

PAKISTAN-LAOS RELATIONS: CHALLENGES AND OPPORTUNITIES

Majid Ali Noonari*

Abstract

The relations between Pakistan-Laos have not been very warm until the visit of Pakistani Prime Minister Mir Zafar Ullah Khan Jamali in 2004. Pakistan was even unable to develop the relations with Laos due to the Cold War politics. Laos was a communist state and Pakistan being an ally of the West in Cold War era it was not possible for both the states to form the warm relations with each other. At the end of the Cold war Laos changed its policy to improve its economy and diverted to the capitalist economy, but Pakistan didn't pay any attention to the less developed countries like Laos and as a result they lost an opportunity to dominate the markets of Laos. But after the visit of Mr. Jamali in 2004 Pakistan paid attention to invest in Laos but now they have to face the challenge from the emerging global powers like China, Japan, and India. The most interesting thing is that even today the major trading partner of Laos is Thailand which showed the lesser interest of the countries to the Laos. But still Pakistan has ignored the opportunity to invest in Laos and they are losing time and as a result they would face the same fate as they did in Central Asia where they lost great opportunities at the break up of Soviet Union at the end of the cold War.

Introduction

Lao People's Democratic Republic has an area of 236,800 km² (91,429 sq mi)¹ with a population of 6,677,534², and has a socialist republican form of government. Laos shares borders with Burma and China to the north-west, Vietnam to the east, Cambodia to the south and Thailand to the west.

* Lecturer, Area Study Centre, Far East & South East Asia, University of Sindh, Jamshoro

Whereas Pakistan has an area of 796,096 sq km with a population of 172,800,048 (July 2008 est.)³ and has a parliamentary form of government, where the president is the head of the state and prime minister controls the executive. Pakistan shares its borders with India in the east, China to the north, Afghanistan in the north-west, Iran to the west and the Arabian Sea in the south.

Pakistan got its independence from British colonial rule on 14th August 1947, when British India partitioned into two parts i.e., India and Pakistan. Pakistan was formed due to the demands of Muslims of the South Asia under the leadership of Quaid-i-Azam Muhammad Ali Jinnah. But Pakistan was deprived of its founder very early when on 11th September 1948 he died, and at his death Pakistan lost a great leader who was capable to deliver them in the crisis. Pakistan faced the political and economic crisis right from the independence and in 1951 the first prime minister of Pakistan was shot dead in Rawalpindi. At his death Pakistan became politically unstable and there was constant change of governments until General Ayub Khan took over the power in 1958.

Laos got its independence from the French rule in 1949 just two years after the independence of Pakistan, but after the independence they were engaged in the long civil war that ended in 1975 when the Communists took over the power. After 1,000 years of regional turmoil, a century of European colonization, and 30 years of civil war, Laos finally achieved its independence on December 2, 1975, when the victorious communist Pathet Lao established the LPDR.⁴

Since then the Communist Party had firmly controlled all organs of the state and there is the single party system compared to Pakistan which has multi party system. The only legal party that is allowed in Laos is the People's Revolutionary Party. The president is the head of the state and prime minister is the head of government in Laos.

Right from the independence both Laos and Pakistan faced many problems like establishment of a firm government as Laos was engaged in a bloody civil war that continued till 1975, whereas Pakistan was in political chaos where till the took over of General Ayub there was constant change of governments.

The economy of both the states was not very sound at their independence, and so both the states have to depend on the foreign aid, but the Cold war politics have compelled both the states to establish the cordial relations because Pakistan being a part of SEATO and CENTO was an active member of the Western alliance, whereas the Laos was a Communist state after 1975 and was under the influence of the Communist bloc. During the Cold war era Laos trade occurred with other socialist countries, that is, Vietnam, Cambodia and the Soviet Union. Public enterprises began to play a role in foreign trade.⁵ But even at the end of the Cold War both the states were not able to develop relations due to the lack of interest shown by the policy makers on both the sides. It was not possible until the first visit made by the then Pakistani Prime Minister Mir Zafar Ullah Khan Jamali from 21 to 23 April 2004.

Pakistan and Laos enjoyed friendly relations since the first visit made by the former Prime Minister Mir Zafar Ullah Khan Jamali in 2004. The visit of the former Prime Minister Jamali paid a way for the establishment of relations with Laos. The Prime Minister's visit to Laos and Cambodia was of historic significance, being the first of a Head of Government from Pakistan to these important South East Asian countries...The Prime Minister's visit to South East Asia is a major step towards the realization of Pakistan's vision East Asia that essentially envisages building strong cooperative ties with South East Asian states, ASEAN and associate closely with the important regional processes in a broader Asia-Pacific region.⁶

During the visit of Pakistani Premier both the countries have agreed to mutually increase the level of trade between them and will work to increase the cooperation in different sectors. And in the process they have agreed to cooperate in different sectors and ...signed on Friday three memorandums of understanding for setting up a business forum, combating terrorism and holding consultations and cooperation between their foreign ministries.⁷ The basic purpose of signing these memorandums was to extend the level of cooperation in different fields so that the relations between both the states can be strengthened.

