

**ANALYSIS OF THE BELT AND ROAD
INITIATIVE IN LAO PEOPLE'S DEMOCRATIC
REPUBLIC**

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ANALYSIS OF THE BELT AND ROAD INITIATIVE IN LAO
PEOPLE'S DEMOCRATIC REPUBLIC

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ABSTRACT

The Boten-Vientiane railway (also known as the China-Laos railway) is an unprecedented high-speed railway that was pitched under the Belt and Road initiative (BRI) in Lao PDR and is co-owned by Laos and China. It connects China to Thailand and extends to Southeast Asia (SEA) under the Singapore-Kunming railway link (SKRL). Despite the increasing attention from developed countries on the rapidly emerging market located in SEA, there is still a dearth of studies on infrastructure especially under the Chinese BRI since 2013. Lao PDR is undergoing mass infrastructure development, especially in terms of connectivity projects including high-speed railways. It is important to understand the perceptions of Laos stakeholders against the modern high-speed railway relative to the existing connectivity infrastructure. This study is guided by an exogenous growth model and new economic geography (NEG) which aims to assess the joint venture project pitched under the Chinese BRI on present status, common factors, associated challenges and opportunities to gauge the benefits of the spill over to the country and region. Empirical researchers have advised various statistics on the BRI investments and economic effects on SEA, this study, however, has taken a different route to analyse the highspeed railway project by adopting qualitative methods – in-depth interviews and evaluative analysis to deliver in-depth information. Research findings revealed several factors to analyse the highspeed railway project with opportunities and challenges by authorities and industries stakeholders in Lao PDR. A conceptual framework was developed to identify the key factors to assess the railway pitched under the BRI. Meanwhile, the underlying challenges and opportunities have been discussed to address confusion from local and international players thus stimulating local and regional economic development. The research findings

of this study will be invaluable to the government authorities, researchers, and investors to seize the opportunity of contributing to the economic prosperity of Lao PDR while successfully transforming into a land-linked country.

APPROVAL PAGE

I certify that I have supervised/read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, as a thesis for the fulfilment of the requirements for the degree of Doctor of Business Administration.

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DECLARATION

I hereby declare that the thesis submitted in fulfilment of the DBA degree is my work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the program and/or exclusion from the award of the degree.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Agreement
AIIB	Asian Infrastructure Investment Bank
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BIMP-EAGA	Brunei Darussalam, Indonesia, Malaysia and Philippines East ASEAN Growth Area
BRI	Belt and Road Initiative
CAF	China-ASEAN Investment Cooperation Fund
CAFTA	China-ASEAN Free Trade Agreement
CATC	China-ASEAN Technology Centre
CCCC	China Communication Construction Company
CEEC	Cooperation between China and Central and Eastern European Countries
CIPEC	China-Indochina Peninsula Economic Corridor
CMER	Centre of Macroeconomic Policy and Economic Restructuring
CMLV	Cambodia, Myanmar, Laos, and Vietnam
CMREC	China, Mongolia, Russia Economic Corridor
PDR	People's Democratic Republic
ECRL	East Coast Rail Link
EGM	Exogeneous Growth Model
EMU	Electric Multiple Unit
ERIA	Economic Research Institute for ASEAN and East Asia
EU	European Union
EXIC	Export-Import Bank of China
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTZ	Free Trade Zone
GMS	Great Mekong Subregion
HSR	High Speed Railway

ICT	Information and Communication Technology
IFDI	Inward Direct Investment
IMF	International Monetary Fund
IMT-GT	Indonesia-Malaysia-Thailand Growth Triangle
IUCN	International Union for Conservation of Nature and Natures Resource
IWT	Inland Waterways Transport
KM	Kilometres
LIFFA	Lao International Freight Forwarders Association
LLL	Linkage-Leverage-Learning
MCTPC	Ministry pf Communication, Transportation, Post and Construction
MNE	Multinational Enterprise
MPAC	Master Plan on ASEAN Connectivity
MPWT	Ministry of Public Works and Transport
NIER	National Institute for Economic Research
NAFTA	North American Free Trade Agreement
NR	National Road
OBOR	One Belt One Road
OECD	Organization for Economic Co-operation and Development
OFDI	Outward Foreign Direct Investment
OLI	Ownership-Location-Internalization
R&D	Research and Development
RIETI	Research Institute of Economy, Trade, and Industry
SEA	Southeast Asian
SKRL	Singapore-Kunming Rail Link
SOE	Stated-Owned Enterprise
SPIC	State Power Investment Corporation Limited
SRF	Silk Road Fund
SWA	Southwest Asia
TAR	Trans-Asian Railway
TFP	Total Factor Productivity
TPP	Trans-Pacific Partnership
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific

