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# **Reworking Territory, Assembling Scale: Labour's Agency in Lao Border Manufacturing**

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Thesis submitted for the degree of PhD in Development  
Studies

2016

Department of Development Studies  
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## Abstract

This thesis provides an analysis of how labour's agency in Savannakhet border manufacturing industry is transforming Lao economic territory within the context of Greater Mekong Subregion integration. The analysis builds on autonomist Marxist and spatial understandings of labour's agency to illuminate global corporate relocation, state territorialization, and local development. The methodological and theoretical approach presented focuses on the capacity of *everyday, unorganized, spatialized* agency of workers to impact on labour relations and broader economic development. The approach thus challenges a common framing of labour's agency as primarily relevant in terms of trade unions and resistance, and stimulates a broader consideration of workers' agency in development. The enquiry draws on the concept of *territorial coherence* to link workers' agency to broader processes of spatial economic organization. Workers' everyday and spatial practices within a form of territorial organization provide an opportunity to reconsider how the relocation of global manufacturing firms may be problematized by local conditions. In this light, misconceptions about 'the race to the bottom', which place power primarily with mobile capital, are refuted. Worker's spatialized actions and practices emerge as a terrain of struggle in their incorporation into global manufacturing, revealing how labour and capital condition and constrain each other. Territorial coherence also provides a framework to illuminate state territorialization projects undertaken to connect with global capital. Analysis of the case indicates that state territory continues to structure and striate global economic space despite the claims for the openness of relational, networked forms of spatiality. The two theoretical approaches combine to illuminate labour dynamics in Lao border manufacturing. Shedding light on the prospects of Lao industrialization and regionalization policy, limited and partial development and integration is suggested. In regard to the contested reworking of territory, border manufacturing in Savannakhet signals themes of broader relevance in global economic development.

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### **Note on Transliteration**

There is no standard transliteration system for Lao. The transliteration system I use in translation of quotes and source materials is my own and based on representing the phonetics of Lao as closely as possible. Thus ປ, usually transliterated as ‘p’ becomes ‘bp’ in my system. ຕ usually rendered as ‘t’ becomes ‘dt’. Long vowels are generally transliterated with a double letter, so ງ່າງ becomes ‘ngaan’, apart from where this differs from common usage, such as ‘Lao’ (ລາວ). Proper names follow common usage.

## Abbreviations Used

<b>ACC</b>	<i>Advanced Capitalist Country</i>
<b>ADB</b>	<i>Asian Development Bank</i>
<b>AEC</b>	<i>ASEAN Economic Community</i>
<b>AFTA</b>	<i>ASEAN Free Trade Agreement</i>
<b>ASEAN</b>	<i>Association of Southeast Asian Nations</i>
<b>BCS</b>	<i>Bua Corporation Services</i>
<b>BGC</b>	<i>Boten Golden City</i>
<b>BPM</b>	<i>Bua Pagop Manufacturing</i>
<b>EWEC</b>	<i>East West Economic Corridor</i>
<b>FDI</b>	<i>Foreign Direct Investment</i>
<b>GMS</b>	<i>Greater Mekong Subregion</i>
<b>GoL</b>	<i>Government of Lao PDR</i>
<b>GPN</b>	<i>Global Production Network</i>
<b>GT</b>	<i>Golden Triangle</i>
<b>IMF</b>	<i>International Monetary Fund</i>
<b>KP</b>	<i>Kaysone Phomvihane</i>
<b>LCC</b>	<i>Lao Clothing Company</i>
<b>LFPR</b>	<i>Labour Force Participation Rate</i>
<b>LFTU</b>	<i>Lao Federation of Trade Unions</i>
<b>LPRP</b>	<i>Lao People's Revolutionary Party</i>
<b>MDG</b>	<i>Millennium Development Goals</i>
<b>NCSEZ</b>	<i>National Committee for Special and Specific Economic Zones</i>
<b>NSEC</b>	<i>North South Economic Corridor</i>
<b>NSEDP</b>	<i>National Socio-Economic Development Plan</i>
<b>PL</b>	<i>Pathet Lao</i>
<b>RC</b>	<i>Registered Capital</i>
<b>RFA</b>	<i>Radio Free Asia</i>
<b>SASEZ</b>	<i>Savan-Seno Special Economic Zone</i>
<b>SEZ</b>	<i>Special Economic Zone</i>
<b>SEZA</b>	<i>Special Economic Zone Authority (Savan-Seno)</i>

<b>SOE</b>	<i>State Owned Enterprise</i>
<b>SPA</b>	<i>Savannakhet Provincial Administration</i>
<b>ST</b>	<i>Savan Toys</i>
<b>USAID</b>	<i>United States Agency for International Development</i>
<b>USD</b>	<i>United States Dollars</i>
<b>WB</b>	<i>World Bank</i>
<b>WTO</b>	<i>World Trade Organization</i>



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## **Chapter 1: Introduction**

### ***1.1 Laos: From Land-Locked to Land-Linked***

In recent Lao government development discourse the idea of turning the country from 'land-locked to land-linked' has become prominent. The logic goes that Laos is no longer to be imprisoned by its geography at the heart of the Southeast Asian mainland but rather Laos' central position will provide a conduit for regional trade flows as transport corridors criss-cross its space. In turn connectivity will lead the country to become an attractive destination for foreign direct investment, especially from neighbouring countries. Laos is to become a production base as much as a node of connectivity, with foreign investment the key to unlocking the land. Implicit in the notion of becoming 'land-linked' is of course that people on that land will be linked in new ways with people within and beyond that land. Perhaps also implicit is that land and people may be linked in different ways, ways not pre-ordained but determined by the varying and contending motivations, actions and interests of the social agents concerned and the power relations between them. The transformation of social relations and the transformation of space are thus deeply interwoven. Prominent among these intertwined social relations are those between foreign investors and local workers. Lao workers are actively entering into global and regional currents of investment and trade. To discern the precise means and consequences of the dual transformation of space and social relations through the prism of *labour's agency* is the primary concern of this thesis. The case thus concerns labour's agency in foreign-invested export manufacturing – especially within the Savan-Seno Special Economic Zone - in the border town of Savannakhet, southern Lao PDR.