Laos which is not an economically prosperous state it lags behind in different sectors and Pakistan can find a new market for its commodities like cotton and other products and can import the cement to Laos as well help it develop its lines of communication like construction of the railway line and roads.

In trade matters, both sides expressed their keen desire to diversify the content of their bilateral trade including direct trade. In this context, the two sides agreed to initiate a consultative process for arriving at preferential / zero tariff arrangements. These steps should gradually lead towards arriving at Free Trade arrangement.⁸

Laos is third world country with vast opportunities of investment like the industrial sector, and in reciprocal Pakistan can gain the experience of Laos in increasing the production of rice. Pakistan can also import the number of varieties of seeds of rice and can learn the techniques to increase the production of the rice.

There are lot of opportunities available for increasing cooperation in different sectors between both the states, such as Laos can get help from Pakistan in improving its infrastructure.

Challenges to Pakistan-Laos Relations

- Pakistan and Laos are far from each other and since Laos is a landlocked state, and it is not possible for both the states to trade directly and they have to get the third country access and that makes the trade between both the states difficult.
- Since there are the different countries like US, China, Japan, and EU that are vying for the supremacy in trade with the South East Asian nations and in this competition Pakistan is a very tiny state that can not compete with these powerful countries that are looking for their future markets in the region.
- India is another regional competitor which is looking to target the Laos markets and since it is a booming economy and huge industrial sector looking for the markets for its commodities. Laos provides a perfect opportunity for the Indian goods and services, because the market is unexplored and Indians saw this as a great opportunity to capture the market of Laos and for that purpose they have invested in the country so that the cooperation between both the states can be increased and India can get more facilities to do the business with Laos.
- Another country that made the most of the trade with Laos is Thailand which is capturing 68 percent of trade with Laos that makes Pakistan a vulnerable state as Pakistan has no direct access to Laos and also it has to face the competition from the ASEAN region.
- Since Pakistan has not established friendly relations with Laos because during the Cold War era being a communist state Pakistan was unable to develop the relations with Laos

and even at the end of the Cold War Pakistan was less interested in Laos until 2004 when for the first time Pakistani Premier Mir Zafar Ullah Jamali visited Laos that has laid the foundation of cooperation between both the states. But even after the visit of Mr. Jamali the policy makers in Pakistan are showing the same mentality that we are ignoring Laos as a future market, and on the other hand we are focusing the countries where the big powers already in contention for capturing those markets.

Although Pakistan has been less interested in Laos even at the end of the Cold War and we have lost a great opportunity to totally dominate Laos, but still there are few chances remaining since the great powers like US, China and Japan are not interested in Laos and as a result of that Thailand and Vietnam are the major trading partners with Laos. And if Pakistan provides the assistance to Laos in different sectors which are still unexplored then we can find a great opportunity to do some serious trade with Laos and increase our exports.

Opportunities

There are lots of opportunities available to Pakistan:

- There are lot of opportunities available for Pakistan that should be utilized Pakistan can increase its exports to Laos like Cotton yarn and woven fabrics which is only 0.199 million US \$ during 2006-07, and also sugar & sugar confectioners which is only 0.032 million US \$ and Sports goods that is only 0.004 million US \$ that shows that trade with Laos has been not at the bigger level.

Trade with Pakistan in US \$ million

- The trade between Pakistan and Laos has been not at the level of international trade it is only a small amount that is Pakistan exports are only 0.03% to Laos compared with other states. Whereas Laos only exports 0.013% to Pakistan

Major Trading Partners of Laos

Laos' principal export destinations 2006:

1- Thailand	41%
2- Vietnam	9.7%
3- China	4.1%
Pakistan	0.013%

Laos' principal import sources 2006:

1- Thailand	68.8%
2- China	11.3%
3- Vietnam	5.5%
Pakistan	0.03%

Source: <http://www.fpcci.com.pk/trade-with-countries/Laos.doc>

- Pakistan can trade with Laos via China, because China provides the access to Laos and since both the states have good relations between China so it is easy for them to trade with each other via China.
- Pakistan can invest in different sectors like construction of communication lines railway and roads sectors because Laos has been less developed in railway and roads. Laos has no adequate infrastructure and has no railways except for a short link to connect Vientiane with Thailand, which is still under construction. LPDR lacks transport and communication infrastructure. It has 4,500 km of navigable waterways but no railways. Only 15 percent (2,000 km) of roads are sealed. Few civil aircrafts are serviceable and the standard of airports is poor.⁹
- Pakistan has vast opportunities like it can export the cement to Laos, because there are no real competitors in the region

due to the shortages of cement in India and Middle East. And Pakistan during Financial Year (FY) 2007-08 exported its cement to India, Middle East and other third world nations at a premium price. It was possible due to the growing cement industry in Pakistan which was able to meet the demands of these states. During the FY 2007-08 Pakistan export of cement increased more than hundred percent, and cement industry of Pakistan can help Laos by providing large number of quantity to Laos for its under construction projects, and in future they can fulfill Laos requirements.

