only six months before the new MoU was signed, an ambassador to Laos said that the economic promises at the time were just speculation. The trade-off between road and railway development indicated in the closing phrase pinpoints to an important explanation of why the negotiations

⁹⁰ This can be seen as a reference to the economic corridors of the Greater Mekong Subregion (GMS). The GMS countries adopted the economic corridor approach in 1998 at the Eighth GMS Ministerial Conference in Manila as a way to combine trade, infrastructure and production in a specific geographic area. Three corridors were identified: the East–West Economic Corridor (EWEC), the North–South Economic Corridor (NSEC) and the Southern Economic Corridor (SEC). However, these economic corridors did not include much of Laos and Vientiane was not part of any of them, seemingly due to the SKRL plan described above. To respond to this problem, at the 21st GMS Ministerial Conference held in Chiang Rai in November 2016 it was proposed that the Boten–Oudomxay–Luang Prabang–Vang Vieng–Vientiane–Nong Khai–Udon Thani–Nakhon Ratchasima–Laem Chabang link be added to the NSEC (ADB 2016).

experienced an extenuating delay despite all the geopolitical and economic pressures delineated in the previous sections and the overall alignment of the interests of the two states. In fact, the scale of the project, coupled with Laos's current state of development, meant that the HSR project offered not only tremendous and unimaginable opportunities for future prosperity, but also more contingent short-term challenges of a similar reach. For Laos, in fact, there is another side of the coin: the plurality of risks and disadvantages implied in the railway project, first of all related to its priorities in terms of financial commitment and allocation of resources. As a matter of fact, it appears meaningful that an "all-you-need-to-know" piece about the HSR project published by the *Laotian Times* in early 2017, once the project had already begun, included the "Benefits for Laos" in its list of important things to know, implying that these were not so clear to their audience and needed to be stated (*Laotian Times* 2017). Indeed, two scholars of the Faculty of Law and Political Science of the National University of Laos (NUOL), Associate Professor Sengphet Outhay and Lecturer Sypha Chanthavong, were clear in saying that if

in the long term the railway will bring about benefits for Laos increasing tourism, trade and investments from China, in the short-term Laos will face problems related to the budget since the railway will be funded through a bilateral fund, which was why Laos postponed the project. (Interview 1-2015; Interview 2-2015)

Laos's dilemma also emerges clearly from an interview with another NUOL scholar, who elucidated the mix of geopolitical, economic and domestic reasons why Laos delayed the negotiations and hindered China's attempts to speed up the process:

At the beginning, Mr Somsavat Lengsavad, who is Lao-Chinese and can speak Chinese really well, pushed for the project, but there was a disagreement among different members of the government itself, because when the issue was submitted to the National Assembly it said that was a very big issue that Laos needed to manage carefully. The National

Assembly argument sounded like, “We are okay to have a good cooperation with China, a big country with a lot of investment in Laos, which on economic issues depends on China (as well as on other bigger countries like Thailand and Vietnam), but we also have self-determination and we need to guarantee it”. So, despite Somsavat Lengsavad’s influence the project had to be delayed because of the checks and balances within Laos’s governmental institutions. Laos had to delay in order to obtain better conditions based on mutual benefits since we were really getting fewer benefits. This is particularly relevant considering the imbalance between the two countries, evident insofar as the population of Laos is equal to one Chinese city like Kunming. (Interview 5-2015)

Seemingly, a senior journalist of the state-owned *Vientiane Times* emphasised that, despite it being a very good project in the long term, Laos had different priorities:

in the short term, Laos should concentrate on road construction and improvements. If we build the railway what will we export? First, we need to attract more FDI, build up our industry and then we can reconsider the railway. At this stage of development, increasing the connections inside the country is the priority. (Interview 16-2015)

This more balanced and critical perspective was also endorsed by an associate professor at the Faculty of Economics and Business Management of the National University of Laos, who explained how investment in roads has higher spillover effects than the HSR project, and who identified another element of risk in the lack of transparency characterising Chinese investments:

If the railway were sponsored by organisations like the ADB it would be better in terms of transparency, for instance. So, if they want to help Laos, international donors and MDBs should get involved. By contrast, China’s plan is very questionable and for Laos it would be better receiving money from the Asian Infrastructure Investment Bank (AIIB). To make this region more prosperous we need infrastructure, but should Laos bear the costs? We need to clearly identify the different options that we have. (Interview 36-2015)

Social and environmental risks were then highlighted by an independent consultant who, aside from recalling the risk Laos faced of functioning only as a transit country, also stressed the potential drawbacks in terms of illegal trafficking activities (including human trafficking) across the Laos–China border, and in terms of development since the money necessary to fund the project might lead to a development model driven by exploitation of resources (Interview 43-2015).

These negative elements point to a deeper picture in which, beyond the alignment of interests, a hidden misalignment on some aspect of the negotiations, both within Laos and between Laos and China, prevented smoother negotiations and a quicker start to the project. However, among the cons faced by Laos, three central issues that kept Laos’s and China’s positions distant over the years emerged during the research: financing, land and labour.

6.4.3 The three main misalignments between Laos’s and China’s positions

6.4.3.1 Size of the investment and financial burden

As the reconstruction of the negotiations demonstrated, and somewhat predictably, the main difficulty preventing Laos from rapidly implementing the project related to funding. Considering Laos’s macroeconomic indicators, it comes as no surprise that the HSR project was an almost forbidden dream for the GoL. In fact, once the Chinese company pulled out from the joint venture in 2011, had Laos carried out the 7-billion-dollar investment through a Chinese loan (with Laos’s natural resources, especially minerals, as collateral) it would have had to borrow a sum amounting to nearly 90% of its annual GDP, turning the country into one of the most indebted nations, as already highlighted (Lim 2015). *The Economist* pointed out how even institutions such as the World Bank (WB) and the Asian Development Bank (ADB), usually very supportive of investment in “capital-intensive physical infrastructure” to foster economic integration, warned Laos that the risk was too high, quoting the above-cited calculation made by the

director of Economists at Large, Tristan Knowles,⁹¹ who emphasised “that a (modest) 10% appreciation of the yuan against the Laos kip could increase the burden of such a loan by 3.8 billion yuan (\$620m) in a very short time” (*The Economist* 2013). As already underlined, at the end of 2012, Radio Free Asia quoted an official of the Lao Ministry of Finance as saying that the total interest could have equalled 3 billion dollars if the interest rate on the hypothetical loan from China’s EXIM Bank were 2% for 30 years. The article also pointed out that at the time several issues needed to be agreed on by the two countries since, according to the same official, Laos would not reach the “break-even point” and start profiting from the investment for 38 years, which meant that the GoL would have to divert resources to fill the gap (Radio Free Asia 2012b). An interview conducted with an ADB official confirmed these concerns:

Financial considerations are crucial since the benefits for Laos’s economy are not clear. The Economic Internal Rate of Return of Projects (EIRR) is 12% and that is why the ADB did not aim to finance this HSR. Moreover, the project is not necessary for Laos at this stage, considering the economy of the country. What will the outcome be? The issue has also been discussed at the annual forum of the Greater Mekong Railway Association, a body established to fulfil the purposes of the GMS and of the Cross-Border Transport Agreement (CBTA). On these occasions, Laos’s point of view has been: why should we contribute? Moreover, Laos should focus its own priorities: there are different options, and at the moment road development and improvements are really relevant for Laos. (Interview 14-2015)

Thammasat University’s Professor Ruth Banomyong explained that this mix, composed of a huge economic burden and benefits that were expected mainly in the long term, made the project unattractive for Laos, and he also stressed the risk to the latter of gaining very limited economic returns once the HSR allowed goods to be transported

⁹¹ The entire analysis was published by Knowles on New Mandala, the Australian National University’s portal on Southeast Asia, in May 2013 and can be accessed here: <http://www.newmandala.org/fiscal-foolly-or-essential-infrastructure/>.

without stopping in the country. In his view, Laos would gain indirect benefits such as better mobility, but they were not sufficient to justify the investment (Interview 17-2015). Laos's unpreparedness was also underlined by a Thai diplomat who recalled that during a trip to Laos with Thailand's prime minister, organised in 2014, it was difficult to promote a tourist package in the South of Laos because of its lack of modern hotels and facilities (Interview 37-2015). The unequal distribution of costs and benefits, therefore, was presumably the main obstacle to the commencement of the project. Chalongphob Sussangkarn, Distinguished Fellow and Acting Program Director at the Thailand Development Research Institute (TDRI) in Bangkok and a former Thailand Minister of Finance, clarified this point in an interview with *The Nation* in May 2015:

The benefit-sharing system is not complete. Laos is a transit country in this deal with an economy that is less than 5 per cent of Thailand's gross domestic product, and it stands to gain the least from the construction of the Kunming–Vientiane–Bangkok railway ... There must be a system that would guarantee a discussion among Thailand, Laos and China on the overall plan, who will invest how much, where and what kind of benefits can be shared from the construction of the railway. (Parpart 2015)

As a result of the above-mentioned economic constraints, according to a senior consultant at GIZ, the GoL was ready to invest a maximum of 500 million dollars, leaving to the Chinese company the task of finding all the other money needed (Interview 32-2015). This forecast proved to be almost exactly right when the final deal was made public since, as noted in the reconstruction of the negotiations, to finance the first 40% of the project Laos provided 250 million dollars of its own money.