### ***1.2 Problématique***

The dual transformation of social relations and space is, it seems, at the heart of the restructuring of global production. Mobile capital often attempts to reorganize production by taking advantage of lower-cost locations in the developing world. Capital and capital-facilitating states are often taken to be the primary, or only, actors involved, or at least the only actors possessing the capacity to shape the process. This seems restrictive to me in that it leaves out another key actor which may shape the dynamics of global restructuring and development - labour. Capital relocation is an inherently spatial phenomenon. It creates the spatial organization of the global economy in new ways. This raises important questions of

why does capital move to the places it does, how does it affect those places, and how do those places or territories – through the agency of actors based there - affect capital. The question I therefore seek to answer is: *how does labour as an actor shape its own incorporation into the social relations and economic space of global production?* The thesis is situated at the intersections of three broad debates; the race to the bottom; labour's agency in development and human geography; and the role of territory in a world viewed by many as defined by networks and flows.

The first debate of relevance pertains to the 'race to the bottom', the idea that mobile capital will constantly move production to escape high production costs or restrictive regulatory environments. Does the race to the bottom really exist? What is the best way to conceptualize it? How is labour incorporated in a race to the bottom? With whom does power lie when capital moves to low-cost locations? The second debate relates to the last of these three questions; the role of labour's agency in development and human geography. How does labour as an actor affect transformative social processes? What counts as relevant agency? How is labour's agency spatial and how does spatial agency matter? How is labour's agency connected to - enabled and constrained by - other social actors and sets of social relations? The third debate centres around the role of territory in a globalizing world. What role, if any, do bounded territorial spaces still matter in a world of increasing flows and connectivity? How are different national territories linked together in processes of regional or global integration to create new geographic scales? The case of Savannakhet will be used to shed light on these questions.

### **1.3 Research Questions and Sub-Questions**

The **central research question** for this thesis is:

*How has the agency of Lao workers shaped: 1) labour relations in export-oriented foreign-invested manufacturing; and 2) territorial economic development in Kaisone Phomvihane District, Savannakhet, Lao PDR in the period 2009-2014?*

The central research question was broken down into four sub-questions to operationalize the enquiry:

**Sub-question 1.** *What are the geographic political-economic parameters – firm characteristics and strategies and state institutions and policies - in which workers' agency operates in and on?*

**Sub-question 2.** *How do workers move through the manufacturing segment of the labour market? How do they move to, stay in and leave employment in industrial manufacturing?*

**Sub-question 3.** *How do they build resilience to the demands of industrial employment and how do they rework it to their advantage or implement resistance – and thus shape the dynamics of territorial economic development?*

**Sub-question 4.** *How do foreign employers and the state change their strategies of control and management in response to workers' agency and actions - and therefore how does labour's agency constrain the developmental options open to them?*

#### **1.4 Relevance of Research Questions**

The central research question (CRQ) seeks to understand if, how and to what extent labour's agency shapes the 'race to the bottom' and the territorial developmental process the race is a part of. The CRQ seeks to challenge a notion of global economic restructuring which presents a dichotomy between mobile capital and place-bound labour and then derives from capital's mobility the immediate capacity to dominate labour. The question works from the assumption that labour is not a factor of production found by capital in a place, but rather one that is actively constructed by the actors involved. Therefore the central research question seeks to locate the role of labour itself in the process of social construction. Against an understanding of workers' impotence *vis-à-vis* capital and state power, I seek an understanding of the ways in which labour's strategies, actions and practices may be said to be *constitutive* of global restructuring and local territorial development processes.

The CRQ attempts to explore the role of labour's agency by understanding how it shapes labour relations within globalized workplaces as well as labour agency's wider developmental effects both for workers and global capital. Labour's agency points towards a wider conception of workers' social being in development; labour's status within factories and also its conditions of existence beyond the factory. The aim is to bring into view a wider set of social relations which labour is at the centre of, including those of its social reproduction in households and communities. The CRQ thus seeks to draw out the effects that foreign-invested production and local social reproduction may have on each other. 'Territorial economic development' directs attention to the ways that labour – and the geographic area more widely - benefits or is disadvantaged by its employment. How workers shape the dynamics of accumulation in those workplaces - and so shape the possibilities for industrial development in the area - will also be brought into focus. An important issue here



is who actually benefits from this specific type of investment and development strategy, and whether the strategy is a viable one which will bring widespread developmental advantages.

*Sub-question 1* addresses the structure/agency debate and debates on regional integration. The question addresses how workers are constrained by the agency of other actors and whether subaltern actors can affect in a historically significant way larger processes of socio-spatial change.

*Sub-question 2* raises the issue of workers' agency and highlights labour market mobility and its role in shaping the dynamics of employment. It works on the assumption that workers' choices in engaging in different forms of employment is an important expression of agency.

*Sub-question 3* speaks to the meaning of labour's agency in development. The question attempts to reframe labour's agency in development away from a hegemonic notion of 'agency as resistance' and highlight other types of significant labour's agency. The question thus prompts one to think about how labour's agency operates to its advantage in constrained political contexts. By focusing on other aspects of workers' agency it broadens the strategies, actions and practices which may be of relevance for development in the local territory and associated global development processes.

