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Rezensionen / Book Reviews

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History of Aid to Laos: Motivations and Impacts.

Chiang Mai, Thailand: Mekong Press. ISBN: 978-611-90053-0-3. 322 pages.

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With his book *History of Aid to Laos: Motivations and Impacts*, Viliam Phraxayavong offers an outstanding and insightful analysis of the impact of more than fifty years of development assistance on Laos. It can be regarded as a soon-to-be classic for anyone from students and academics to development practitioners interested in understanding foreign aid in Laos.

The book emanates from Phraxayavong's PhD thesis at the University of Sydney, Australia, and much of the book's authority can be attributed to Phraxayavong's personal experience in the field of development assistance in his former position as director of international economic co-operation in the Royal Lao Government (RLG) from 1965 to 1975 and as aid co-ordinator under the Lao PDR government from 1981 to 1984. Therefore, his personal life and work experience strongly inform his writing.

Phraxayavong embeds his analysis in a sophisticated discussion of development assistance. Debates surrounding dependency, conditionality, poverty alleviation, and governance are consulted and serve as his framework of interpretation. He thereby draws a complex picture of the motivations and impacts behind more than half a century of foreign aid to Laos.

The outstanding achievement of this book is the empirically rich analysis of how aid was (and indeed still is) tied to different external interests during different periods and the mapping of the various conflicting interests between the donor agents. In Phraxayavong's words "the Lao political battlefield" (p. xvii) is characterised by antagonistic external interests. However, the author manages to overcome a one-sided analysis of the dynamics of external assistance by shedding light on the motivations of the different Lao governments in receiving aid. Instead of solely focusing on the

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external interests vis-à-vis the Lao state, the motivations of the Lao elite in receiving aid are considered as well. Phraxayavong thereby deconstructs the "hidden agendas of giving and receiving aid" (p. 277).

The first chapter aims at clarifying the various theoretical concepts about development assistance. Aid is conceptualised as a mirror of the donor's commercial and political interest, and it is generally tied to specific interests and conditions (p. 32). Phraxayavong's critical stance towards foreign aid is made clear by the following statement: "Foreign aid has therefore been a force for anti-development in that it retards growth through reduced savings and worsens income inequalities" (p. 41). Hence, the negative effects of foreign aid on Laos receive special investigation in this publication.

After discussing theoretical concepts in the first chapter, the following chapters of the book are chronologically divided into four blocks to which Phraxayavong attributes the major turning points in the history of aid to Laos.

Phraxayavong describes the first phase from 1950 to 1954 as being characterised by the changing spheres of influence to Laos. In 1949, Laos became independent from France, albeit still a member of the French Union as an Associated State. During this phase the financial dependence of the RLG towards France was still strong and accompanied by US economic assistance.

The focus of assistance was in the field of military aid, and development aid only played a minor role. The Geneva Conference in 1954 gave independence to the Indochinese states of Vietnam, Cambodia, and Laos, and forced France to withdraw from these countries. Yet, the discontentment with years of French colonialism led to insurgencies by the *Lao Issara* ('Free Lao') movement. The subsequent instable political situation drove the RLG into the arms of foreign, especially US, assistance. As a result, US aid became highly influential in Laos in the mid-fifties.

The strength of the analysis in the next chapter lies, first, in uncovering the consequences that US political involvement had on the internal political stability of Laos, and second, in the detailed discussion of the various sources of aid to Laos, as well as the highly diverging objectives and rationales behind giving aid.

The second turn in the history of aid relates to the phase from 1955 to 1975. This period was marked by the attempt of the US and its allies to contain Communism in the region and to exclude the communist *Pathet Lao* movement from the governing

coalition. During the 1960s US aid was still mainly understood as military aid. The US financed the Royal Lao Army (RLA) and the CIA created a Hmong Clandestine Army in order to create a military force against the Pathet Lao and the Northern Vietnamese communists. Additionally, some kind of "parallel government" (p. 129) was installed. The author's discussion of the congressional hearings of 1971 reveals the appalling fact that a large amount of official US aid was actually diverted to CIA's paramilitary efforts in Laos. Thus, the US used the financial dependency of the RLG and RLA "as a tool to shape Laos' politics and government" (p. 78). Phraxayavong depicts how accepting aid from the US forced Laos into the Secret War with its disastrous consequences for the Lao people.