6.4.3.2 China's controversial land concession request

The Economist (2013) also stressed another crucial impediment for Laos: China's request for rights over a corridor of land on both sides of the railway that could have given Beijing control over a strategic route from Yunnan directly into Thailand. Despite

uncertainty regarding the size of this requested concession, it has indeed been confirmed by various sources that the two countries were unable to reach a compromise on how much land China should obtain and for how long. Taillard (2014) points out that Laos had already refused to grant the 200-metre concession on each side of the line requested by China under the 2010 memorandum. Nevertheless, with the reframing of the negotiations between 2011 and 2012, which occurred after the failure of the first proposal, the land issue became even more problematic since, according to several interviewees, the new formula resulted in much higher Chinese demands in this respect. In 2015, the *Bangkok Post*, for instance, clearly named the land issue as the main cause of the delay from 2010 onwards, writing that “China and Laos signed an agreement on the project in 2010, but the progress has been delayed due to conflict over the land rights along the route” (*Bangkok Post* 2015). In June 2016, Reuters reported how the difficulties in reaching an agreement were still, seemingly, linked to the land issue as well as to funding problems:

across the Southeast Asia border, China is facing the most complex and possibly most significant obstacles to its ambitions, as its neighbours protest what they say are excessive Chinese demands and unfavourable financing conditions. They have resisted *Chinese demands for the rights to develop the land either side of the railway*. Beijing says turning a profit on land development would make the rest of the project more commercially viable and allow it to make a greater upfront financial commitment. (Goh and Webb 2016, emphasis added)

Primary sources then confirmed that the land issue was a crucial obstacle (for instance, Interview 20-2015; Interview 21-2015; and Interview 31-2015), also linking it with financial conditions offered to Laos. In fact, it emerged that at the outset China had wanted to provide all the necessary capital, but its demands were too high because China wanted a land concession between 10 and 20 km deep on each side and Laos

refused to agree to this (Interview 22-2015). Ruth Banomyong was convinced that the most difficult issue in the negotiations had been the land concession requested by China; he said that “initially it was 5 km per side, and then it was reduced to 2.5 km, that is still considered too much by Laos. This land request is being negotiated together with the interest rate of the loan” (Interview 17-2015). A Lao professor of International Relations reconstructed the negotiations and explained the delays to the project as follows:

The two countries agreed to start in 2010. They started to construct something, some office, but then the HSR project disappeared from the news. I think it depended on the issue of mutual benefits, because it seems that Laos was going to get fewer benefits than the Chinese. Especially because the Chinese asked for 5 km of land on each side of the railway. When the Government of Laos submitted this proposal to the National Assembly, it responded by saying okay, but added that if the GoL met this land concession request it would mean giving too many benefits to China so it should negotiate more, and that is the reason for the delay and for continuing the negotiation. In fact, if Laos allowed China to use such a big portion of land along the railway from the border with China to Vientiane it would be too much because then Chinese people would come and invest in those lands without any control or rules imposed by Lao authorities. It would in fact be a very big portion of land if you take into account the 427 km route and Laos’s total area (236,800 km²). That is why the National Assembly asked to renegotiate the deal and reduce the amount of land in the agreement. (Interview 5-2015)

Also, a senior *Vientiane Times* journalist acknowledged the fact that the delay was caused mainly by the disagreement on the land concession, which raised concerns among Lao people, Lao institutions and also international organisations such as the UN and NGOs (Interview 16-2015). A Chinese entrepreneur confirmed that land posed a crucial problem (Interview 46-2015) and so did a Vietnamese diplomat, who underlined the sensitivity and strategic relevance of the land concession for the GoL, which was

reluctant to raise concerns and provoke protest among Lao society (Interview 42-2015). Finally, the land issue was linked by a senior consultant to the third main obstacle in the negotiation: labour. The consultant, in fact, stressed that a big land concession would have made it very easy for China to resettle Chinese workers in Laos (Interview 43-2015).

6.4.3.3 The labour obstacle

The third, and last, major hindrance relates to the workforce necessary to build the MTI. The origin of the problem is the lack of skilled labour in Laos in general, and the complete absence of railway construction skills, since the country has not built any in its history. Therefore, as already pointed out above, a large influx of Chinese workers is expected to flow into the country, an assumption reported by several sources including the *Vientiane Times*, according to which the HSR project carries the risk that “It would likely be unavoidable to import a number of foreign workers to work for the project once its construction starts” above the level allowed by the Lao law (GMS Info 2015). It was clear from the beginning that the majority of the labourers that were needed were going to be Chinese. In 2012, Radio Free Asia quoted an official of the Lao Ministry of Labour and Social Welfare as saying that “the rail project will likely use more workers from China than those from Laos ... That’s the way it’s going to be, as there’s not enough Lao labor” (Radio Free Asia 2012b). According to more recent estimates, the total number of workers needed to construct the railway will be around 100,000 (Ghosh 2016) and the likelihood of an influx of Chinese workers when the project started was also highlighted by Tan (2015).

This factor might well exacerbate the so-called China syndrome, similar to that experienced in Myanmar, which is rooted in the two countries because of the difficulties of integration between locals and Chinese migrant communities, and because of the misconduct of the latter, as noted by Walsh:

In Burma and Laos, in particular, the areas in which Chinese migrants have come to dominate economic activities have tended to exclude non-Chinese, unofficially and not by regulation, as well as being antithetical to state laws. State institutions have already yielded to those areas a degree of autonomy and more will be taken as local groups and networks continue to flourish. These areas may be more economically advanced than neighbouring areas in which indigenous people live and this has the potential to provoke further antipathy and personal conflict. As noted previously, the region has a history of sporadic violence against Chinese migrants extending through centuries. (Walsh 2009: 8)

The *Financial Times* underlined the issue in a commentary on Laos's accession to the WTO in 2012, indicating Laos's discomfort about Chinese dominance:

There is also a strong element of what some western diplomats call "Myanmar's China syndrome". While the west for decades ignored Laos as a backwater, Chinese business interests have rushed into projects ranging from natural resources to gambling ... Just like Myanmar, Laos is signalling growing determination to break out – or at least move away from – the Chinese embrace and diversify sources of investment. To that end, the Communist government, while uneasy about western-style reform, is likely to implement further changes on the economic front, including plans to expand its stock market and streamline financial services. (Robinson and Watts 2012)

As a matter of fact, the potential threat represented by China is well described by Tan (2015), who notes how "The growing link between Laos and China has alarmed many scholars and development workers, both Lao and foreign; some even speak of a Chinese 'shadow state' threatening Lao sovereignty and territorial integrity" (Tan 2015). Such a fear might seem exaggerated, but one should consider it in perspective, taking into account Laos's population relative to China's. It is then easy to understand the potential impact for a country whose population is, as already highlighted as high as that of Kunming alone. The enormously superior economic and investment capacity of Chinese

entrepreneurs, who will follow the HSR investment and will provide goods to the thousands of Chinese workers during the railway construction, might arguably also pose risks to Laos's economy, especially for small businesses. Besides problems related to scales, with its related threat perception, negative precedents must not be overlooked. In fact, the Chinese presence in Laos, especially in Northern Laos, which is underestimated by official sources (Fau et al. 2014), had already created tensions by creating unequal opportunities in favour of Chinese inhabitants rather than the local population (Malar 2014). Moreover, bad practices carried out by Chinese companies in Laos, related to the environment and the relationship with Lao communities and workers, complicated the situation, worsening the negativity in Lao society towards the potential imminent immigration of Chinese rail engineers and staff. In particular, in 2015 Lao employees marched against a Chinese company that was accused of delaying payments and discriminating against Lao workers relative to Chinese ones (AsiaNews 2015), while a well-known instance of Chinese bad practice in Laos is the case of investment in banana plantations, which after an economic boom were blamed by segments of the Laos's population and authorities for severely damaging the environment using prohibited chemicals and not putting in place sufficient safety measures, and which ended up being banned (Parameswaran 2017). The tensions created by Chinese investment in the sector also led occasionally to violence and open threats by armed Chinese guards against Lao workers (Radio Free Asia 2016b). Such behaviours even increased the anti-Chinese sentiment among Lao people and presumably led to the series of armed attacks that broke out at the beginning of 2016, clearly targeting Chinese nationals (five were killed), which could have been fuelled by the fears associated with the railway's need for a Chinese workforce (Oxford Analytica 2016). To conclude, the relevance of the difficulties related to labour were confirmed by a key Lao negotiator at the Ministry of Public Works and Transport, who, while

“promising” that the GoL would try to assign as much work as possible to Lao companies, commented that the lack of skills within Lao society would force Lao workers to carry out the easiest tasks (Interview 41-2015).

Having analysed the three fundamental issues emerging from the research that delayed to various extents the confirmation of the project, it is now necessary to evaluate how these obstacles were managed and how Laos coped with such issues and managed to resist China and obtain a better deal.

6.4.4 Laos’s resistance against the Chinese giant

The key object of this analysis is to understand how to interpret the development of the negotiations through all the delays and changes to provide the necessary material for the relational power analysis. Was the delay mainly caused by the economic-technical complexity of the project, or was Laos able to stop the railway project and resist China, given the incomplete alignment of interests and the associated risks and concerns for Laos analysed above? Combining on the one hand China’s strong interest in the project and its formidable economic and technical capacity in the HSR field with, on the other hand, Laos’s dilemma and serious concerns, it can be argued that the second is the correct answer, as acknowledged over the years of the negotiations by a plurality of authoritative primary and secondary sources.