*Sub-question 4* addresses debates over labour control regimes as well as debates over the relation between capital-labour relations and the state. The question addresses how labour's agency may condition and constrain the available strategies open to notionally more powerful actors, such as the state, both in the present and in the future. This indicates how, why, and to what extent a particular form of industrial development and capital accumulation emerges.

### ***1.5 Lao Labour's Agency, Fixity and Mobility, Territorial Coherence, and Foreign-Invested Border Manufacturing***

To explain the case of labour's agency in Savannakhet I deploy a conceptual framework which combines the notions of the fixity and mobility dialectic, labour's autonomous agency, social construction, and territorial coherence.

I argue that workers actively shaped their incorporation into global foreign-invested manufacturing primarily through their spatial strategies of fixity and mobility. By labour's fixity I understand their strong ties to certain places – households and communities – and the associated activities which reproduce social relations within those places and the places themselves. Mobility is understood primarily in the senses of international migration, labour

market mobility, and seasonal mobility to switch between industrial employment and subsistence-oriented agriculture. Spatial practices thus emerge as an important part of the Savannakhet manufacturing workers' class composition.

The fixity and mobility dialectic was also of significance to capital's strategies. I employ David Harvey's notion of the 'spatial fix' – whereby capital relocates to new sites due to pressures on profitability - to interpret capital's behaviour. Savannakhet is located on the border with Thailand and on the East-West Economic Corridor (EWEC), a key transport infrastructure development of the Greater Mekong Subregion (GMS) regional integration project. The Savan-Seno Special Economic Zone (SASEZ) was established by the Lao government to attract foreign investment and promote industrialization by offering liberalized import-export arrangements and tax incentives. Foreign firms investing in Savannakhet were typically multinational firms with existing production networks in the region, especially Thailand. They were performing spatial fixes by relocating part of their production process to Laos to take advantage of lower costs across the border.

The race to the bottom is conceptualized as a drive to reduce the social cost of labour, rather than just to reduce direct wage costs or labour rights *per se*. Reducing the social cost of labour entails constructing weak and informal workforces which are unable to claim rights or effectively disrupt production and cause the cost of labour to rise; it is thus based on instituting power relations between capital - and its state backers - and labour. In this sense the firms were pursuing a strategy of racing to the bottom, as they sought in Laos a cheap and easily controllable labour force with little access to labour rights or recourse to legitimate industrial action in an authoritarian political context. Capital and state thus attempted to enact a social construction of labour as informal, lacking access to rights and largely young and female. However, the existing form of Savannakhet's territorial coherence – animated by labour's fixity and mobility – placed some power with labour and caused capital and the state to have to adapt their strategies in response to labour's agency.

Territorial coherence is understood as a combination of a specific form of regulation with a concrete form of the capital valorization process *and* specific forms of social reproduction which result in a relatively stable pattern of development. Territorial coherence is based on the territorial organization of production, with territorial organization understood as both force and relation of production. Territorial coherence raise the question of who the territory is coherent for. I suggest it is possible that a territory is more coherent and stable for social reproduction over capital accumulation or vice versa. Existing forms of territorial

coherence may present barriers to the establishment of new forms of territorial coherence, as I suggest in fact happened in Savannakhet.

Foreign invested factories seeking labour had to contend with an existing territorial coherence in Savannakhet weighted towards social reproduction and based largely on the axis of migration to Thailand and agriculture. Savannakhet's territorial coherence came from many Lao seeking work in Thailand and remitting money and/or having small-scale agriculture as a subsistence platform for livelihoods. Social reproduction in Savannakhet was integrated into capital accumulation but it was largely delocalized through migration to Thailand. An existing form of integration between Laos and Thailand was thus present through the mobility of Lao workers.

Foreign firms sought a new form of territorial coherence between Laos and Thailand by establishing border manufacturing in Savannakhet to take advantage of proximity to Thailand and lower production costs. The existing territorial coherence based on labour's spatial strategies complicated this process, causing changes of strategy on the part of capital. Firms began to increase wages and benefits, make changes in the labour process, and apparently established specific types of labour control regimes in order to retain a stable workforce. Overall, capital accumulation could proceed but in an attenuated way which allowed labour to capture a somewhat increased share of the value produced.

I understand the state, following open Marxist theory, as a complementary political form of capital-labour relations, with the exact forms and functions developing in conditions of historical specificity in relation to class struggle. The development of specific states as social forms of the capital-labour relations is however understood as refracted through overdetermined ideological environments, meaning that states are determined by, and yet irreducible to, the capital-labour relation.

The state transformed itself in relation to capital-labour relations as it reterritorialized space, largely in favour of the territorial coherence of capital. The Lao state reterritorializing its space into the Savan-Seno Special Economic Zone provided the spatial and regulatory conditions which would allow the easy import and export of capital and commodities that allowed zone and border manufacturing to function. Territory thus continued to play a defining role in creating articulatory nodes for production networks and the creation of the regional scale of the GMS. Ultimately, the new attempted form of territorial coherence and regional integration had to come to terms with an existing territorial coherence and it was at their interface that an open and contested development process unfolded.