- On reciprocal basis Pakistan can get help of Laos in increasing its production of rice and also get the variety of seeds of rice from Laos so that they can improve the quality of rice, because Laos has been one of the countries who have largest number of seeds available.
- Pakistan can also get help from Laos in producing Coffee because Laos is producing one of the best coffees in the world, and through its experience Pakistan can increase the production and improve the quality of coffee and can export it to the outside world. Pakistan can also import the coffee from Laos to fulfill the needs of the market.

Both the states during the visit of Pakistani prime minister Mir Zafar Ullah Khan Jamali agreed to promote joint ventures in both private and public sectors and increase the cooperation between both the states, and they have also decided to establish the Pakistan-Laos Business Forum. The prime minister of Pakistan announced a buyer's credit facility of US\$10 million for the government of Lao PDR for purchase of machinery and equipment from Pakistan. In this regard the two sides agreed to expeditiously workout arrangement for utilization of credit facility... ¹⁰.

Both countries during the visit of Prime Minister Mir Zafar Ullah Khan Jamali have agreed to promote the people to people contacts and cultural and educational level of exchanges. Pakistani government has offered ten scholarships for the Laotian students to study in Pakistan and also they have offered to train the Laotian diplomats in Pakistan.

Pakistan has agreed to assist and train the Laotian personnel in the media sector and they were agreed to exchange the PTV programmes as a gesture of friendship, so that the culture of Pakistan would be promoted in Laos.

...the two countries had identified a number of areas where Pakistan could assist Laos including cement and sugar plants, power generation and cotton production...Laos had offered Pakistan wood for use in paper and pulp production.¹¹ The cooperation between both the states in these sectors would increase the confidence between Laos and Pakistan. In future they would assist each other in different sectors, and strengthen their relations.

Recommendations

- Pakistan-Laos should increase the people to people level exchange, and in this regard they should encourage the media cooperation between both the states so that the people of both the states should know each other, and come closer to each other.
- Pakistan-Laos should help each other in different sectors like Laos can help Pakistan in increasing the production and quality of rice, whereas Pakistan should help them in constructing the roads and railway lines.

- Pakistan-Laos should increase their bilateral trade by giving the status of Most Favorite Nation (MFN) to each other, and remove the trade barriers so that the level of trade can be increased between them.
- Pakistan should provide the defence equipments and assist and train the Laotian forces to defend the state. Pakistan should also train the Laotian army to combat the terrorism and provide every kind of assistance to combat terrorism in the region.
- Pakistan and Laos should help each other in different international forums to resolve the issues of each other.
- There is the need to clearly define the trade policy with the less developed states and focus should be given to capture the markets of those states like Laos and increase the level of trade with them.

Conclusion

There were number of opportunities available to Pakistan in increasing its trade with Laos and Pakistan has lost the great opportunity to dominate Laos markets but still it has the time available to find a path to invest in Laos. With no direct access to Laos Pakistan finds itself in a difficult position to do the trade with Laos, and with the emergence of new global powers like China, Japan, and India who are searching for the new markets it is not an easy task for Pakistan to find an easy access to the markets of Laos, but the time is still in hands of Pakistan because Thailand and Vietnam dominate the trade with Laos. Due to the lack of interest shown by policy makers in the past we have lost the Central Asian markets and again we are showing lack of interest in Laos the time is running out of our hands and if we didn't use the right policies in

Laos Pakistan can meet the same fate as they did in Central Asia and lose the Laos markets from its hands.

References

¹ <http://en.wikipedia.org/wiki/Laos>

² <http://www.cia.gov/library/publications/the-world-factbook/geos/la.html>

³ <https://www.odci.gov/library/publications/the-world-factbook/geos/pk.html>

⁴ Shelto A. Gunaratne (ed.), *Handbook of the Media in Asia*, Sage Publications India Pvt Ltd, India, 2000, p. 297, quoted from AFG, 1998 and Hattavongsa, 1998.

⁵ http://www.business-in-asia.com/countries/laos_economic.html#2

⁶ Visit of prime Minister Jamali to Four Far East Asian nations: Islamabad: 22-30 April 2004, *Foreign Affairs Pakistan*, Islamabad, Vol.XXXI, Issue IV, April 2004, p.155-56

⁷ Pakistan, Laos to work for peace, 24 April 2004, <http://www.dawn.com/2004/04/24/top5.htm>

⁸ Pakistan, Laos to enhance trade cooperation, <http://www.pakistanlink.com/headlines/April04/24/10.html>

⁹ Shelto A. Gunaratne (ed.), *Handbook of the Media in Asia*, Sage Publications India Pvt Ltd, India, 2000, p. 300, quoted from Hattavongsa, 1998.

¹⁰ Pakistan, Laos to enhance trade cooperation, <http://www.pakistanlink.com/headlines/April04/24/10.html>

¹¹ India, Pakistan must discuss Kashmir, http://www.dailytimes.com.pk/default.asp?page=story_23-4-2004_pg7_1