Taillard (2014) clearly notes that the failure of the first agreement was due to Laos’s refusal of Chinese conditions that were perceived as “unequal” and “hegemonic” since they implied Laos was involved only as a co-financer and did not give Laos any opportunity to increase its technical capabilities in the sector, nor to develop its industry. The Reuters analysis reported above, stressing how Southeast Asian neighbours posed a challenge to China’s ambitions, quoted Peter Cai, a researcher at the Lowy Institute for International Policy in Sydney, as suggesting that China believed its southern periphery was “going to be the first significant hurdle as they implement One

Belt, One Road” (Goh and Webb 2016). The analysis also pointed out Beijing’s frustration in the face of the continuous problems and delays and stated that while in 2013 “all signs pointed to fast completion” and “construction on the line’s terminus in Kunming began” in November 2013, when the article was published in June 2016 only a few months remained before the opening of the high-speed train station in Kunming, which cost 325 million dollars, and “yet, there [was] *no action in Vientiane*” (Goh and Webb 2016). In 2014, Forbes also highlighted Laos’s reluctance, in spite of its policy proclamations, by commenting on the available options to link Bangkok and Kunming via HSR as follows: “Various routes from China have been pitched over the years, with the main options via *reticent Laos* or the more difficult terrain of Myanmar, which has a *keener government*”, implying that the GoL at that time was not yet convinced (Gluckman 2014, emphasis added). Then, in 2015, another newspaper article explicitly highlighted how painful Laos’s slow response was for China:

China’s appetite for infrastructure deals in Asia was affirmed this October when the country edged out Japan to secure rights to build Indonesia’s first high-speed rail from Jakarta to Bandung. But the *painfully slow progress in Laos* suggests *Beijing’s “railway diplomacy” doesn’t always deliver*. (Mairs 2015, emphasis added)

This interpretation was confirmed when triangulated with primary data, most importantly by a diplomat at the Chinese embassy in Laos, who admitted that the main reason for the delay had to do with Laos’s difficulties and concerns, especially regarding financing the project (Interview 47-2015). The Chinese diplomat also estimated that despite general agreement and support in Laos towards the project, it would have been much better to finalise the deal before the Party Congress in 2016 to avoid adverse impacts or changes. He concluded, nonetheless, by acknowledging Laos’s agency, saying “it would be better to start before the Congress, but it will be quite difficult. It can be started in two to three years because a lot of efforts have already been

made to prepare, but it will depend on the attitude of the Lao side” (Interview 47-2015). This seems to be confirmed by an interview with a Western consultant who had just returned from a business trip to China and who commented that “In China no one seems to know anything. I have recently talked with people at the EXIM Bank and other institutions and they say they are only waiting for Lao approval” (Interview 31-2015). An interview with a Lao senior official in the MPWT went very much along the same lines; the official evocatively said “What I know for certain is that China cannot connect to Thailand by flying over Laos. That’s the only truth” (Interview 41-2015). The Lao official also focused on funding as the key obstacle, especially with respect to hidden costs such as unexploded ordnance (UXO) removal and land acquisition, and the economic and social costs of the resettlement process, which were difficult elements that would have to be dealt with by the GoL and had yet to be negotiated with China, together with the interest rate. The fact that Laos managed to stop China was then confirmed by three other diplomats in Vientiane: an ASEAN ambassador was convinced that Laos was holding firm and asking China to bear the costs, because it was afraid of paying more than the country could afford (Interview 27-2015); a Thai diplomat thought that Laos was unsure of China’s intentions and was using systematic delays as a tactic to buy time (Interview 37-2015); and, finally, an American diplomat said that Laos was resisting China’s pressure to start the HSR project because it was worried about Chinese workers, among other factors, even if it was impossible to forecast how long it could maintain such resistance (Interview 26-2015). A general agreement that the delay was provoked mainly by Laos also emerged from the interviews with Lao informants, whose argument usually sounded something like “the delay was due more to Laos since China always wanted to start as soon as possible: they have everything – money, companies, technologies, skilled workers, materials – so they were just waiting for permission from Laos”.

To summarise, it is clear that the right interpretation of what happened from 2010 until late 2016 is that Laos showed its capacity for resilience and not only challenged China's objectives but also succeeded in obtaining better conditions. Next, the role played by the broader geopolitical context will be assessed.

6.5 The role of the geopolitical context

While in the reconstruction and analysis of the Xayaburi dam negotiations it was clear that the geopolitical context played an important role, the same is not true for the Boten–Vientiane MTI. In this regard, the principal difference with the Xayaburi case is easy to appreciate, since here the investor and the neighbour whose border will be crossed by the MTI coincide, while in the Xayaburi case they were different states. However, before discussing the findings, the next section will clarify if (and how) the broader geopolitical context interacted with the China–Laos negotiations over the Boten–Vientiane railway.

It cannot be overlooked that the MTI project would be inconceivable without taking Thailand into account, since it would not make much sense to link China with Vientiane without the opportunity to keep travelling on a high-speed route down to Bangkok. One could therefore argue that the HSR in Laos was delayed in order to wait for Thailand's domestic crisis to be over and see how the political situation would develop (Tan 2015). However, after the Thai military government that came into power after a coup in May 2014 approved a 24-billion-dollar scheme to build two HSR lines to connect Thailand to China via Laos at the end of 2014 (Niyomyat and Lefevre 2014), a year passed before an agreement was reached between China and the GoL and it was another year before the groundbreaking ceremony was held on 25th December 2016. Even more importantly, the argument might be turned around, since the opposite reasoning is also valid, i.e. that without the agreement with Laos, the plan to build the HSR in Thailand would have been nonsensical. In fact, only four days after China had signed the MoU with Laos on

13th November 2015, the Thai cabinet approved the scheme for its own HSR link from the Lao border to Bangkok (*Railway Gazette* 2015), reflecting the fact that Laos was essential to the overall project. It is therefore certain that China held two separate bilateral negotiations with Laos and Thailand and the project could begin only when Beijing had agreed on all details with both countries, since the project would have been meaningless if it had not included at least these three countries, running from Kunming to the Bangkok hub before reaching Singapore. There is also no doubt that once China and Thailand reached an agreement the pressure increased on Laos, which found itself between the two neighbours, and main trading partners and investors, as if in a “sandwich” (Interview 17-2015). However, it has been seen that, despite the agreements, a high degree of uncertainty regarding the actual sealing of the deal remained until the summer of 2016, demonstrating that despite the agreements signed and the combined pressure from China and Thailand, Laos continued to exercise strong leverage because of its central geographic position.

In addition, according to some experts, Vietnam might have played a role in causing Laos to delay the negotiations. Yun Sun, senior associate at the Stimson Centre, told the *Straits Times* in 2016 that “it took 10 years of negotiations to seal the deal with Laos – partly because its neighbour Vietnam, whose relationship with China is rocky, was wary of security implications” (Ghosh 2016, *emphasis added*). Seemingly, Ian Baird, associate professor of Geography at the University of Wisconsin-Madison, asserted in an interview with *The Diplomat* that the HSR project allegedly provoked tensions between Hanoi and Vientiane (Potkin 2016), implying that the former might have exercised pressure on the latter to delay, halt or compromise the project. When questioned on this point, a Vietnamese diplomat in Laos replied that “from a neutral perspective this project could provide mutual benefits to Laos and China and also to Vietnam, but the Government of Vietnam is nonetheless worried” (Interview 43-2015).

However, there is no evidence of whether Vietnam concretely acted to get the GoL to stop the project, and therefore its role remains vague. While the hypothesis that Hanoi was worried and advised Vientiane to be careful is plausible, there is no evidential basis for the argument that Laos delayed the negotiations because of Vietnam, and it is also likely that without much of a direct stake in the project Hanoi did not push too much in this sense.

To conclude, on balance it appears that the geopolitical context did not have much impact on the outcome of the negotiations between Laos and China and did not play a decisive role in supporting Laos to delay the process, nor in pushing it to speed up the negotiations.

6.6 Discussion of the findings

6.6.1 The MTIs–relational power analytical framework applied to the Boten–Vientiane high-speed railway project

As in chapter 5, the discussion of the findings will start with the application of the MTIs–relational power analytical framework to the findings on the MTI analysed in this chapter, while the theoretical implications of those findings will be addressed in the second part of the discussion. The relational power analysis below aims to evaluate the impact of the Boten–Vientiane HSR MTI project (the independent variable) on the relational power of Laos (the dependent variable) with respect to China (the domain) and within the scope of transport connectivity in the region, for which the Boten–Vientiane HSR will be a crucial artery.

6.6.1.1 Assessment of preferences

The Boten–Vientiane HSR MTI negotiations between China and Laos indicate that Laos and China shared an overall interest in the construction of the high-speed railway. In fact, Laos was interested in grabbing the chance to make China construct the HSR in the Lao territory instead of letting the Chinese do so through neighbouring Vietnam or

Myanmar, and in this way to address its infrastructure deficit and push its LLLL policy and economic development. This was clearly seen in Laos's Eighth Five-year National Socio-Economic Development Plan, in which the Boten–Vientiane project was ranked second among priority infrastructures. China, on the other hand, displayed an even greater interest since this particular MTI was a key step towards the promotion and implementation of two of its major national initiatives: OBOR and HSRD. With regard to the latter, in particular, this infrastructure would be the first high-speed railway linking the Chinese domestic network with a foreign country (and, through it, with the three other countries that the line would reach: Thailand, Malaysia and Singapore). However, the findings demonstrate that despite this convergence of interests at a general level, the two states did not agree on the details, and this caused six years of uncertainty and delays. After analysing the negotiations from 2009 to 2016, it can be concluded that the Boten–Vientiane MTI allowed Laos (A) to get China (B) *to do something* (wait several years and accept Laos's requests) *that it would not* (in an ideal scenario, i.e. following its own preferences and schedule) *otherwise do*. In Dahl's terms, therefore, the analysed MTI had a positive impact on Laos's relational power in its bilateral relationship with China, since in the Boten–Vientiane HSR case Laos had the *power to resist* China despite the high asymmetry of absolute power that shapes their bilateral relationship. The findings show that there is a broad evidence base proving that, thanks to the leverage deriving from a combination of factors – Laos's location, the very strong Chinese interest in proceeding with the infrastructure and China's lack of alternatives – the small state was able to minimise negative potential effects and resist China's political and economic pressure for years. In fact, the findings clearly show that a final agreement and the commencement of the construction were possible only after China gave up on two requirements that were key concerns for Laos: land concession and the financing conditions (in terms of both the total amount invested by Laos and the interest

rate). As for the labour issue, as the problem was structural, given Laos's lack of skilled labour to build the HSR, it was impossible to avoid an influx of Chinese workers. The divergences observable in Laos's and China's positions on some of the Boten–Vientiane MTI's key issues therefore indicate that Laos *prevailed* over China to the extent that it coerced China into adapting to its requests in order to go ahead with the construction. Having concluded, based on the assessment of preferences, that the outcome of the negotiations was in favour of Laos, it is now necessary, according to the analytical framework, to verify the presence of conditions and forms of power, as well as whether Laos's balance between absolute gains and costs ended up being positive.