## **1.6 Main Contributions**

This thesis provides three main theoretical contributions:

1. I develop a concept of labour's agency which contributes to both debates in labour geography and labour in development. By theorizing labour's agency more extensively in terms of fixity and mobility, I contribute to providing a theoretical understanding of how unorganized, everyday agency affects developmental processes, especially in constrained political circumstances.
2. I link autonomist labour theory with the concept of territorial coherence. I thus contribute to spatializing the notion of class composition. This enables an autonomist labour reading of the social construction of territory and scale in the global economy, therefore contributing to filling a gap in the literature which largely locates agency in such processes with state and capital actors.
3. I refine the notion of the race to the bottom by linking the social cost of labour with territorial coherence to provide a framework for understanding how mobile capital must adapt to specific, local conditions when relocating. In doing so I demonstrate the continuing relevance of territory in the global economy.

The main empirical contributions of this thesis are:

1. I provide - as far as I am aware - the first academic study of foreign-invested export-oriented manufacturing in Laos outside of the garment sector.
2. I contribute the first academic study of the Savan-Seno Special Economic Zone.
3. I provide evidence for how Laos and Lao labour are incorporated into the Greater Mekong Subregion project.
4. I contribute to understanding how the Lao state is developing as a capitalist state.

## **1.7 Methodology**

This study takes as a starting point for empirical investigation the two existing theoretical notions of the race to the bottom and labour's agency. Border manufacturing in Savannakhet offers a case study which can test the limits of this existing theory in order to critique and refine it, with the aim of establishing a more inclusive research orientation. The task set for the enquiry is thus *theoretical reconstruction* rather than the theoretical generation of inductive grounded theory (Burawoy 1998; Glaser and Strauss 1967). Existing theories on the race to the bottom, especially regarding spatial practices within the new location, and on how labour's agency is seen to operate, were deemed insufficient to fully

explicate the case. The approach taken resembles Burawoy's 'extended case method' in which generality is not inferred from the data but rather 'we can move from one generality to another, to more inclusive generality' (1998: 16). The uniqueness of the case is therefore not a problem because we are less interested in its general 'representativeness' as much as how it can contribute to reconstructing theory (ibid. 16). The aim here is to avoid the methodological trap of creating a dichotomy between 'either specific and context-dependent or universal and generalized' (Morgan 2007: 72). Following Morgan (ibid. 72) it is questionable 'for research results to be either so unique that they have no implications whatsoever for other actors in other settings or so generalized that they apply in every possible historical and cultural setting'. Theoretical reconstruction which allows for a refinement of a theory to account for more cases – to show the possible implications for actors in different settings - is thus preferred to a restrictive focus on representativeness. Theory in the extended case approach is the precondition of research (Burawoy 1998: 25). New empirical details are sought in the investigation of the case, but they are taken to be building blocks for the reconstruction of theory and not a positive real world 'truth' (ibid. 27). The logical form of reasoning thus involves abduction, whereby anomalous facts are observed and reasons sought for those facts, occasioning theoretical reformulation and innovation (Timmermans and Tavory 2012). The anomalous nature of specific empirical instances means they cannot be used as generalizations, but they are however sufficient for highlighting the inadequacy of existing theory, and the need for a revision of the theory. The theory then becomes capacious enough to cover other empirical settings without necessarily having to apply in its entirety to those settings. It is enough that the theory has incorporated the previously anomalous elements so that it can highlight potential empirical details to be pursued by the researcher in other cases, without claiming that those details will have necessary pertinence in the different historical and social circumstances.

The methodological heuristic and conceptual framework that provided the entry point for the investigation was Katz's (2004) conceptualization of labour's agency as operating in the modes of 'resilience, reworking, and resistance' combined with the autonomist premise that labour's agency drives changes in capitalist organization. Of specific interest was testing how the notions of resilience and reworking could effect change on the part of capital and the state. Such an approach has significant relevance due to the highly constraining political environment in Laos which severely represses direct and confrontational action - resistance - in civil society. On this basis two hypotheses were constructed to both test the theories and provide grounds for theory reconstruction (Gerring 2007: 39). The hypotheses were:

1. *Workers' agency shapes the specific characteristics of labour relations through a number of everyday strategies which build resilience and enable them to at times improve their position in the capital-relation.*
2. *Workers' strategies for building resilience and improving their positions, reworking, cause employers and state institutions to change their own strategies and methods of producing, dominating and managing the labour force, thus providing a counter-acting source of power to the race to the bottom dynamic.*

The hypotheses indicate certain modes of action but the content of those modes is left open to question, leaving space for anomalies and surprising results to appear. Using these theoretically grounded hypotheses as a guide I will seek to show where, when, why and how labour's agency matters in the case of Savannakhet border manufacturing. Drawing conclusions from these empirical instances I will then reconstruct theory accordingly.

Causality will be inferred by applying process tracing, whereby 'multiple types of evidence are employed for the verification of a single inference' with evidence drawn from 'unique populations' (ibid. 173). The value of a method of inference construction that relies on multiple strands of evidence lies in highlighting '*different aspects* of a causal relationship, providing a form of triangulation' (Gerring 2012: 333, original emphasis). George and Bennett (2005: 207) observe that '[p]rocess tracing is an indispensable tool for theory testing and theory development'. Process tracing generates many observations within a case and then requires that the observations are linked in specific ways in order to constitute an explanation for the case (ibid. 207). This is of import for the application of the extended case method in that in using process tracing all the steps within a causal chain must be accounted for by a hypothesis 'or else that hypothesis must be amended – perhaps trivially or perhaps fundamentally – to explain the case' (ibid. 207). Process tracing thus plays an important role in case-based theoretical reconstruction. Such a method of inference construction is also appropriate to a historical and relational understanding of causality (ibid. 223), which seeks to outline the mutually constitutive relations between the agency of different sets of social actors.

