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Diversification of Chinese Foreign Direct Investment in the Lao People's Democratic Republic: A Grounded Theory Approach

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Abstract

Purpose: This paper analyzes the process and patterns of Chinese foreign direct investment (FDI) inflows into the Lao People's Democratic Republic (Lao PDR, hereafter Laos). These investment flows span multiple sectors, including banana plantations, mining, tourism, infrastructure development, casino industries, and related activities.

Methodology: Guided by grounded theory, this study employed theoretical sampling and conducted in-depth interviews with 40 informants who were directly involved in the process of Chinese foreign direct investment (FDI) inflows into Laos.

Findings: Drawing on the empirical data, the study argues that Lao economic and political factors such as human capital, infrastructure development, corruption, topography, and geopolitical considerations have significantly shaped the movement and location of Chinese investment projects in Laos.

Keywords: Economics; politics; Chinese foreign direct investment; influence

Introduction

Since the turn of the twenty-first century, China's foreign direct investment (FDI) in Laos has expanded rapidly, emerging as a key strategic instrument through which Beijing consolidates political and economic influence over the Lao government. China has become the largest foreign investor in Laos, accounting for approximately 25.2% of total FDI [1]. These investments are concentrated across a wide range of strategic sectors including agriculture, trade, casinos, manufacturing, transportation infrastructure, energy, tourism, and mining that are critical to Laos's long-term development trajectory. The breadth and scale of Chinese investment not only deepen Laos's economic dependence on China but also enhance Beijing's leverage over policy decision-making within the Lao state.

Earlier studies have examined the socioeconomic and environmental consequences of Chinese FDI projects in Laos [2-6]. Phommahaxay [7] finds that low-cost Chinese merchandise and light industrial products such as consumer electronics and household appliances have become ubiquitous in northern Lao markets, displacing many local businesses and weakening domestic productive capacity. Stewart and Idrees (2016) further document that Chinese casino operations in the Golden Triangle Special Economic Zone (SEZ) have generated serious social problems, including child prostitution, gambling addiction, and family disintegration. In addition, Finney (2017) reports that the intensive use of pesticides and herbicides on Chinese-operated banana plantations in northern Laos has contaminated soil and local waterways relied upon by villagers for washing and drinking. Because these chemicals cannot be removed through boiling water, affected communities face severe and potentially intergenerational health risks.

Taken together, this literature highlights the paradoxical effects of Chinese FDI in Laos: while investment has contributed to certain improvements in local living standards, it has simultaneously produced high social and environmental costs. However, existing studies tend to focus on sector-specific impacts or localized case studies, offering limited insight into how these outcomes collectively shape state–society relations and Laos's broader political dependence on China. This gap underscores the need for a more integrative analysis of Chinese FDI as a mechanism of structural influence rather than merely an economic phenomenon. As such, the central focus of this paper is to examine how economic and political factors in Laos have influenced the inflow of Chinese foreign direct investment. The economic factors include labor-related issues, the availability of natural resources, geographical proximity to China, and the country's inadequate infrastructure. The political factors encompass Laos–Vietnam relations, corruption within Laos, and Laos's membership in the Association of Southeast Asian Nations (ASEAN). Together, these variables help explain the patterns and determinants of Chinese FDI in Laos.

Literature Review

Lao Economic Factors

To understand Chinese FDI inflows into Laos, this section reviews relevant literature on key investment determinants. One widely recognized determinant of foreign direct investment is the host country's human resources, commonly conceptualized as human capital. Human capital refers to the collective stock of knowledge, skills, and competencies embodied in a workforce [8]. Despite its central importance to economic development, Laos continues to face substantial constraints in human capital formation. The United Nations Development Programme [9] identifies a persistent shortage of skilled labor and technical expertise, while the Asian Development Bank [10] similarly notes that the Lao labor force remains inadequately trained and poorly educated.

These structural limitations not only impede domestic industrial development but also shape the nature of foreign investment inflows. In the Lao context, weak human capital reduces the country's capacity to independently design, manage, and regulate large-scale investment projects, thereby increasing reliance on foreign firms and expatriate professionals. As a result, the Lao government has actively welcomed Chinese FDI alongside highly skilled Chinese personnel to plan, implement, and operate these projects [11]. This dynamic suggests that deficiencies in human capital function not merely as a constraint on development but also as a facilitating condition that deepens Laos's economic dependence on Chinese investment and expertise.