6.6.1.2 Conditions of power

Verifying the presence of a *causal relationship* between Laos's actions with regard to the Boten–Vientiane HSR and outcomes in terms of relational power with regard to China is the first step in assessing whether the alleged causal effect is consistent. In this regard, as Goh (2016) underlined, a context shaped by opposing preferences increases the likelihood of a causal relation. Indeed, the analysis of the negotiations clearly demonstrates that the decisions (or non-decisions) autonomously taken by Laos had a decisive impact on the timing and outcome of the negotiations. In this respect, it is sufficient to recall the declaration of deputy prime minister of Laos Somsavat Lengsavad, who told *Nikkei Asian Review* that Laos hoped to find a solution by June 2015 but that the negotiations could fail if China refused to comply with Laos's request concerning the financial terms. Therefore, the GoL's proactive response to China's plans and demands in relation to the HSR MTI confirms the causality between the MTI and the impact on relational power. The fact that Laos refused to comply with China's demands clearly indicates that in not doing something the small state was in fact capable of exercising a power of inertia, i.e. the power to resist. In so doing, Laos also demonstrated *goal attainment*, consistently pursuing its agenda on the HSR issue, which

was composed of two substantial objectives: building the Boten–Vientiane railway and obtaining acceptable conditions, especially regarding financing and land concession.

6.6.1.3 Forms of power

Despite the overall convergence of interests in building the Boten–Vientiane railway, Goh’s (2016) assumption that in the presence of opposing interests *hard power and coercion* are the most important assets for the prevailing actor is confirmed, given the divergence of interests on important issues in the project. This is confirmed by looking at the reconstruction of the negotiations provided in this chapter: a) the failure of the first MoU signed in 2010 was in fact due to Laos’s opposition to China’s “tough conditions”; b) then the GoL avoided funding the project by itself, which would have required borrowing the necessary money from China and taking on an unsustainable debt; and c) finally, after a long stalemate, Laos managed to fulfil its requirements for the interest rate and land concession. As has been pointed out in the analysis, several interviewees (Interview 31-2015; Interview 41-2015; Interview 26-2015; Interview 27-2015; Interview 37-2015; Interview 47-2015) and observers (e.g. Taillard 2014; Peter Cai, cited in Goh and Webb 2016; Forbes 2014 and Mairs 2015) noted that China was frustrated by Laos’s reluctance to begin construction. Therefore, Laos undoubtedly managed to *coerce* China into postponing the project and to *comply* with its requests, leveraging, as noted above, its geographic position, China’s lack of alternatives and Beijing’s great interest in (and political-economic commitment to) the broader Kunming–Bangkok–Singapore project. Laos could coerce China into a certain course of action and achieve a power of inertia thanks to the time discrepancy created by the combination of China’s urgency (driven by the commitments it had already undertaken, as the development of the Mohan area demonstrates) and Vientiane’s preference for buying time and delaying the railway, not only to minimise the risks and obtain better conditions but also because Laos would have preferred to build the railway in the

medium-long term rather than in the short term, as pointed out by a number of interviewees (Interview 1-2015; Interview 2-2015; Interview 3-2015; Interview 19-2015; Interview 16-2015; Interview 27-2015; and Interview 45-2015).

6.6.1.4 Outcome

Having established that Laos prevailed in the negotiations, this research now goes on to check whether, overall, the gains derived from negotiating the Boten–Vientiane MTI with China have been lower or higher than the costs. Starting with the gains: Laos obtained a multibillion-dollar investment to construct an MTI deemed important to the country’s development, securing, at the same time, fair financial and collateral (e.g. the land concession) conditions and leaving most of the financial burden on China’s shoulders. Regarding the costs, the findings show that, thanks to the absence of conflicting interests, despite the length and slowness of the negotiation process there was no evidence of direct confrontation or open conflict. Therefore, Laos could avoid the risk of damaging its relationship with such an essential political and economic partner as China, which would have been costly. The only cost Laos could not avoid was the inflow of thousands of Chinese workers, but, as already stressed, in this respect the country did not have any alternatives. Therefore, it can be seen that for Laos the balance of gains and costs associated with the Boten–Vientiane high-speed railway project is undoubtedly positive.

In conclusion, the relational power analysis carried out in this section shows that the Boten–Vientiane HSR MTI is a variable that has permitted Laos to increase its relational power over China and obtain its goals in spite of divergences with the latter over the details of the deal. This conclusion has been corroborated by the presence of the conditions and forms of a power relation and by controlling that the final outcome was in favour of the “prevailing” state even in terms of the absolute costs–gains balance. The next section will discuss the implications of these findings in theoretical

terms with regard to small states studies, underlining the implications of this research's findings.

6.6.2 Theoretical discussion of the findings

The findings of the Boten–Vientiane high-speed railway case study combine to confirm the salience of the role of geography that emerges as the key and most interesting explanatory factor. The MTI analysed here produces the same conclusion as the Xayaburi dam in relation to the effect for a small state of being centrally located, in opposition to Handel's (1990) hypothesis, since the key factor that Laos was able to leverage during the negotiations was its geographic position between China and those Southeast Asian countries (and markets) with which Beijing aimed to connect through this MTI. The findings of this research point to the need to take geography – and geographies – into consideration to a far greater extent, given that small neighbours like Laos can be a hurdle for the transcontinental connectivity plans, such as OBOR, of more powerful states. The lack of alternative territories through which China could connect its landmass to Southeast Asia via a modern high-speed railway was determined by geopolitical constraints: the central route through Laos was the only option for Beijing, since the Vietnamese and Burmese corridors were not politically viable.

The difference between the Boten–Vientiane railway and the Xayaburi dam MTI leads also to an appreciation that, while there is a rich literature on hydropolitics within IR, the same is not valid for transport connectivity. Even though connectivity has now become a key term for policymakers at the national, regional and global levels, having been clearly identified as a priority by regional organisations such as the Association of Southeast Asian Nations (ASEAN), IR scholars have so far paid little attention to the role of physical cross-border and foreign-funded infrastructure transport MTI projects, which are a fundamental element – and driver – of connectivity. In this framework,

China represents an exception since its recent infrastructure initiatives have prompted scholars to focus on them. China thus offers a unique opportunity to observe the relation between MTIs and power within asymmetric bilateral relationships, because its relationships with neighbouring countries are undoubtedly shaped by a clear asymmetry of capabilities in most cases, and because cross-border infrastructure development is at the core of its OBOR and HSRD initiatives. The existing scholarship, however, has so far neglected small states and has viewed China's efforts to link itself with neighbouring countries through infrastructures as a tool for exercising power and expanding China's sphere of influence (see, for instance, Fallon 2015; Fasslabend 2015; Moritz 2016). In *Connectography*, Khanna, with specific regard to infrastructures, emphasises China's goal of binding "countries to it through infrastructural tethers" (Khanna 2016: 203), while Arase stresses that China, like the United States, makes of infrastructures a tool for power projection, pursuing "a core-to-periphery structure of connectivity" (Arase 2015b: 2). With particular regard to railway connectivity, China's HSRD has often been depicted as a strategy for deploying financial and technological means in order to gain strategic international advantages (Chan 2016; Kratz and Pavlicevic 2016). Zhang Yiwu, a professor at Peking University, lauded the Chinese railway sector, saying that "high-speed trains mark China's rising power and influence globally" (Xinhua 2015). However, Agatha Kratz, co-author of *China's High-Speed Rail Diplomacy: Riding a Gravy Train?* (Kratz and Pavlicevic 2016), in a personal conversation with the author, described a much more complex scenario:

Many interviews with Chinese and foreign specialists of China's HSR have shown quite a different picture. It seems that since the "success" narrative deployed regarding HSR a couple of years ago, a more cautious approach to these projects is now mainstream. All of my interviews so far have shown a more nuanced picture where many of China's high-speed rail projects abroad are now either considered failures or at least seen as encountering strong difficulties in their negotiation

or completion. (personal communication with Agatha Kratz, October 2016)

The findings on the Boten–Vientiane project do indeed tend in this direction, demonstrating the need for further research and the potential role of small states in China’s major infrastructure initiatives, and showing that big national and transnational connectivity endeavours cannot overlook either smaller states or the local dimensions of the spaces to be crossed by the infrastructures, as demonstrated by the labour issue in Laos, which was driven by animosity towards the Chinese. As underlined by a study on the Lao–Thai bridge within the Asian Highway project, it is necessary “to listen to local perceptions at the Thai–Lao border as they signal potential ill-feelings that could jeopardize future cross-border geopolitical ties and trade” (Lin and Grundy-Warr 2012: 1). By focusing concurrently on small states, asymmetric relations and connectivity infrastructures (MTIs), IR scholars can therefore explain a great deal about these projects. In this context, the Boten–Vientiane railway is embedded in broader regional and national policies, from those implemented by China – the Policy of Good Neighbourliness, the Yunnan as a Bridgehead strategy, the One Belt, One Road initiative and high-speed railway diplomacy – to those developed in Vientiane, such as the “from landlocked to land-linked” policy, and, further, to the ASEAN connectivity programmes. Therefore, the case study of this specific infrastructure project represents a focal point in wider trajectories shaped by the drivers of integration and connectivity between China, the Mekong Region and the whole of Southeast Asia, which tells us how complex and unpredictable the *actual power* relations in this geopolitical spectrum can be.