### **1.8 Fieldwork Process and Methods**

Fieldwork was conducted in Laos from October 2013 to June 2014 (from December 2013 in the main Savannakhet fieldwork site). Participants were selected through 'purposeful sampling' and 55 interviews were conducted (Cresswell 2013: 154-157). Four groups of

informants were identified and approached for interviews: company managers; local state officials; Savannakhet workers; and experts from non-governmental or international organizations. One technical school manager was also interviewed. The first three groups were the major stakeholders in the case of foreign-invested manufacturing in Savannakhet and it was intended that a relational picture would emerge of how each conditioned and constrained the strategies and actions of the others. With regard to workers both local factory workers and migrants working in Thailand were interviewed, although the local factory workers were the main focus within this group. Methods of contacting informants varied. With experts, the snowballing technique was the main method of contact (Overton and van Dierman 2003: 43). Company managers were primarily contacted through formal approaches via Savannakhet University, at which I was based during fieldwork. Workers were initially contacted through the University formally approaching village heads. The village heads then acted as gatekeepers and introduced me to workers in their villages. Snowballing was then undertaken to contact more workers after initial contact was made. Villages for worker interviews were initially selected on the basis of information gathered in company manager interviews. Other villages were selected on the basis that they were: 1) rural, as company managers informed me that most of the workforce was from local rural villages, and 2) in a 20 kilometre radius of the Savan-Seno Special Economic Zone, as the emphasis was on factory workers from across the local labour market.

Six weeks were spent in the capital Vientiane during which I awaited relevant permissions from the government for conduct of fieldwork in Savannakhet. During this time two expert interviews were conducted, advice was sought from other knowledgeable actors based in NGOs, and secondary data was gathered. The research process can be an uncertain and contingent one requiring flexibility and the rapid adaptation of pre-conceived plans when in the field (Brydon 2006). This proved to be the case in my fieldwork. In Savannakhet, the initial focus was on factories in the Savan-Seno Special Economic Zone and factory workers. It rapidly emerged however that other foreign-invested factories outside the zone had a bearing on the local labour market and whose managers and employees could provide important data. The investigation was therefore expanded to these factories. Moreover, the importance of the extent of migration to Thailand became quickly evident and so the initial focus on local factory workers was widened to include data gathering from returned and current migrant workers.

The primary research method was the semi-structured interview. For each set of interviewees a separate questionnaire was prepared which would allow a checklist of

respondent-relevant topics to be covered while simultaneously enabling unexpected facts and lines of enquiry to emerge. Questions which were theory driven and hypothesis directed were asked (Flick 2014: 218) with assumptions embedded in the questions which have 'the purpose of making interviewees' implicit knowledge more explicit' (ibid. 219). At the core of each set of questionnaires was the issue of labour's agency. Katz's (2004) methodological heuristic of 'resilience, reworking, and resistance' was used to frame questions concerning workers' employment and living conditions. Interviews with company managers, state officials, and non-governmental organization staff followed a more open semi-structured pattern, but interviews with workers tended to follow a more structured adherence to the question list. All types of interviews featured pre-prepared 'probe' questions (Flick 2014: 208). Due to the more structured adherence to the interview schedule with workers, probe questions were especially useful for eliciting information with this group of respondents.

As many interviews as possible were conducted up until a point of saturation (Sarantakos 2005: 349). Thematic analysis was undertaken through the development of data codes (Gibson and Brown 2009: 130). Code construction was concept-driven and data-driven (Gibbs 2007: 44-45). Concept-driven codes related to existing topics from the literature or the interview schedule such as recruitment location, wages, working hours, or motivations for firm relocation. Data-driven codes gathered unexpected themes or themes not easily fitted in the study's pre-existing conceptual categories such as worker retention incentives, or house construction. Codes were collected into 'code families' in order to draw attention to important relationships between the codes, for instance the code family 'non-factory livelihood practices' (Gibson and Brown 2009: 138). Both topic and analytical code families were used (Richards 2015: 110-112). For instance, the code 'non-factory livelihood practices' was used to collate all information related to that topic, whereas analytical coding involves a greater level of abstraction to collect a variety of data that are linked together into a conceptual category. The code of 'fixity' was a conceptual code linking together a number of legal, material, and social practices.

The technique of triangulation was also employed to build a more comprehensive and objective representation (Silverman 2006: 291). I gathered secondary data from local and national government agencies, including national- and local-level statistical data, and also maps of the district. A walk-through observation of conditions was undertaken in two factories. In addition, when the importance of farming in factory workers' lives became obvious a small quantitative survey of 41 respondents was undertaken in one village from which many workers came. The target participants were heads of farming households



selected on the basis of area sampling (Sarantakos 2005: 162). Claiming no wider representativeness the survey was primarily used as a technique of triangulation to corroborate and contextualize interviews.

The methodological approach and methods outlined allow me to answer the central research question and sub-questions and engage in theoretical reconstruction of labour's agency in export-oriented foreign-invested manufacturing in Savannakhet, and Laos' integration into the Greater Mekong Subregion project.

Research was conducted in line with SOAS's ethics policy. All participants were informed in advance, either in writing, verbally or both, of the content and aims of the research. Consent was given by all participants for the anonymized use of interview data. Some participants however waived the right to anonymity. Workers, factories, factory managers, have all been anonymized under pseudonyms in the empirical chapters.