Another key factor shaping economic activity is the work ethic of the population, as labor discipline and productivity are critical inputs for investment and industrial development. Laos has an estimated population of approximately 6.5 million [12], which is broadly divided into three ethno-cultural groups: the Lao Loum (lowland Lao), who comprise about 60% of the population; the Lao Theung, the indigenous inhabitants of central and southern mountainous regions, accounting for roughly 30%; and the Lao Soung (highland groups), who represent around 10%. The Lao Loum are both politically and economically dominant, giving them disproportionate access to education, employment, and decision-making structures. This demographic and labor structure shapes the availability and quality of the workforce, influencing how foreign investors including Chinese firms plan, implement, and manage projects. In particular, Chinese FDI often relies on the more educated and economically integrated Lao Loum workforce, while simultaneously bringing in expatriate labor to address skill gaps in less developed regions, further entrenching patterns of economic dependence.

Given the importance of population characteristics for economic performance, certain features of the Lao labor force warrant closer examination. Historical and contemporary accounts have consistently noted relatively low labor productivity in Laos. During the French colonial period (1893–1954), when Laos was part of French Indochina alongside Cambodia and Vietnam, colonial administrators documented differences in agricultural labor practices across the region. As Evans [13] cites, a commonly referenced remark observed that Vietnamese farmers actively cultivated rice, Cambodians supervised its growth, and Lao farmers waited passively a characterization often invoked to illustrate perceived variations in work discipline among these societies. While such colonial observations must be interpreted cautiously, they continue to inform contemporary discussions of labor patterns and workforce behavior in Laos, which have implications for both domestic economic development and the management of foreign direct investment projects.

More recent studies shift the focus from innate work ethic to structural determinants of labor productivity. Fane [3] notes that roughly 66% of the Lao population remains employed in agriculture, a sector that consistently ranks among the lowest in productivity in Southeast Asia. This low productivity is largely attributed to structural factors, including limited mechanization, reliance on traditional farming practices, and weak incentives to adopt more efficient or technology-driven methods. These systemic labor constraints have hindered national economic development and, in turn, have motivated the Lao government to encourage foreign direct investment particularly from China which not only provides capital but also transfers technology and supplies skilled labor to address domestic productivity gaps [11].

Geography is another critical determinant of economic growth, as it shapes access to natural resources, trade routes, and foreign investment opportunities. Laos is a landlocked country covering approximately 236,800 square kilometers in the heart of mainland Southeast Asia. It is bordered by China to the north, Vietnam to the east, Cambodia to the south, Thailand to the west, and Myanmar to the northwest [14]. This strategic location has historically positioned Laos as both a buffer state between more powerful neighbors and a crossroads for regional trade and communication networks [15]. Its landlocked status, however, also imposes structural constraints on connectivity, transportation costs, and access to global markets factors that have made the country particularly receptive to foreign direct investment, including Chinese projects aimed at improving infrastructure and linking Laos more effectively to regional economic corridors.

Historically, Laos's strategic significance has been closely tied to regional trade routes and geopolitical competition. In the late nineteenth century, one of France's primary objectives in Indochina was to secure commercial access to China, a goal that necessitated control over Laos to utilize the Mekong River as a potential trade route into southern China. Similarly, during the Vietnam War (1964–1973), Laos functioned as a geopolitical buffer between North and South Vietnam, temporarily divided along the 17th parallel under the 1954 Geneva Accords, making control over Lao territory critical for influencing the broader conflict [16]. In the contemporary period, Laos continues to hold strategic value, particularly for China, as it provides direct overland access to Southeast Asian markets, natural resources, and mineral wealth [17]. Yet despite this strategic position, Laos's landlocked geography and lack of seaport access impose significant constraints, increasing transportation costs and limiting international trade competitiveness. Cooperation with China particularly through infrastructure development, cross-border trade facilitation, and regional corridor integration has therefore been leveraged to mitigate these geographical barriers and enhance Laos's connectivity to regional and global markets.

Lao topography represents a significant structural constraint on economic development. Only 6.2% of the country's total land area is arable, with merely 0.7% under permanent cultivation and 3.7% suitable for pasture, while approximately 67.9% of the territory is mountainous and 21.5% classified as other land types [12]. This terrain severely limits agricultural expansion and the development of infrastructure. Despite these constraints, Laos possesses substantial natural and mineral resources, including lead, zinc, coal, potash, iron ore, and gold. However, except for tin and gypsum, much of this wealth remains underexploited due to shortages of skilled labor, limited technological capacity, and inadequate investment capital [18]. In contrast, forestry and hydropower constitute the country's most significant natural resources. The mountainous landscape and extensive Mekong River tributary system provide Laos with a comparative advantage as a regional electricity supplier, attracting significant foreign investment particularly from neighboring

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countries such as Thailand, Vietnam, and China that seek to capitalize on the country's hydropower potential [19].