6.7 Conclusion

To summarise, the findings on the negotiations of the Boten–Vientiane HSR MTI between China and Laos demonstrate how in this case, the *transboundary* dimension – geography – played a primary role in enabling Laos to prevail. The impact of the

multinational nature of the infrastructure, on the other hand, appears to be important but less clear-cut.

The *transboundary* characteristic of the railway is clearly the fundamental factor, thanks to which Laos was able to increase its relational power, since passing through Laos was China's only available option for realising its dream of a railway connecting the Middle Kingdom to the prosperous Southeast Asian region and so implementing the first concrete item of its ambitious high-speed railway diplomacy, as well as the One Belt, One Road strategy. Laos's most important leverage, therefore, originates from its geographic position. Moreover, not only did Laos achieve a positive negotiation outcome in this transboundary context, despite the colossal imbalance of material power with China, but it also benefited from the MTI itself. In fact, had it been placed in a non-central and less strategic position, it would have been impossible for it to attract such advantageous foreign funding simply for its own infrastructural development. Therefore, the *transboundary* dimension of the MTI provided Laos with the opportunity to *negatively* resist and *positively* attract China at the same time.

The *multinational* dimension, by contrast, emerged as being less determinant in terms of relational power. The reason for this outcome is that in the case of this specific MTI there is a complete overlap between the "affected" country and the investing country, a combination that made it impossible for Laos to exploit external interests and stakes. However, the multinational element did matter since China's great financial commitment (to the MTI itself, as well as to the associated connectivity plans) appeared to be an important driver in causing Beijing to accept Vientiane's requests. At the same time, although China was the sole potential investor for the North–South high-speed line in Laos until construction began, it could potentially have been challenged by other HSR competitors such as the Japanese. This points to the fact that the *multinational* dimension, despite not being crucial, had a latent effect, since, starting from the

assumption that Laos alone could not afford the MTI, Vientiane might always have attempted to attract other investors by offering better conditions.

In conclusion, the Boten–Vientiane MTI case demonstrates how a small country holding a central geographic position, which creates the potential to attract MTIs, can mobilise non-national capital and obtain negotiation outcomes far above what its capabilities would have suggested.

CHAPTER VII

CONCLUSIONS

Like a wedge at the summit of an arch, Laos occupies a key position on the map of Indochina. From Burma and Thailand on the west to Vietnam on the east, with its foundations in the Malay peninsula and the Indonesian archipelago, the arch supports the weight of China and the mass of Central Asia.... But like the keystone of an arch, Laos has the dual function of holding apart the other, larger stones so they do not tumble and fall and of tying all together so the structure thus created is solid - Dommen 1985⁹²

7.1 Introduction

This thesis has provided a systematic and theoretically informed analysis of the impact of two selected multinational transboundary infrastructures (MTIs) on the relational power of Laos with respect to Vietnam and China. It posed the following overarching research question: what is the impact of multinational transboundary infrastructures (MTIs) on Laos's relational power? And the following subquestions: a) what is the impact of the Xayaburi dam MTI on Laos's relational power with respect to Vietnam (the domain) and within the scope of the management of the Mekong River?; b) what is the impact of the Boten-Vientiane high-speed railway MTI on Laos's relational power with respect to China (the domain) and within the scope of transport connectivity in the broader China–Southeast Asia context?; c) does a central geographic position increase or reduce the asymmetry of a relationship?

The result of the analysis seems to prove that former United States president Barack Obama was right when he stated that even a superpower could not afford to ignore Laos in an interconnected world. If it was true for the remote United States, it has proven to

⁹² Dommen (1985: 1) cited in Kittikhoun (2008: 39).

be even more so for Laos's neighbours, against whom the small Laos has prevailed in the negotiations on the two MTIs observed in this research. Nonetheless, one of Obama's fellow Americans had suggested, nearly five decades before Obama's trip to Vientiane, that "If Lilliputians can tie up Gulliver ... they must be studied as carefully as the giant" (Keohane 1969: 310). To this end, instead of taking as a starting point power intended as capabilities, this thesis looked at the effect on actual power of two complex infrastructure projects. The high-speed railway that is being built to connect Kunming in China to Bangkok and then Singapore through Laos, one of the MTIs selected, is in fact widely mentioned but often in the framework of China's effort to exercise influence through infrastructure investment within the One Belt, One Road initiative. Yet the analysis has shown how in that case Gulliver was to some extent indeed tied up by a Lilliputian.

This chapter aims to present the key findings of the research at both the empirical and the theoretical levels. The chapter is divided into five sections: the first will review the previous chapters, summarising the key elements; the second will present the key empirical findings through a combined discussion of the outcomes of the two case studies; the third section addresses the theoretical implications of the findings to clarify the wider meaning of what emerged from the MTIs-relational power analysis; the fourth section will then point out the contributions to knowledge of this thesis for the International Relations literature; and, finally, the fifth section will outline potential lines of further research.

7.2 Review of chapters

This thesis is composed of seven chapters. Chapter 1 introduced the thesis and outlined the research background, approach and structure. Chapter 2 reviewed the International Relations literature on small states and underlined how this body of literature had almost completely overlooked geography. Chapter 3 built on the geographic gap

highlighted in chapter 2 to develop a definition of multinational transboundary infrastructures (MTIs) and develop an analytical framework to observe the impact of MTIs on relational power. Chapter 4 described the methodology of the research and was followed by two findings chapters (5 and 6) that included two case studies through which it is possible to observe the impact of MTIs on the relational power of Laos with regard to Vietnam and China: the Xayaburi dam and the Boten–Vientiane high-speed railway.

Chapter 1 began by explaining the background, rationale and goals of conducting PhD research on Laos despite its allegedly limited relevance in the international system. Given that the main reason for the overlooking of the country in the IR literature can be traced to the broader neglect of small states, examining Laos's actual power has important theoretical implications. The chapter then provided a summary of Laos's contemporary diplomatic and economic relations, stressing the asymmetries in terms of capabilities with China and Vietnam and explaining why the transboundary and multinational dimensions are crucial for its foreign policy. After clarifying that the two MTIs used as case studies were selected because they are the two most internationally relevant MTI projects in the country, the chapter concluded by making explicit the overall methodological and analytical approach. In this way, it was clarified from the start that the unit of analysis is the state, taken as unitary and rational, and that the research is situated at the inter-state level.

Chapter 2 carried out a review of the body of knowledge included within the broader International Relations (IR) discipline, underlining how the overlooking of small states has much to do with the basis of the discipline and with the fact that one of the most important guiding criteria in IR is power. Through the analysis of how power has been conceived and studied in IR, the chapter pointed to several difficulties in pinpointing an overall definition and measure of power, which consequently makes ranking states by

their level of power very problematic. In particular, the difference between power-as-capabilities and relational power is highlighted. In this context, the analysis of IR studies that focus on small states revealed that, in addition to the absence of a shared definition of the constitutive elements of small states, very limited and unsystematic attention is paid to the role of geographic factors, leading to what the author defined as a “paradoxical geographic gap” in the literature, since less powerful polities relying heavily on their neighbourhoods are intuitively much exposed to different geographic positions, contexts and features.

Chapter 3 built on the geographic gap identified in chapter 2 and interrogated how geography and power can be linked and analysed together. Moving on from these theoretical premises, as well as from the empirical necessities of the case study of Laos, the chapter developed an original analytical framework in which MTIs were used as the independent variable and relational power as the dependent one. The first section of the chapter therefore provided a definition of MTIs and stressed how the variable might be relevant for small states thanks to the combined impact of three concurrent phenomena: the rise of sovereign states; the rise of interdependence; and the rise of investment in infrastructure. The second section focused on the dependent variable and developed an operational analytical framework, combining Dahl’s (1957) relational power approach with Hagström’s (2005) inputs on how to conduct a relational power analysis using process tracing and Goh’s (2016) framework of influence. The framework achieved through this combination made it possible to observe whether or not MTIs led Laos (A) to prevail over two more powerful states (B).

Chapter 4 defined the methodology of the research, adapting the tools of process tracing and qualitative elite interviews to the analytical needs of the two MTI case studies. Given the limited data available, especially with regard to the Boten–Vientiane high-speed railway, before analysing the events it was necessary to carry out a

comprehensive reconstruction of the two complex negotiations. To this end, process tracing sits well with the analytical framework and the overall approach of the research, since it enabled the researcher to examine the causal mechanisms of complex decision-making. The chapter provided a reflexive account of how the data were collected and then analysed. The data collection took place through a period of fieldwork during which the author carried out 48 qualitative semi-structured elite interviews with a diverse sample of stakeholders (diplomats, policymakers, officers of international organisations, academics, analysts), mostly at senior levels and with varied national backgrounds; significantly, 50% were Lao and 50% non-Lao. The chapter concluded by underling the strengths and challenges of the methodological approach in the context of Laos. The main strength of the methodological strategy followed consists in the choice to conduct fieldwork in Laos while affiliated to a local institution, and to carry out face-to-face interviews. Secondary strengths are represented by two facts: a) despite the different level of seniority the members of the elite interviewed had a similar background to that of the researcher, which for instance made the use of an interpreter unnecessary in most cases; b) the issues under examination were not considered too sensitive. The main challenge, on the other hand, was that access to valuable informants was hindered by bureaucratic procedures. Moreover, cultural and power divides, as well as the not-always-cooperative attitude shown by more junior interviewee, constituted additional challenges.