When the Pathet Lao took over state power in 1975, the US Agency for International Development's mission to Laos closed down with the result that the entire Lao state and economy collapsed. Together with other stark examples, Phraxayavong proves with impressing detail how dependent the RLG was on the US interest in the region. He even claims that because of aid mismanagement, the Pathet Lao eventually replaced the RLG, although this claim might seem a bit overstretched.

An additional strength of the chapter is the discussion of the various bilateral as well as multilateral donors and their diverging interests vis-à-vis Laos. The author presents an elaborated and precise account of the various motivations behind aid giving and also considers the economic, social, and political impacts of foreign assistance on Laos.

The third major transformation in the history of aid occurred from 1976 to 1985 and is linked to the communist regime and its dependence on aid. The communist leaders depended heavily on foreign assistance from the very beginning. The assistance from the Council of Mutual Economic Assistance (CMEA), also known as the 'communist bloc', was crucial for its survival. Especially revealing is that aid was not given out of mere socialist solidarity, but loans were expected to be paid back and the commercial and business interests attached to aid were not any different from 'Western' donors. Communist Vietnam took a special role in Lao political affairs and the author illustrates well the different forms of aid aimed at securing its influence.

The fourth turning point relates to the period from 1986 to 2005 with the transition from a centralised economy to a market economy. With the adaptation of the New Economic Mechanism (NEM) in 1986, the influence of 'Western' donors and

international financial institutions increased again. Finally, with the collapse of the Soviet Union, the Lao government mainly relied on development assistance from donors such as the various UN agencies, the Bretton Woods institutions (International Monetary Fund, World Bank), the Asian Development Bank (ADB), and bilateral organisations. The author again presents an in-depth analysis of the impact of various interests articulated through the manifold bilateral and multilateral development programmes. Accepting foreign aid did not only prove beneficial for Laos, rather the author makes clear that each apparent 'benefit' was also accompanied by a detriment. Yet, Phraxayavong holds foreign actors as well as the Lao elite responsible for the failure of the development agendas to bring about social improvement to the Lao people.

Throughout the book Phraxayavong takes a critical stance towards the continuing dependency on aid. His point of view is that the various commercial interests and ideological visions inscribed in the foreign development agendas have made Laos especially prone to foreign interest. At the same time, however, the Lao elite has been using aid to pursue their own personal, economic, and political objectives.

In his conclusion, Phraxayavong draws a grim picture of the possibility for Laos to lessen its dependency on aid. In his opinion, Laos has become a "tool of the donor" (p. 280).

It is very questionable, however, if such a labelling is appropriate, as any victimisation of 'Laos' oversees that there are actually parts of the Lao society that highly benefit from the condition of aid dependency. Although Phraxayavong at times adheres to such a differentiated analysis, sometimes the analysis of who benefits and who loses from the condition of dependency does not go deep enough.

To sum up, despite such minor shortcomings, Phraxayavong lives up to the expectation he raises at the outset of the book. The impressive empirical data used to support his thesis come along with an excellent analysis of the impact that development aid had on Laos. The central tenor of the book is that "for Laos, aid brought considerable harm to the country and the people as a whole. For almost fifty years, the impacts upon Laos were unimaginable and their costs immeasurable" (p. 30). This reproach still holds true today, especially in regard to the controversial aid-funded mega-projects such as in hydropower, transportation infrastructure, and mining with their inestimable consequences for generations of Lao people.

The fact that development assistance has a major influence on the functioning of most states in the global South make it a topic of continuous attention. Phraxayavong's *History of Aid to Laos: Motivations and Impacts* is a prime example of a critical investigation and indeed can serve as an impetus for similar well-grounded analyses in other parts of the world.

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