Finally, infrastructure constitutes a crucial economic input, serving as a foundational enabler of economic growth by facilitating imports, exports, and domestic market integration. Despite its importance, the quality of infrastructure in Laos remains a persistent challenge. The country's road network has deteriorated due to prolonged use, inadequate maintenance, and climate-related pressures such as flooding and landslides, resulting in weak connectivity especially in rural and remote areas where many roads become difficult or impossible to use in the wet season, and transportation costs remain high. Only a relatively small proportion of roads are in sustainable condition, and many provincial, district, and rural routes require substantial rehabilitation to support reliable economic activity. These infrastructural deficiencies constrain mobility, raise logistical costs, and limit market access, particularly for agriculture, tourism, and export-oriented sectors, thereby dampening broad-based economic development.

Consequently, the Lao government has looked to international partners to address these gaps, viewing China's Belt and Road Initiative (BRI) as a strategic opportunity to attract foreign direct investment for large-scale connectivity projects. Under the BRI framework, major infrastructure initiatives such as the China–Laos railway and the broader China Laos Economic Corridor aim to link Laos more effectively with regional transportation networks, reduce landlocked disadvantages, and promote cross-border trade and investment. These projects not only seek to improve transport infrastructure but also enhance logistics, industrial parks, and energy interconnections, thereby positioning Laos as a more integrated participant in regional commerce.

Lao Political Factors

In addition to economic variables, political factors particularly Laos's relationship with Vietnam, corruption, and membership in the Association of Southeast Asian Nations (ASEAN) are critical to explaining Chinese foreign direct investment (FDI) inflows into Laos. Since 1975, although Laos has formally existed as an independent one-party communist state, its effective sovereignty has been constrained by its status as a client state of Vietnam [20]. Vietnam has exercised substantial military influence over Laos, including at the highest levels of command. Notably, the 1977 Vietnamese–Lao Treaty of Friendship and Cooperation stipulates that any third-party attack on Laos would be treated as an attack on Vietnam [21]. From the mid-1970s through the 1990s, during periods of guerrilla warfare conducted by Hmong and Lao insurgents many of whom were former officials of the Royal Lao Government Vietnamese forces played a decisive role in strategic planning and combat operations in support of the Lao regime [16]. Vietnam's security dominance extended into the 2000s; for instance, during the 2004 ASEAN+3 Summit hosted by Laos, Vietnamese security personnel reportedly maintained law and order while disguised in Lao military uniforms [22]. Collectively, Laos's limited military capacity and prolonged subordination to Vietnamese influence have weakened its effective sovereignty. This enduring Vietnamese dominance constitutes a key political factor driving Chinese FDI inflows into Laos, as China has strong strategic incentives to counterbalance Vietnam's influence and expand its own political and economic presence in the country.

Politically, the Communist Party of Vietnam (CPV) has exerted substantial influence over the Lao People's Revolutionary Party (LPRP). Stuart-Fox [23] identifies the economic reforms of the mid-1980s as a clear manifestation of this Vietnamese political influence. In 1986, the LPRP introduced the New Economic Mechanism (NEM), which suspended economic collectivization in favor of a socialist-oriented market economy. This reform closely paralleled Vietnam's *doi moi* (renovation), an initiative aimed at transforming a rigid command economy into a system of socialist marketization. According to Stuart-Fox [23], the adoption of the NEM largely reflected the LPRP's alignment with CPV policy direction rather than an independent domestic initiative. Consequently, despite Laos's formal political independence, key policy decisions have been significantly shaped by Vietnam. This Vietnamese political influence has, in turn, been partially counterbalanced by China through expanding economic assistance and foreign direct investment, which serve to enhance China's strategic presence in Laos.