### ***1.9 Structure of the Thesis***

Chapter 2 outlines key concepts on the race to the bottom and labour's agency in development. I develop a concept of race to the bottom as a push to decrease the social cost of labour through creating informality, and a spatialized conception of labour's agency which goes beyond the common frame of resistance. Chapter 3 develops a geographical political economic framework for the case, linking labour's agency with the concepts of the spatial fix, territorial coherence, and regional integration as scale construction. The theoretical approach thus defined, Chapter 4 outlines a brief history of Laos with special focus on Laos' relations with powerful external actors and its changing economic geography. Chapter 5 discusses the contemporary political economy of development in Laos in light of ongoing regional integration processes. The chapter analyzes the key role of the state in reterritorializing Lao space to benefit powerful external actors and in managing the mobility of Lao populations. I deem the state's reterritorialization of space as a key means to regional integration, using the case of special economic zones in the north of Laos to illustrate the argument. Chapter 6 recounts the history and contemporary situation of labour in Laos. The theme of the state as a political form of capital-labour relations is developed. Contemporary migration and manufacturing are two key focuses of the chapter. With the historical, geographical and political economic background established I turn to empirical analysis in Chapter 7, outlining the local context of Savannakhet and increasing foreign direct investment in the area. I thus analyze the establishment of the Savan-Seno Special Economic Zone and how it is inserted into regional integration. Chapter 8 presents how workers'

agency manifests in Savannakhet manufacturing, especially exploring labour's spatial strategies. Chapter 9 develops the themes of the previous chapter to demonstrate how foreign-invested companies and state institutions have had to adapt their strategies in light of workers' agency. The chapter explores the implications of the relational agency of labour, capital and the state for economic development in Savannakhet and Laos' regional integration.

## Chapter 2: Labour Agency, Social Construction and Development

The rise of globalized production has involved new divisions of labour and the incorporation of more people as labour within global capitalist social relations. The power of capital to relocate in search of low-cost production environments has led to claims of a race to the bottom in wages and labour rights. The power to act and influence in this race is often analytically and discursively located with companies and state actors. However, capital and states attempting to attract and develop capital are, I believe, only formed in a conflictual relation with labour. This calls for a reconsideration of how workers themselves influence the transformations in global production and with it development processes at multiple geographic scales. I propose that a concept of labour's agency rich and flexible enough for application to contemporary global production must be developed. To do so I analyze three interrelated themes: the race to the bottom; labour's agency in development; and labour's spatial agency. I suggest that understanding transformations in global production as primarily capital's power to move – a race to the bottom – tends to be teleological and elides labour's agency as a constitutive part of global capitalist development. I do not deny that capital behaves in this way but a focus on capital's powers runs the risk of missing important counter-tendencies and contestation. I thus seek to reassert labour as a developmental actor. Especially, I seek to highlight the importance of non-institutionalized, everyday practices and actions of labour in distinction to formal organizations such as trade unions. I try to ascertain labour's role in its own *social construction*. This leads me to consider the role of space in labour's agency. Space matters, I suggest, because labour makes strategic use of it, and so a focus on labour's spatial agency – especially what can be deemed the dialectic of fixity and mobility – is especially apt for understanding labour's non-institutionalized practices. In short, I suggest that workers' practices of moving between places and being 'fixed' – for instance having strong ties and obligations to families and associated socially reproductive activities - in certain places is especially useful for comprehending the case of Lao border manufacturing. I draw on several theoretical sources to build this understanding of labour's agency.

Knafo's (2010) argument for the methodological importance of agency in social analysis appears to me as an important point of orientation. Social relations and identities are, I believe, continually constructed through the actions and practices of social actors. Any critical approach must attempt to reveal how power operates and who benefits from any

specific historical-geographical social construction (Taylor 2009). Social construction is thus a key organizing concept of this study, as the logical corollary of a focus on agency. Approaches which re-centre labour in capitalist development, including autonomist Marxism (Cleaver 1992) and open Marxism (Bonefeld 1992 et al), provide another conceptual foundation. The creation of the social relations of globalized production, I propose, proceeds through the strategies, practices and actions of multiple social actors, centred around the core antagonism of capital and labour in determinate historical-geographical conjunctures. Katz (2004) offers a heuristic for understanding different modes of labour's agency that are not reducible to resistance. Smith (2006) and Kelly (2009) offer ways to think about the mobility and fixity of labour, while Coe and Jordhus-Lier (2011) provide insights for situating labour's agency in a dense web of social relations which both constrain and enable agency. Before expanding on these themes I analyze notions of a race to the bottom in contemporary global production. 'Race to the bottom' is interpreted as an attempt to drive down the *social cost* of labour rather than wages or labour rights *per se* (Chang 2009). What is suggested by the present case is that the race to the bottom is not unilinear and inexorable but a contested process filtered through the conditions of local labour markets and dependent on the social construction of workforces.

## **2.1 The Race to the Bottom**

### **2.1.1 The Race to the Bottom: Labour in a Globalizing World**

Shifts in global manufacturing production since the 1960s have been one of the key elements of global capitalist restructuring, and have led to the 'race to the bottom' thesis (Selwyn 2013). In the post-Second World War era of decolonization<sup>1</sup> the advanced capitalist countries (ACC) of Europe, Japan and North America maintained their positions as the industrial and manufacturing core of the world economy.<sup>2</sup> Fordist production systems and Keynesian policies sustained a post-war boom through the 1950s and 1960s. A collapse in investment and a major economic crash in the ACCs spurred by the OPEC oil crisis occurred in 1974 leading to stagflation; stagnant growth and high inflation (Armstrong et al 1991: 172. 228). The crisis and stagnation in the ACCs was not the only phenomenon of rapid change in the post-war period. Newly industrializing countries from the global South,

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<sup>1</sup> A global colonial division of labour had broadly involved colonized countries in a subordinate position of raw commodity provision to metropolitan producers of high value-added manufactured goods (see Breman 1989; Breman 1990; Northrup 1995; Blackburn 1997; Kaur 2004; Slocomb 2007; Raman 2010; Beckert 2015).