Chapter 5 then applied the analytical and methodological strategies to the first of the two MTI case studies: the Xayaburi dam. The aim of the chapter was therefore to understand the impact of the Xayaburi dam MTI on the relational power of Laos with respect to Vietnam (the domain) and within the scope of the management of the Mekong River. With this aim in mind, first the respective preferences of Hanoi and Vientiane in relation to the MTI were presented, displaying a context of clearly

divergent interests of the two states. On one hand, in fact, Laos sees hydropower facilities as a key tool in developing its economy and becoming the battery of Southeast Asia, while, on the other hand, Vietnam faces the threat of environmental damage downstream in the Delta region, which could lead to food and human insecurity, as underlined by Vietnam's official statements and documents, as well by Vietnamese leaders, including the then president, Truong Tan Sang. After assessing the respective preferences, the chapter reconstructed the negotiations around the Xayaburi dam, observing how such divergent interests were reflected during the five years of negotiations, and explored how Laos could proceed with its plan and prevail over Vietnam, pointing out the crucial role played by the broader geopolitical context. The chapter concluded by discussing the findings through the application of the MTIs–relational power analytical framework and from a theoretical perspective.

Chapter 6 followed the same structure as chapter 5 to analyse the impact of the other selected MTI – the Boten–Vientiane high-speed railway – on Laos's relational power with respect to China (the domain) and within the scope of regional connectivity. By assessing the respective interests in the scope of the MTI, the analysis highlighted the overall convergence towards building a high-speed railway to link the two countries. The infrastructure is a core component of China's high-speed railway diplomacy and of the broader One Belt, One Road initiative, while at the same time being compatible with Laos's "from landlocked to land-linked" policy, aimed at turning Laos from an isolated country into a connected one. However, the reconstruction and analysis of the negotiations between the two countries that began in 2009 and ended in 2016 showed that, despite the overall convergence of preferences, significant misalignments relating to the conditions for investment posed a significant challenge to identifying a smooth and quick solution to the negotiations. The discussion of these findings stressed how, despite the sharp power asymmetry, Laos leveraged its geographic position and China's

higher level of interest in and commitment to this MTI, with it being the first cross-border HSR linking the Chinese network with a foreign country and so a key test case for China's HSRD.

7.3 Core empirical findings

The first core empirical finding emerging from the analysis of the two observed MTIs is that they both had a positive impact on the relational power of Laos with regard to Vietnam and China. It has in fact been seen that “the Xayaburi dam MTI enabled Laos (A) to get Vietnam (B) *to do something* (accept the construction of the dam) *that it would not* (in an ideal scenario, i.e. following its own preferences informed by national interests) *otherwise do*” and that “the Boten–Vientiane MTI allowed Laos (A) to get China (B) *to do something* (wait several years and accept Laos's requests) *that it would not* (in an ideal scenario, i.e. following its own preferences and schedule) *otherwise do*”. Therefore, in both cases the two MTIs had a positive impact in Dahl's relational power terms on the smaller state within an asymmetric relation, and this conclusion was verified and strengthened by the application of the analytical framework that allowed the presence of a causal relationship, goal attainment and forms of power to be tested. In the two MTI cases, Laos exercised hard power, coercing Vietnam and China to comply: in the first case, forcing Vietnam to accept the infrastructure, and in the case of China forcing it to delay the project and eventually accept Laos's most important demands in order to get the green light from Vientiane.

The second core empirical finding consists in the fact that in both cases the combination of *multinational* and *transboundary* factors that characterises the two infrastructures was the key driver that led Laos to prevail over Vietnam and China. As far as the transboundary dimension is concerned, it has been seen how in the Xayaburi MTI case it was Laos's upstream geographic position that resulted in the possibility of producing transboundary effects through the dam that were contrary to Vietnam's preferences, and

how in the Boten–Vientiane HSR MTI, Laos, which formed an obligatory gateway for China’s connectivity plans, abstracted from its location a key source of leverage. The multinational dimension was, however, also necessary for the positive impact on relational power of both MTIs. In the Xayaburi case it provided a fundamental opportunity to mobilise external diplomatic and financial resources from Thailand in support of Laos’s goal. In the railway case the multinational dimension was less crucial because the source of the investment overlapped with the country with whom the border was crossed, and the relational power effect observed. Nonetheless, even in the railway case the fact that multinational financing was necessary (and thus an MTI was in place) played an important role in providing Laos with leverage and the chance to prevail because it reflected the investor’s (China’s) political and also its financial commitment. The third empirical finding is that of the differing levels of relative importance of the transboundary and multinational factors in the two case studies. In fact, the findings on the two negotiations indicate how the *transboundary* dimension – geography – held an even more primary role in enabling Laos to prevail in the Boten–Vientiane railway case than it did in the Xayaburi dam MTI, since it was the most important card in the hands of Lao negotiators, as noted by a Lao official, who said, emblematically, that the only certainty was that China could not connect its territory to Thailand via a high-speed train flying over Laos. The *multinational* dimension, by contrast, emerged as being less determinant for the Boten–Vientiane project than for the Xayaburi dam in terms of relational power because, as underlined above, there was no investing country other than the A–B pair whose interests and stakes could be mobilised as there was in the Xayaburi case.

The fourth empirical finding is the differing weight and relevance of the broader geopolitical context for the two MTIs. It was crucial in the Xayaburi dam case, while only latent in the Boten–Vientiane railway case. This difference was certainly a result of

the different investment configurations, but it was also linked to the different compositions of preferences in the two cases. In the Xayaburi case, the interests of Hanoi and Vientiane clearly diverged since Vietnam faced severe threats. By contrast, in the Boten–Vientiane railway case both countries shared an interest in building the MTI, despite disagreeing on secondary issues. In other words, it has been seen that in the Xayaburi case there was opposition about the *what* involved (building the dam or not), whereas in the railway case the *what* (building the railway) was a mutual interest, but *how*, *who* and *when* were the objects of the negotiations. That said, given that in the Xayaburi case Laos exploited more significantly by far the drivers coming from the geopolitical context, the findings indicate that the higher the discrepancy between A's and B's preferences, the higher the importance of actors outside the pair and therefore, likely, of the multinational dimension. Furthermore, the impact of the geopolitical context appeared to some extent intensified by the weaknesses of the governance structures; the weaknesses of the MRC appeared in all their severity in the Xayaburi case, while in the Boten-Vientiane railway case it has been seen how China firmly refused to turn the discussion into multilateral, preferring to keep talking only with Vientiane on a bilateral basis. This helped making the inter-state interactions, and the geopolitical context in which such interactions take place, an important factor in influencing the outcomes.

To summarise, this thesis shows four core empirical findings:

1. the two MTIs had a positive impact on the relational power of the weaker state in an asymmetric relationship;
2. in the two case studies, the combined multinational and transboundary effects had a determinant role in shaping the negotiation outcomes; but:
3. the multinational and transboundary factors had different relevance in the two cases;

4. the broader geopolitical context had different impacts in the two cases.

7.4 Theoretical findings

The first and most important theoretical finding relates to the role of geography, since it has been noted how it was determinant, physically providing a transboundary context in which MTIs could be developed and enabling the state less powerful by capabilities, Laos, to prevail over two countries such as China and Vietnam, with much greater resources. Therefore, the findings of this thesis represent a critique of the general overlooking of geography in IR (as underlined by, among others, Calder (2012)) and more specifically in studies of small states and asymmetric relations, where geography is almost completely ignored, which suggests that geographic factors deserve more attention.

The second theoretical finding challenges the hypothesis of Handel (1990), the only International Relations scholar who has offered a specific proposition on the role of geographic positions for less powerful states. While Handel concluded that being at the periphery of their systems was more advantageous for small states than being centrally located, the findings emerging from the case studies of this thesis highlight how Laos, by contrast, could increase its relational power thanks mainly to its central geographic position.

The third theoretical finding is also intimately linked to the conceptualisation of geography. Observing the Xayaburi dam through the “geographic lens of analysis” pointed to the consistency of the case study’s empirical findings with the literature on hydrohegemony, of which geography and power are the constitutive elements. The relevance of an upstream geographic position as a coercive resource capable of influencing the balance of forces and providing a weaker state with a tool for forcing a more powerful one to face a *fait accompli* (which it is often too costly to change) is contained in the article by Zeitoun and Warner (2006) that first developed the

hydrohegemony framework, and is consistent with the findings of the Xayaburi MTI case. The same body of literature, moreover, also highlights how small states might mobilise political and financial resources to augment their power (Kehl 2011). Since a significant body of literature on transboundary water interactions provides insights into how location influences power (e.g. Lowi 1993; Daoudy 2009; Dinar 2009; Tir and Ackerman 2009; Cascão and Zeitoun 2010; Zawahri and Mitchell 2011; Warner and Zawahri 2012; Kuenzer et al. 2012; Hensengerth 2015; Menga 2016), this thesis has shed new light on the potential relevance of this literature for the subfield of small states and asymmetries of power in the wider IR discipline.