Corruption constitutes another key political variable in Laos. It is pervasive across all levels of government, including the higher education sector. Drawing on interviews with students, faculty members, government officials, and street vendors, Vue (2019) reports that the terms most frequently used by informants to describe corruption were "bribery," "embezzlement," and reliance on "personal connections" (p. 2). Such practices are routinely employed by bureaucrats for personal gain. Vue (2019) further observes that government employment opportunities for university graduates are often determined by bribery or patronage rather than educational qualifications; graduates lacking political connections are frequently required to pay bureaucrats millions of kip to secure positions. Beyond direct bribery, access to government employment is also mediated through patronage networks in which appointments are allocated on the basis of kinship ties and political affiliations rather than administrative competence. Because these practices operate across all levels of the state, corruption has permeated nearly every sector of Lao society, including foreign direct investment. As Stuart-Fox [24] famously remarks, Buddhism and Leninism have effectively been replaced by a new "state religion" kickbackism. In this institutional context, corruption becomes a critical political variable for explaining Chinese investment inflows into Laos, as Chinese firms often backed by state actors are comparatively well-positioned to navigate and leverage informal governance structures.

Finally, since joining the Association of Southeast Asian Nations [25] in 1997, Laos has acquired an additional geopolitical dimension within its governance framework. Under the ASEAN Charter, member states rotate the chairmanship of the organization's annual meetings. The ASEAN chair assumes several key responsibilities, including setting the agenda, maintaining ASEAN centrality in relations with external partners, coordinating collective responses to regional crises, representing ASEAN internationally, and performing other functions deemed necessary [25]. In practice, the chair serves as the principal representative of ASEAN in regional and international affairs. Consequently, Laos's position not only as an ASEAN member but also, periodically, as ASEAN chair carries significant geopolitical importance for China. To draw Laos further into its sphere of influence and shape ASEAN–China relations, Beijing has strategically deployed development projects, concessional loans, and economic assistance, including foreign direct investment, as key instruments of engagement.

Methodology

Having reviewed the relevant literature, the next step in the research process is to describe the procedures used for data collection and analysis, through which overarching themes were developed to explain the core phenomenon under investigation. Given the absence of an established theory explaining the processes underlying Chinese foreign direct investment (FDI) inflows into Laos, grounded theory is an appropriate methodological approach for this study. Grounded theory focuses on individuals' experiences and social processes and aims to generate theory inductively to explain how a core phenomenon of interest operates. Accordingly, this study adopts grounded theory as its guiding framework and is characterized by the following key properties:

Recruitment of the Informants

Having established grounded theory as the appropriate methodological framework, the first step in the research process, according to Strauss and Corbin [26], is to recruit informants who have been directly involved in the core phenomenon under investigation. In Vientiane, Laos, a total of twenty-three participants were interviewed, including five Lao government officials, three educators, three local construction workers, four merchants, five Vietnamese construction workers, and three architects. For reasons of personal safety, all participants requested anonymity. The informants were recruited through the author's academic field visits to the region since 2008. During these visits, a process of theoretical sampling was employed to identify and interview individuals with direct experience in Chinese foreign direct investment inflows into Laos. This iterative sampling strategy allowed data collection and analysis to proceed concurrently, consistent with the principles of grounded theory.

Additionally, in 2015, the author was appointed as a Fulbright Specialist to deliver a series of seminars for Lao teachers in the English Department at Khang Khay Teacher Training College in Xieng Khouang, Laos. During this appointment, the author traveled to several northern provinces to observe Chinese cross-border development projects, including banana plantations, the Namthan dam construction, casino operations in the Golden Triangle Special Economic Zone (SEZ), and the construction of the high-speed railway linking the Chinese border to Vientiane. In these locations, interviews were conducted with three Chinese engineers, five Chinese merchants, four Lao banana plantation workers, and five Lao merchants. All participants requested anonymity for reasons of personal safety.

In sum, a total of 40 participants were interviewed for this study. The interviewees represent diverse nationalities and occupational backgrounds, allowing for multiple perspectives on the processes surrounding Chinese foreign direct investment (FDI) inflows into Laos. To summarize the composition of the sample, Figure 1 presents the distribution of participants by nationality and career.