<sup>2</sup> Theoretically this led to core-periphery and dependency models. See: Frank 1969; Wallerstein 1989.

including the four 'Asian Tigers' of South Korea, Taiwan, Hong Kong and Singapore, experienced average export growth of 11 percent per year between 1970-1980, and created an increasing share of global manufacturing output from the 1960s onwards (ibid. 288; Dicken 2011: 31).

The crisis in the ACCs in the 1970s helped to drive the relocation of production (Armstrong et al 1991: 267-269). The dispersion of manufacturing to sites in the global South constituted what Frobel et al (1980) referred to as 'the new international division of labour' (NIDL). Manufacturing was relocated by ACC firms to low-wage production locations in the global South as one means of alleviating the crisis of profitability (Dunn 2004: 30-31; Dunn 2009: 162-163; Dicken 2011: 20-21). Accordingly foreign direct investment jumped massively in importance as a share of countries' GDP (Dicken 2011: 22-32). The increased transnational mobility of capital and relocation of production have led some to claim an inexorable dynamic for the restructuring of global capitalism.

The 'race to the bottom' thesis posits that the pressures of global competition and the high mobility of capital leads investors to seek out locations with ever lower wages and poorer labour rights standards. Capital mobility will in turn lead states to compete on deregulating and disciplining labour, and to cut back on welfare spending in an effort to attract FDI (Chan and Ross 2003; Mehmet and Tavakoli 2003; Rudra 2008). Other authors have countered this bleak view with the argument that globalization can actually have positive effects for labour through providing job opportunities or importing decent ACC labour standards or practices along with capital (Krugman 1997; Kabeer 2004; Mosley and Uno 2007; Greenhill et al, 2009). The majority of literature on labour and globalization it seems to me, implicitly or explicitly, uses or responds to the notion of the race to the bottom.

The 'race to the bottom' is a notion which requires unpacking because it is used by different authors to refer to different things. What exactly is the 'bottom' in question? Scholars have used it to refer to distinct, yet interrelated things, but particularly: labour rights; direct labour costs; and the social cost of labour. This has led to different answers as to whether a 'race to the bottom' is really taking place or not. I propose that the race to the bottom is best conceptualized as one of a race to the bottom in the social costs of labour. A focus on labour rights or direct wage costs is too narrow to fully comprehend the benefits which accrue to capital from production relocation.

### **2.1.2 Rights and Exploitation in a Race to the Bottom?**

One prominent strand of mainstream labour literature investigates the impact of globalization on labour rights. The race to the bottom is framed in terms of access to and enforcement of collective labour rights, particularly free association and collective bargaining. Operating within a positivist, quantitative approach, no conclusive consensus has been reached with studies finding variously for positive impacts on labour rights (Neumayer and De Soysa 2006), FDI seeking locations with stronger rights protection (Kucera 2002), negative impacts (Mehmet and Tavakoli 2003) or a mixture of positive and negative effects of mobile FDI (Rudra 2005; Mosley 2008; Mosley 2011; Blanton and Blanton 2012). This debate however suffers from severe conceptual and methodological limitations. First, the focus on labour rights as the primary methodological entry point to ascertain globalization's impact is too narrow a conceptualization of the relationship between workers and the global economy. Second, labour is often treated in this work as a homogenous category. This is a problematic consequence of methodological nationalism and use of cross-country panel data sets. What this leads to is making labour's agency largely absent as labour is reduced to the passive recipient of global forces.

An alternative approach taken by more critical scholars has been to highlight how the suspension or violation of labour rights allows wages to be suppressed and exploitation to unfold (Elson and Pearson 1981; Deyo 1989; Chan and Ross 2003; Chan and Ngai 2010; Chan and Siu 2010; Dominguez et al 2010). Elson and Pearson (1981) provided a classic statement of how developing country states abrogate rights to payment of minimum wages, length of the working day, freedom of association, industrial action, and collective bargaining in order to push down wages in 'world market factories' and raise the rate of absolute surplus value. Frobel et al (1980) noted the growing use of outsourced, fragmented production which broke down production processes into low-skilled and highly labour-intensive operations across multiple sites.

Literature linking the violation of labour rights as part and parcel of the drive to reduce the direct costs of labour in export manufacturing have often used national, sectoral and/or factory level case studies to illuminate the grievous exploitation that occurs in the name of trade and development (Chan 2001; Ngai 2004; Arnold and Hewison 2005; Chan and Ngai 2010; Crinis 2010). Chan (2001) for instance has drawn on numerous incidents of rights violations and employer violence and negligence in Chinese factories to claim that China's workers are 'under assault' in the globalizing economy. These studies demonstrate that

capital attempting to reduce direct wage costs via relocation is certainly a tendency in global restructuring. Drawing the conclusion from these studies that the race to the bottom is *only* about driving down wages would however, I believe, be mistaken. If this were the case it might suggest that all factories would engage in these coercive measures in order to stay competitive. On the contrary, low-skilled manufacturing factories may sometimes pay much higher wages than legal minimums because they prioritize, for example, workforce retention (McKay 2004). States have been complicit in exploitative abuses by suspending, removing, and not enforcing rights or processing them in an attenuated, corporatist form (Fernandez Jilberto and Riethof 2002; Glassman 2004; Pringle and Clarke 2011). The issue of state (in)action to drive down wages, I would propose, actually indicates that the race to the bottom can be conceptualized at a deeper level than relocation for wage reduction.