The fourth theoretical finding coincides with the theoretical significance of a geographic variable such as MTIs for studying power and asymmetric relations. In fact, technological advancement, as stressed by Calder (2012), has caused geography to be overlooked in IR by reducing the importance of time and space. Nonetheless, geography could be brought back to the centre of the debate by MTIs, a consequence of that very development. The highlighted concurrent trends of an increase in the number of sovereign states (leading to international fragmentation and more kilometres of borders between states) and the expectation that billions of dollars will be invested in infrastructures around the globe in the next decade will dramatically raise the incidence of MTIs, and so the significance of geography, for those small states geographically susceptible to such trends. It can be argued that, as in the case of Laos, most small states also have small economies and so are likely to need a large proportion of those billions of dollars destined for investment in development and connectivity. The findings of this research show how MTIs make proximity determinant in relation to small states, reducing the relative importance of material capabilities for centrally located states such as Laos. Despite their relatively low level of power-as-capabilities, attracting wider interest in investing in MTIs located in their territory small states can exploit the need

for their “*mise en valeur*” (which, from an outside perspective, could be regional, trans-regional or global), generating far-reaching power consequences. As a matter of fact, it is clear that the more centrally located a small state is, the more likely it is that an MTI will cross its territory and that of a neighbouring country. The Xayaburi dam and the Boten–Vientiane railway MTIs reveal how Laos managed to use to its advantage the external (multinational) interest in development of MTIs by Thailand and China within its territory. To conclude this consideration of the relevance of this theoretical finding, it must be underlined that one of the main reasons for the overlooking of small states in IR rests on the assumption that while studies on great powers are considered of great importance because of the relevance of the subject, analyses of small states are presumed to have much less importance in terms of outcomes (Neumann and Gstöhl 2004). However, since for their economic size and geographic scale MTIs are undoubtedly significant, shaping the geography, politics and economics of countries and regions, and since they are likely to be built in small states, the latter should be considered in much greater depth by IR. Since the four theoretical findings listed above all relate to geography here a clarification is necessary. In fact, as already noted, geography can go beyond a landlocked central position or an upstream position within a river basin, including a much wider range of features (e.g. environmental and energy attributes or natural resources) that combined together might constitute a fertile soil for MTIs. The fifth finding in theoretical terms is that in both the case studies in this thesis, relational power showed a greater explanatory capacity respect to power-as-capabilities. The two negotiations clearly confirmed the correctness of the arguments of scholars such as Dahl (1957) and Baldwin (2013), demonstrating how, despite their high superiority in terms of aggregate power, neither China nor Vietnam was able to spend such power “*as if it were money*”, and thus their overall national power turned out to be *non-fungible* and irrelevant for the two specific scopes in which the relational power

was observed. Therefore, the findings also confirm the appropriateness of using Goh's (2016) approach to develop the analytical framework in chapter 3 since they demonstrate the importance of actual power (i.e., in Goh's terms, influence) in relation to static measures of it. This finding challenges the value of theoretical exercises such as ranking states by their capabilities or defining states by their level of absolute power. Instead, it seems that in-depth multidimensional studies of power asymmetries might provide much more fruitful results. If we consider Laos's capabilities, conceptualising the country as an isolated entity, we can hardly understand how it prevailed in the two negotiations, and we might also be led to think that it actually did not prevail at all simply because it is not possible and realistic to believe that Laos could coerce a superpower such as China, the second-largest economy in the world. Nonetheless, the analysis of the Boten–Vientiane HSR MTI shows how the opposite is possible – and did indeed happen – and so how a small state can have a high level of relational power.

To conclude the theoretical discussion of the findings: it emerges that besides the four core empirical findings this thesis also contains five main theoretical results:

1. geography matters and IR should pay much more attention to it;
2. in the case of Laos, its central geographic position allowed it to reduce asymmetries of power in contradiction of Handel's (1990) hypothesis;
3. the literature on hydrohegemony can be extremely useful for the subfield of small states and asymmetries of power in the wider IR discipline;
4. the relevance of the geographic variable of MTIs for small states makes the latter extremely relevant for IR analyses;
5. relational power manifests a greater explanatory capacity than power-as-capabilities.

7.5 Contributions to knowledge

Having assessed what the core findings of this thesis are, this research will now stress what the contributions are to knowledge in the discipline of IR, in both empirical and theoretical/analytical/methodological terms.

From an empirical point of view, the thesis offers four original additions to previous knowledge, consisting in the original analyses of the two selected infrastructures, the Xayaburi dam and the Boten–Vientiane high-speed railway; a consequent original study of Laos’s international relations; and a first attempt to investigate China’s high-speed railway diplomacy (HSRD).

Beginning with the Xayaburi case: this research does not represent the first piece of academic research on the dam to which several scholars, have devoted their attention (including, but not limited to, Baran et al. 2011; Cronin and Hamlin 2012; Thabchumpon and Middleton 2012; Le 2013; Jakkrit 2015; Geheb et al. 2015; Rieu-Clarke 2015; King 2015; Hensengerth 2015; Mirumachi 2015; and Suhardiman et al. 2015). However, this thesis does provide the first attempt to systematically analyse the diplomatic dimension of the infrastructure, looking at the negotiations between Laos and Vietnam. As a consequence of its original focus, the case study of the Xayaburi dam presented in chapter 5 provides abundant new data on the negotiation process, including the first interview on the subject with a Vietnamese diplomat which was important to illuminate the behind the scene of the negotiation Vietnam’s need to safeguard the special relationship with Laos. Finally, in the reconstruction of the events, light has been shed on the previously completely overlooked role played by the United States in the issue, through the analysis of three diplomatic cables from the US embassy in Vientiane, released by WikiLeaks, whose content had never previously been reported or analysed.

The second MTI case study, that of the Boten–Vientiane HSR, in contrast to the Xayaburi dam case study, represents the first comprehensive and updated account

focused on the infrastructure, not only within IR but in general. In the context of the previous lack of knowledge, and the scarcity of the data available (especially in English), which has at times also led to incorrect conclusions (see, for instance, the map published in Fau et al. (2014) that showed the railway as under construction when Laos and China had still to finalise an agreement), this thesis has contributed to the knowledge available, both by providing a systematic reconstruction of the events – i.e. outlining the raw material – and analysing the complex negotiations on the infrastructures. In addition, it includes an analysis of an original policy document issued by the Propaganda Committee for the Lao–China Railway in August 2016 and provides a translation from Lao of China’s and Lao’s key policies related to the railway.

The original contribution on Laos’s international relations derives from the two infrastructure case studies. In fact, even though this thesis does not focus on the broader bilateral relationships with Vietnam and China, nor on Laos’s foreign policy, it provides important insights into Laos’s contemporary diplomatic context via the analysis of two important multi-billion-dollar negotiations that involved all three of its most important partners: Vietnam, China and Thailand. Therefore, despite a narrower focus on two very specific negotiations, the case study of Laos, a country not often on the IR radar, made it possible to shed new light on the country’s international relations at large.

The fourth and last empirical contribution to knowledge is made by the analysis of China’s high-speed railway diplomacy. As underlined in chapter 6, apart from two papers published in 2016 (Chan 2016; Kratz and Pavlicevic 2016), the policy had remained an overlooked aspect of the widely studied One Belt, One Road initiative. In this context, through the Laos case study, this thesis illuminates how HSRD works in practice, since the Boten–Vientiane network is the first link between China’s domestic HSR system and a foreign country. And indeed, looking at how things worked out on the ground – in practice – it has been possible to observe that, contrary to the common

wisdom that China's influence is mounting through infrastructure investment (Fallon 2015; Fasslabend 2015; Arase 2015; Moritz 2016; Khanna 2016), in Laos this alleged Chinese hegemony met with reality since, as Mairs (2015) put it, "*the painfully slow progress in Laos suggests Beijing's 'railway diplomacy' doesn't always deliver*". Much more research on other HSRD-related cases will be necessary, but the lesson that can be drawn from the Boten–Vientiane MTI case is the need for a critical perspective and a deeper analysis.

Besides these four empirical contributions, this thesis also offers one theoretical, two analytical and one methodological contribution to knowledge. From a theoretical point of view, the literature review of small states presented in chapter 2 underlined the geographic gap of this literature, thus contributing the identification of a theoretical weakness within IR. The first analytical contribution builds on reflection on the implications of this geographic gap and consists of the development of an original definition of MTIs, as a powerful tool for observing power relations as it emerged from the two MTI cases included in this research. The second analytical contribution is represented by the development of the MTIs–relational power analytical framework that, despite building on the recent framework of influence proposed by Goh (2016), on previous work by Hagström (2005) and on Baldwin's (2013) suggestion to look at power as a dependent rather than independent variable, presents a completely original system of observing power relations, with MTIs as the independent variable. Moreover, not only has the analytical framework been conceptualised, but also, through its application to two case studies, proof has been obtained that it can work and can be applied to different asymmetric relations. Finally, the methodological contribution pertains to the strategies applied to carry out the research and described in chapter 4: here, the section on how to gain access to members of the elite in Laos constitutes an original contribution to knowledge that might be useful for researchers approaching

fieldwork in Laos for the first time, either in IR or in other disciplines. In sum, this thesis adds the following eight original contributions to knowledge:

1. an analysis of the negotiations between Vietnam and Laos on the Xayaburi dam issue;
2. the first account of the Boten–Vientiane high-speed railway project;
3. an original perspective on Laos’s international relations, illuminated by two specific negotiations with its closest partners, Vietnam and China;
4. a first case study of China’s High-Speed Railway Diplomacy;
5. the recognition that the IR literature on small states is affected by a geographic gap;
6. the development of the concept of MTIs;
7. an original analytical framework for observing the impact of MTIs on relational power;
8. fresh methodological and practical insights into how to gain access to members of the elite in Laos.