Number	Nationality	Career
3	Chinese	Engineers
5	Chinese	Merchants
5	Lao	Government officials
3	Lao	Educators
7	Lao	Construction and banana plantation workers
9	Lao	Merchants
3	Vietnamese	Architects
5	Vietnamese	Construction workers
Total: 40		

Figure 1: The informants who were interviewed for understanding the Chinese FDI inflows into Laos

Data Collection

The second step in the methodological process is data collection, which involves systematically gathering information from all relevant sources to address the research problem. Although data were collected from multiple sources, including documents, informal conversations, and direct observations, interviews constitute the primary data source for this study. Interviews were conducted until theoretical saturation was reached, at which point additional interviews yielded no substantively new information. Saturation was achieved after interviewing 40 participants, who consistently provided similar accounts of the processes underlying Chinese foreign direct investment (FDI) inflows into Laos. To elicit data relevant to the core phenomenon under investigation, the interview protocol was structured around four guiding questions: (1) What is the process through which Chinese FDI flows into Laos (the core phenomenon of interest)? (2) What factors have triggered or facilitated this process? (3) What actions or strategies has the Lao government adopted in response to Chinese FDI inflows? and (4) What outcomes or consequences have resulted from Chinese investment in Laos? Taken together, data generated from these sequential questions were used to inductively develop a theory explaining the dynamics of Chinese FDI inflows into Laos.

Data analysis

The third step in the methodological process is data analysis, which involves inspecting, transcribing, and systematically modeling the data to generate meaningful insights for theory development. According to Strauss and Corbin [27], data analysis in grounded theory proceeds through three interrelated stages: open coding, axial coding, and selective coding (p. 58).

Open Coding. Open coding is the initial analytical process in which the data are broken down into discrete parts and examined for meaning. This procedure involved several sequential steps. First, interview transcripts were read closely to identify emerging categories. Second, meaningful segments of data were identified and noted. Third, these data segments were coded with conceptually precise labels that reflected processes related to Chinese FDI inflows into Laos. Fourth, categories were constantly compared across transcripts to ensure consistency and refine conceptual boundaries. Fifth, analytic memos were written to document reflections and potential relationships among categories that could explain the core phenomenon. Finally, prior assumptions were bracketed to allow theoretical linkages to emerge inductively from the data, facilitating the development of an initial conceptual framework.

Axial Coding. Axial coding constitutes the second major stage of analysis and focuses on reassembling data by identifying relationships among categories. This process involved linking categories around key analytical properties, including: (1) the processes through which Chinese FDI flows into Laos; (2) the causal conditions shaping these investment flows; (3) the strategies adopted by both Chinese and Lao actors to facilitate Chinese FDI projects; and (4) the consequences of Chinese development initiatives in Laos. By systematically relating these categories, the analytical foundation for a theoretical model explaining the core phenomenon was *established*.

Selective Coding. Selective coding represents the final stage of analysis, in which all core categories are integrated and refined into a coherent theoretical explanation of the process of Chinese FDI inflows into Laos. At this stage, a central storyline was developed to articulate the relationships among categories and to clarify how they collectively explain the core phenomenon under investigation. To simplify and visualize methodological procedures, a conceptual diagram is presented below to illustrate the central elements of the proposed theoretical model.

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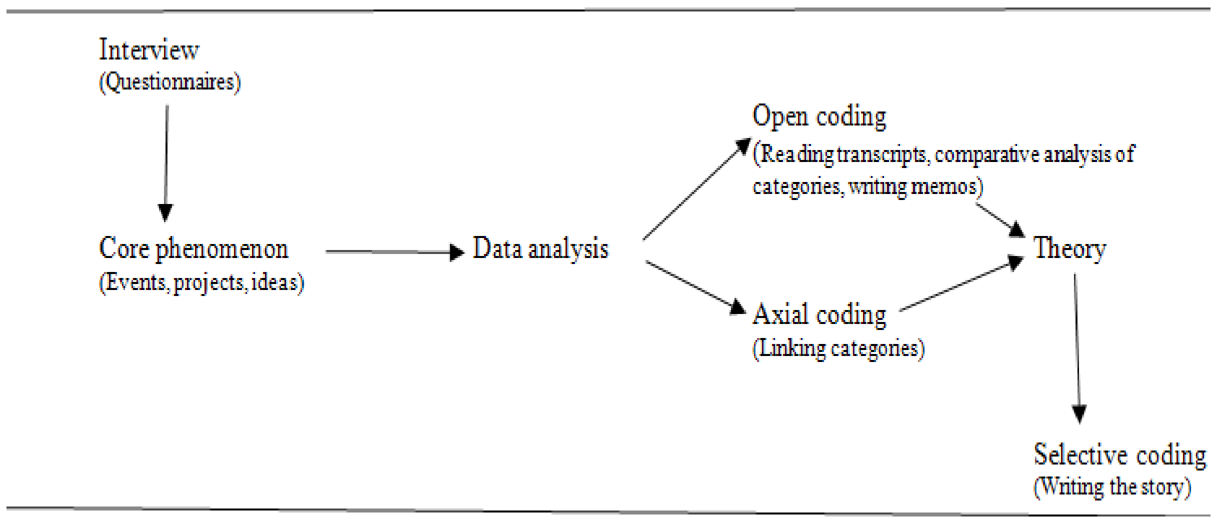