UNESCO	United Nations Educational, Scientific and Cultural Organization
WB	World Bank
WDI	World Development Indicator
WITS	World Integrated Trade Solutions
WTO	World Trade Organization

DEFINITION OF KEY TERMS

BRI	An abbreviation of Belt and Road Initiative that was previously known as One-Belt One Road in the last century. It is proposed by Chinese president Xi Jinping after visiting Central Asia and Southeast Asia in 2013
ASEAN	An abbreviation of "Association of Southeast Asian Nations", is a strategic alliance comprising 10 members states in Southeast Asia
Infrastructure Development	Basic construction in providing foundational services to improve living standards and stimulate the country's economic growth.
FDI	Abbreviation of foreign direct investment to facilitate cross-border investment in which an investor from the home country establishes permanent interest with a significant degree or influential power over the host country in another economic body
Stakeholder	The collective form of administrators, regulators and operators who participated in the Boten-Vientiane railway construction, implementation, operation, and management
Natural Endowment	An asset which can be liquidated to invest in other capital stocks or productive assets to produce human capital
Human Capital	An accumulation of investment in education and job training that develops the individual's productivity in the labour market
Absorptive Capacity	An individual or organization's capabilities to identify, absorb and transform the external knowledge in usage of research or practice
Social Sustainability	A proactive approach to determining and managing the business impacts on employees, workers, customers, and communities from both positive and negative perspectives
Environmental Sustainability	A responsibility to interact with the environment and preserve the natural resources as well as protect ecosystems to enhance human health and live-being.

CHAPTER 1 INTRODUCTION

1.1 Overview

The industrial revolution has led to rapid globalization, technological development, production, and market integration. The cross-regional border has been eliminated because of market globalization after geopolitical conflicts and substantial challenges in the 20th century. Countries collaborated and integrated to grasp the mutual trade benefits of advanced technologies, infrastructure and facilities, security concerns and global competition.

The regional and global integration included economic, political, and military integration. For instance, the World Trade Organization (WTO), Asia Pacific Economic Cooperation (APEC), Association of Southeast Asian Nations (ASEAN), North American Free Trade Agreement (NAFTA), North Atlantic Treaty Organization (NATO) and European Union (EU) play important roles and influence different regions of the world. The enumerated non-profit organization and regional collations are contributing to economic incorporation to eliminate the boundary of trades wherein APEC, ASEAN and EU are good examples of economic integration, structures and macroeconomic performance to the world (Ateş & Şanlı, 2016).

Over the past decades, the growing number of multinational enterprises (MNE) in developed countries are aggressively investing in emerging developing countries owing to the favourable business atmosphere. Emerging markets refer to developing countries gradually moving out from agricultural and raw material-based economic structures to

industrializing or mixed economies. However, several developing countries are progressing slowly because of technological draggle, the dearth of research and development, as well as capital shortage and poor development of infrastructure. Besides that, the trade deficit due to impaired import and export detrimentally affect the country's economic growth.

Foreign direct investment (FDI) has become a common topic of discussion in developing countries in recent times It is an interesting study focal which includes policy implications owing to the essentials of FDI which increases the level of productivity of the host country, as well as boost economic development and growth. Almfraji and Almsafir (2014) reveal a constructive relationship between FDI and economic expansion. The benefits of FDI are not limited to capital injection but also include technical proficiency, operational and managerial knowledge, as well as accession to the foreign market. FDI improves the potential of economic transformation using technology innovation, productivity enhancement and the creation of better pay in leveraging job stability in the local market (Echandi, Christine, & Zhenwei, 2015).

The World Bank 2018 report indicates that the global reach of the highest amount of FDI is USD 1,833 billion. Developing countries received USD 593 billion with an upsurge of 30%, despite the global financial and credit crisis that began in the second half of 2007. Thereafter, it reduced significantly after the crisis and dramatically increased to the second-highest amount of USD 765 billion relative to the global FDI amount of USD 1.76 trillion in 2015.