7.6 Further research

However, the findings of this thesis must be understood against the backdrop of its scope. Being a within-case study, it provides new insights and hypotheses, but, as pointed out in chapter 4, further research is needed to verify the consistency of the findings in different geopolitical contexts and under different political and economic conditions. Nevertheless, even if this research did not aim to build new theories, the findings presented here may constitute the basis for further research, which could use them in a deductive way to produce generalisable results. The aim of this thesis must therefore be seen as generating fresh hypotheses to stimulate the theoretical IR debate on power, asymmetry, connectivity and infrastructures beyond the particular context of Laos. Then, to test the findings that emerged from this research, a comparative study

might be carried out to observe whether the relation between MTIs and relational power that emerged in the case of Laos is confirmed in different contexts. To this end, in the following a non-exhaustive list is provided of potential ways of and criteria for setting up a comparative study in which the MTIs–relational power analytical framework might be applied, and the findings of this thesis further tested. A preliminary step could consist in further developing the reconceptualisation of the definition of small states since in chapter 2 it has been seen how serious and problematic the lack of scholarly consensus in this respect is. This thesis shows that a relational definition can be successfully applied to concrete cases pinpointing to the opportunity to further deepening the analysis of the concept within the subfield of small states studies. Moreover, carrying out further research in a comparative way would also provide a unique opportunity to refine the concept of MTIs itself, since a plurality of examples will be enormously important to enrich and better develop the category. Stress has already been placed on the potentially fruitful cross-fertilisation between small states studies and the literature on transboundary water interaction; besides such a cross-fertilisation providing important insights for small states scholars, the two literatures might be combined in a more structured manner in order to observe the impact of transboundary MTI dams on the relational power of small states with regard to more powerful actors. In this respect, it has already been noted how both subfields offer a wide number of case studies that could be drawn on to provide comparisons. In addition, a further initial step could be broadening the geographic scope, keeping China at the centre of the topic and exploring a set of MTIs between China and its smaller neighbours. This could be a feasible path since the relations between China and almost all its neighbours are clearly asymmetric and since, as stressed by Khanna (2016), China’s neighbourhood represents ground zero for Beijing’s grand initiatives such as OBOR and HSRD. Moreover, considering that the findings of the Boten–Vientiane MTI

might be tested through analyses of other MTIs promoted by the same actor within the same logic and framework, the insights from Laos's case might inform such comparative research, not only by replicating the MTI concept and the analytical framework, but also because it would be possible to find out similarities (or differences) across contexts, such as that of the so-called China syndrome. A second way to conceive a comparative study could consist in selecting a sample of landlocked small states in different continents and regional contexts. A third option might be looking at asymmetric relations shaped by a wider range of types of relationships. In the two case studies in this thesis, it has been seen how Laos has a good bilateral diplomatic relationship with both Hanoi and Beijing. Taking stock of this, it could be interesting to look at the impact of MTIs on tense (or unfriendly) diplomatic relations. By extension, a fourth selection criterion could be using asymmetric relations embedded in different regional contexts. Firstly, regions can be shaped by different degrees of stability; it has been noted in the case of both MTIs analysed in this thesis how the *peace dividends* underlined by Bakker (1999) were crucial in making planning and agreements on the two international infrastructures possible. Secondly, two or more countries could be selected in regions characterised by different structures of power: for instance, one asymmetric relationship in Europe, where no state is predominant (by capabilities), and one in Central America, where the United States is without doubt the most powerful actor by capabilities. Thirdly, regions differ also by their degree of integration, a factor that might significantly alter the impact of MTIs on small states. In fact, it has been seen how relevant the processes of economic integration and liberalisation have been in both the two case studies of this thesis. Future research could therefore, on one hand, applying the analytical framework to other bilateral relations in regions characterised by different integration levels, and on the other hand, even going beyond bilateral relationships to observe MTIs within regional integration processes and the space for

small states within this dynamic. All these ideas must certainly be refined in a much more sophisticated way, but it seems useful to sketch them here to give the reader an impression of what lines of research might be undertaken in future. Beside comparative further research, the two MTI case studies analysed in this thesis could be expanded by looking, on one hand, at the negotiation on the mainstream dams in Laos that followed the Xayaburi project, and, on the other hand, at the development of the railway project both in Laos and in the other countries between Laos and Singapore.

7.7 Conclusion

To conclude, it must be underlined again that geography matters, since it sets the context in which MTIs may or may not become feasible and assume a role of their own, becoming independent variables able to influence power relations among states. With regard to the case study of Laos, without geographic sensibility there was a risk of classifying it as an insignificant pawn in China's strategy, not worth the effort of making it the subject of PhD research. In this respect, Abuza's (2003) work *Laos: Maintaining Power in a Highly Charged Region*, a piece of literature rare in that it is framed in a small states perspective and within the wider discipline of IR, is exemplary. It starts with a description of the country from an economic and diplomatic angle, underlining the main features of its geopolitics, i.e. the traditional special relationship with Hanoi, the characteristics of the so-called "Thai threat" and the greater importance gained by China after the end of the Cold War thanks to its provided economic assistance (Abuza 2003: 161) – key elements also addressed by Ciorciari (2010) and Pholsena and Banomyong (2006). Having adopted the conceptual model based on the three levels proposed by Hey (2003) as a guiding structure for the whole volume (the systemic, domestic and individual levels), Abuza concludes by suggesting that

as Laos becomes more integrated in the region, system-level analysis will become a more interesting model. Laos is currently in the midst of a massive

road-building and infrastructure program that is part of the development of a regional transportation network. (Abuza 2003: 182)

For the purposes of this research, it is of great relevance that Abuza stresses more than once the relevance of transboundary infrastructures for Laos's foreign relationships. Implicitly, then, the whole chapter refers extensively to geographic variables. Regarding the evolution of the ties between Vientiane and Beijing in the early 1990s, for instance, he writes that "China saw Laos as the gateway to Thailand, with which China was rapidly expanding economic relations in the 1990s. To that end, China financed the construction of a major highway through Laos to the Thai border" (Abuza 2003: 163). In the same section, explaining Vietnam's reaction to the Chinese moves the author underlines the effort of "actively constructing roads to link Lao cities with Vietnamese ports to serve as the export center for Lao raw materials" (Abuza 2003: 164). And again, addressing the Laos–Thailand relationship, hydropower projects are mentioned as a means of economic integration due to Laos's production potential and the chance to acquire revenue by exporting huge quantities of electricity to the energy-hungry Thailand. The issue of dam building is also raised with regard to the relation with China, since "Vientiane is already angry at China's massive dam-building campaign in its portion of the river" (*ibid.*). Here, Abuza provides an interesting quote – with regard to smallness and the perception of it – from Milton Osborne, who in his book about the Mekong River stresses that "China is perceived as an impossibly large presence whose power is such that to question its actions and motives is to risk unquantifiable damage" (Osborne 2000: 228).

It is certainly the case that Abuza (2003) implicitly pays great attention to infrastructure and networks, even at the very conclusion of his work, where he writes

As the region becomes more interdependent, and the Lao communications and transportation networks become more central, foreign interest will remain

strong. Likewise, as Laos remains resource-rich but sparsely populated, we should expect the great powers that surround it, China, Vietnam, and Thailand, to continue to compete for influence over the “land of 10,000 elephants”. (Abuza 2003: 183)

However, he fails to explicitly individuate the powerful explanatory factors in Laos’s case of geography and infrastructures. The analysis of Abuza’s chapter on Laos is emblematic and sits well in the concluding lines of this thesis, since it anticipated as far back as 2003 the key factors that would shape Laos’s international relations. In chapter 1, it was seen how contemporary Laos is abandoning its traditional role of being a buffer zone and an in-between land – particularly acute at the time of the Cold War and the Indochina War – and is turning itself into a land-linked country that can function as a regional crossroads (Jerndal and Rigg 1999; Evans 2002; Pholsena and Banomyong 2006). As Sayakane Sisouvong, ambassador of Laos to the United Kingdom, Ireland and Iceland, clearly and ambitiously put it in 2016, Lao leaders “have a long-term vision of Laos becoming the Switzerland of this part of the world” (Foreign Affairs 2016). It has been pointed out, in this regard, that MTIs are considered by Lao leaders to be the only way out of their country’s landlocked status. This research highlighted how Laos’s central geographic position at the core of mainland Southeast Asia, together with the presence of the giant Mekong River, which, thanks to a beneficial morphology, can be turned into a source of electricity, has enabled Laos to reach its goals despite its limited aggregate power. It has been seen how small states, and Laos among them, have often been ignored, being of greater interest as battlegrounds for great powers than on their own merits. However, since it has been discovered how MTIs have provided Laos with a source of leverage and an equilibrising factor in its international asymmetric relationships, it emerges that IR scholars, as well as observers of world affairs more broadly, can no longer afford to overlook Laos (and its peers). As Khanna put it,

“GEOGRAPHY IS DESTINY,” one of the most famous adages about the world, is becoming obsolete. Centuries-old arguments about how climate and culture condemn some societies to fail, or how small countries are forever trapped and subject to the whims of larger ones, are being overturned. Thanks to global transportation, communications, and energy infrastructures – highways, railways, airports, pipelines, electricity grids, Internet cables, and more – the future has a new maxim: “Connectivity is destiny”. (Khanna 2016: 5)

This thesis demonstrates that in the connectivity era, a small country like Laos, no matter how small and powerless, can achieve unexpected outcomes and become extremely relevant for its neighbours, its region and the world.

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