Figure 2: A grounded theory method (adapted from Strauss and Corbin, 1998)

Results and Discussion

Having described the data collection and analysis procedures, several overarching themes emerged to explain the inflows of Chinese foreign direct investment (FDI) projects into Laos. Based on the data, one key variable shaping the core phenomenon is Laos's demographic and structural profile: a relatively small population of approximately 6.5 million, limited technical and professional skills, and an abundance of natural resources [28]. These conditions create an environment conducive to foreign investment, particularly from China. Capitalizing on these structural factors, the Chinese government has not only expanded investment activities in Laos but has also encouraged population migration into the country. This strategy is driven in part by China's large population approximately 1.4 billion and constraints related to arable land and natural resource availability. One interviewee reported that "the Chinese government pays an expatriation bonus of $100,000 to each Chinese national who volunteers to move to Laos." Since 2000, thousands of Chinese migrants have reportedly entered Laos illegally, a process that interviewees attributed largely to systemic corruption. A Lao border patrol officer explained: "If bribes are given to Lao guards, the gates are opened for Chinese immigrants to illegally cross into the country." As a result, significant numbers of Chinese migrants have settled in northern Laos, where they have come to dominate regional trade networks and local economic activities.

Moreover, the empirical evidence indicates that another exogenous factor driving Chinese FDI inflows into Laos is border proximity. Northern Laos has been designated as a special economic zone (SEZ) to facilitate Chinese imports, exports, and investment, which has allowed Chinese businesses to dominate the regional economy. In Xieng Khouang Province, one interviewee observed that "the Chinese have dominated the province's main economic activities by taking over most luxurious hotels, restaurants, and auto repair shops." This account aligns with the author's own observations of the province's economic landscape. While Chinese investors control major business establishments such as shopping centers, light industries, and mining operations, residents primarily operate outdoor flea markets, which sell vegetables and wildlife products harvested by local farmers and hunters. These patterns are corroborated by Anderson et al. [2], who note that Chinese-imported goods including garments, inexpensive generators, satellite dishes, and televisions have displaced many local businesses in the region. Evidently, the geographical proximity of northern Laos to China has facilitated the concentration of Chinese economic activities, enabling Chinese development projects to dominate the local economy [29].

Regarding infrastructure, Keomixaya and Ngamkroeckjoti [30] note that inadequate infrastructure has traditionally discouraged foreign direct investment (FDI) inflows, particularly in Savannakhet Province. However, the empirical evidence suggests that this very weakness presents a strategic opportunity for Chinese investment. Positioning itself as a champion of global economic expansion and signaling ambitions to strengthen its international influence, China began deploying "soft power" in Laos following the Seventeenth Congress of the Chinese Communist Party in 2007 [31]. A key instrument of this soft power strategy is the One Belt, One Road initiative, which envisions rail links connecting China to Central and Southeast Asia. Among these projects is the China-Laos high-speed railway, designed to facilitate Chinese economic expansion into Laos and, more broadly, the region. A Lao government official confirmed this perspective, stating, "The primary reason for China to invest in the railway is to influence Laos economically." In this context, Laos's crumbling infrastructure, while a challenge for domestic development, represents a prime opportunity for Chinese strategic investment.

Additionally, empirical evidence indicates that Laos's structural relationship with Vietnam since 1975 serves as another important variable influencing Chinese FDI inflows. As noted, Laos has maintained a "special relationship" with Vietnam, rooted in longstanding political and economic ties. Historically, Laos has depended heavily on Vietnam for financing infrastructure projects, including airports, bridges, roads, and telecommunications. Vietnamese interviewees observed that Chinese FDI, particularly in construction projects, has aimed in part to alter this dependence and expand Chinese influence within Laos. For example, under the influence of Chinese aid and investment, the 9th Congress of the Lao People's Revolutionary Party (LPRP) in 2011 elected a pro-China leadership to key Politburo positions. These leaders including President Choummaly Sayasone, Prime Minister Thongsing Thammavong, and Deputy Prime Minister Somsavat Lengsavad have since granted large land concessions and major construction projects to Chinese companies. Hart [32] emphasizes that "[f]or Laos, the risk of rebuffing Beijing is too great, as sustainable growth and faster development are vital to ensure the legitimacy of the ruling party." A professor at Lao American College similarly noted, "Laos is now a client state of not only Vietnam but also the world's second-largest economy." In this context, Laos can be viewed as a "pie" simultaneously influenced by both China and Vietnam, with Chinese FDI serving as a strategic instrument to reshape regional economic and political alignments.

Finally, as a member of ASEAN with the privilege of periodically assuming the chairmanship of the organization's annual meetings, Laos has become geopolitically significant to China. A Lao government official observed that:

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Beijing views Vientiane as a gateway to the rest of Southeast Asia, as well as a useful vehicle to advance its regional political interests. China has increased not only its investment portfolio but also its traditional tools of soft power by promoting Chinese development projects, education, media expansion, and popular culture.

Accordingly, Chinese foreign direct investment (FDI) inflows reflect the strategic geopolitical importance of Laos to China. To synthesize the independent variables explaining the flows of Chinese FDI projects into Laos, Figure 3 is constructed as follows:

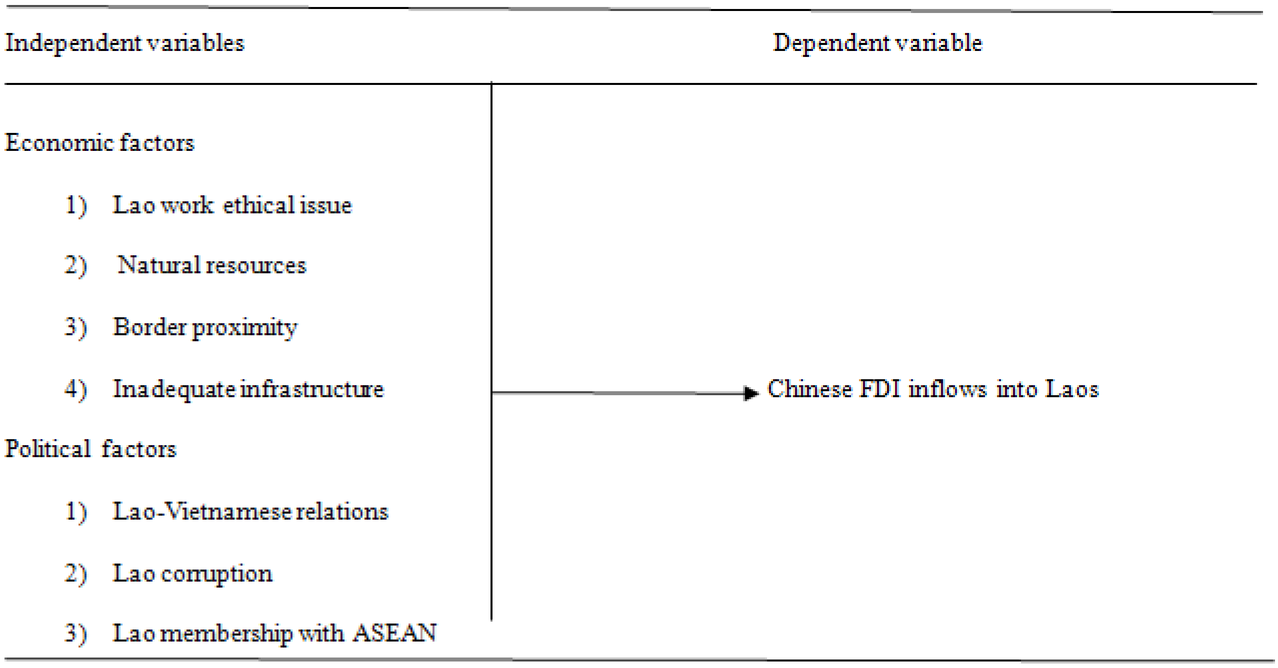

Figure 3: A theoretical model for understanding the Chinese FDI inflows into Laos

Discussion of Findings

Having discussed the results, the final task is to interpret and synthesize the study's findings. Beginning in 2000 and taking advantage of Laos's small population and abundant natural resources, Chinese development projects have expanded rapidly into the country. Simultaneously, hundreds of thousands of Chinese migrants have reportedly entered Laos illegally. Together, the movement of Chinese foreign direct investment (FDI) projects and migrants has served two interrelated objectives for China: alleviating domestic demographic and employment pressures while consolidating a long-term power base in Laos. This interpretation aligns with Yen's [33] argument that:

[T]he waves of new Chinese immigrants in Laos help the Chinese government relieve the pressure of solving employment problems for its citizens. With the increasing Chinese influence in Laos, especially in the economy, the position of the Chinese community will grow stronger in both size and economic and political status (p. 728).

Given both the scale and depth of Chinese FDI and migration, one critical assumption emerging from this study is that, if the number of Chinese migrants continues to increase alongside expanding economic influence, the Southeast Asian patron–client political model may be replicated in Laos. In this model, indigenous political elites function as patrons, while wealthy Chinese business actors serve as clients. Although policymakers formally occupy positions of authority, clients influence decision-making through financial incentives and privileged access to information. As a result, policy formulation and implementation tend to favor elite economic interests rather than the broader population an outcome indicative of government failure.

As discussed earlier, northern Laos has been designated as a special economic zone (SEZ) for Chinese investment, transforming the region into a hub for tourism and development while simultaneously generating both positive and negative social and economic consequences. Although Chinese agricultural projects, casino enterprises, and commercial centers have created employment opportunities for some residents, they have also displaced others due to economic dominance. In Laos, citizens are obligated to serve state interests but lack institutional mechanisms to challenge state authority. Consequently, Lao political leaders often without popular consent have expropriated private land and granted concessions to Chinese investors, particularly in banana plantation development, in exchange for bribes [34, 35].

These land concessions have produced several adverse effects. First, the expropriation of private land without fair compensation has exacerbated economic inequality among local communities. Second, reported fatalities among laborers exposed to herbicides and pesticides used on Chinese-owned banana plantations represent violations of Lao labor and environmental statutes; however, enforcement has been largely absent. As one interviewee remarked, "Members of the Politburo are above the law and are more interested in Chinese investments and bribes than Lao lives." Third, soil degradation caused by chemical-intensive farming practices poses long-term risks to agricultural sustainability. If soil nutrients are depleted, the livelihoods of Lao farmers who comprise approximately 66 percent of the population will be severely threatened [36]. In this respect, Chinese investment in northern Laos may yield more negative than positive outcomes, contrary to the optimistic narrative advanced by the Lao People's Revolutionary Party (LPRP).

Infrastructure development represents another critical channel through which China has expanded its influence. As noted, Laos's deteriorating infrastructure has created opportunities for Chinese investment, particularly in large-scale transportation projects such as the China–Laos high-speed railway. According to a Chinese interviewee, such projects are central to China's long-term strategy. Although the railway was initially expected to be completed by 2020, its anticipated impacts include increasing Laos's trade deficit through expanded imports of Chinese goods, facilitating the extraction of Lao raw materials for export to China, and significantly increasing

Laos's public debt. Laos is responsible for approximately 30 percent of the project's estimated US$7 billion cost, financed through Chinese loans [37]. Because these loans are publicly guaranteed, they substantially increase Laos's debt burden. A professor at Lao American College observed that "by using untapped mineral resources as collateral, Laos has become more deeply indebted to China, as the loan represents nearly 90 percent of the country's GDP." As a result, economic dependency is likely to translate into political dependency, positioning Laos as what interviewees described as a "little Beijing."

Conclusion

Finally, Laos holds enduring geopolitical importance for China because it is not a claimant in the South China Sea disputes involving Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam. As a member of ASEAN, Laos possesses institutional leverage that can weaken collective opposition to China's territorial claims. Its rotating chairmanship allows Laos to shape meeting agendas and manage ASEAN's external relations. Aligning Laos with China alongside Cambodia, Thailand, and Myanmar, which are also not claimants is therefore geopolitically advantageous for Beijing.

Recommendations

Despite these findings, several limitations must be acknowledged. First, the sample size included relatively few Chinese investors, limiting the representativeness of investor perspectives. Second, some exogenous variables were not fully standardized a priori. Unexpectedly, human capital development showed little direct relationship with Chinese FDI inflows, placing this variable outside Laos's primary internal inducements for Chinese investment. Future research should therefore expand both the sample size and the range of explanatory variables. Notwithstanding these limitations, the study has articulated a coherent set of propositions explaining the political, economic, and geopolitical drivers of Chinese FDI inflows into Laos.

Conflicts of Interest: The authors declare no conflicts of interest.

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