A general trend of informalization of labour has been identified by many scholars as characteristic of the contemporary global labour regime. In informalization rights are curtailed, benefits and entitlements stripped away and employment constituted and reconstituted as a casual and non-permanent relationship with the end of providing flexible workforces attractive to mobile capital (Standing 1999; Davies and Ryner 2006; Webster et al 2008; Vosko 2010; Standing 2011; Breman 2013). The recomposition of labour on terms advantageous to employers appears to be at the core of neoliberal strategies to facilitate the expansion and circulation of global capital flows. A key contemporary task has thus been to map the manifold ways in which this occurs in both developed and developing countries (Arnold and Bongiovi 2013; Breman and van der Linden 2014). I draw on the notion of informality to highlight how the race to the bottom can be read in terms of social power relationships.

### **2.1.3 The Social Cost of Labour**

Chang (2009) contends that the development of integrated production, distribution and consumption systems on a world-scale to create a 'global factory' has made capitalist labour the common substance of social life.<sup>3</sup> Capital permeates and subordinates all spaces, times and aspects of society to commodity production and consumption (see also Dalla Costa and James 1975; Cleaver 2000). The global factory allows capital to organize labour into a specific social form, 'it becomes *commonly informal*' no longer requiring 'regular, protected and formal jobs for accumulation' (Chang 2009: 165, original emphasis).

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<sup>3</sup> Chang's focus is Asia but the argument logically extends to the global scale.

'Informal' work does not only apply to the 'informal sector'.<sup>4</sup> Informality is not primarily constituted as a legal or institutional relationship but fundamentally as a *power* relationship between capital and its state backers on the one hand and labour on the other. Thus informal work can exist as 'in-fact' informal labour within regulatory systems of standard legislation as employers and labour movements lack the will and/or capacity to protect workers (ibid. 167). '[F]ormal workers' may 'have no power to access legal and institutional regulation and...the standards to which they are entitled' (ibid. 170). This latter group may include agency workers, migrant workers, special economic zone (SEZ) workers, and workers in countries with no or few democratic unions (ibid. 170).

Capital then relentlessly seeks to impose the informal as the social form of labour in order to drive down the social cost of labour. Social costs of labour come in many forms including but not limited to: increase in wages; increase in indirect labour costs such as hiring and retention costs or welfare taxation; and the increasing costs of exploitation that increase investment costs, but which do not match proportionately the increasing rate of exploitation i.e. expensive investment without labour working faster or harder (ibid. 177; cf. Standing 1999: 98-101). This has implications for the conception of the 'race to the bottom' as it indicates that capital seeks to shed labour costs which are indirect as well as direct, and potential as well as actual. Potential costs may come from operating in environments where workers are able to effectively claim rights and entitlements and possess the power to disrupt production, so capital's strategy becomes to either informalize workers by pushing to remove protections and weaken labour or to move to places where labour lacks the capacity to claim legal entitlements (Holloway 1995). Reducing the social cost may involve reducing wage costs, but companies may not choose to compete on wage costs if higher wages are necessary to stabilize the workforce and social costs can be curtailed through deprivation of legal rights (McKay 2004; Xue 2008; Anner 2015). Theorizing the race to the bottom as social cost of labour may also, it appears to me, be consistent with capital moving to places where direct labour and/or indirect costs, such as pensions, benefits and labour taxes, are both relatively higher than other places, but where capital can contribute less tax overall to the maintenance of the social infrastructures which reproduce that labour (Harvey 2006: 401-402). For example, tax exemptions in export processing zones may be understood in this light.

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<sup>4</sup> Itself part of an untenable dualism. See Breman 1976.



Conceptualizing the ‘race to the bottom’ in terms of the social cost of labour and the expansion of a particular set of power relations enables us to see how globalization puts downward pressure on the costs of labour without necessarily reducing formal labour rights or entailing that production relocates to the country with the lowest wage costs. Looking at the social cost of labour and dynamics of informalization, I suggest, are especially useful in the present case. Focusing on the expanded notion of social cost of labour also allows us to identify the race to the bottom as a general tendency of spreading and deepening power relations within the global factory while allowing room for counter-tendencies, such as workers’ resistance.

#### **2.1.4 Labour’s Response**

Informalization of labour in the neoliberal global economy has undermined trade unions and labour movements (Standing 2009: 88-90). This has been most notable in countries with well-developed labour movements, as demonstrated by falling trade union densities (OECD 2016). Informalization and its consequent fragmentation of workforces has also affected the capacity of unions to organize in developing countries (Fernandez Jilberto 2002; Hewison and Tularak 2013). A range of strategies have been advocated to revive trade unions. Broadly speaking suggested responses fall into two categories: building coalitions within communities and other social movements (Seidman 1994; Moody 1997; Lambert and Webster 2001; Waterman 2001; Brookes 2013); and rescaling unions into new international configurations such as global labour federations (Piven and Cloward 2000; Evans 2010; Evans 2014). For reasons of space these strategies and their drawbacks<sup>5</sup> cannot be addressed in-depth here. It is sufficient to note that they indicate that any narrative of a unidirectional race to the bottom and working class defeat is problematic. The global restructuring of power relations between capital and labour is uneven and variegated. However, such approaches have a tendency to present labour as essentially *reactive*. The focus is on the *response* to globalization which it is inferred is primarily enacted by capital and states. This precludes examination of how labour’s agency operates *within* the process of global restructuring. The notion of rescaling also highlights another aspect which is not well addressed in much race to the bottom literature: the specifically spatial elements of labour’s incorporation in global restructuring. For example, the methodological nationalism of mainstream, positivist work may occlude wide subnational differences.

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<sup>5</sup> See Silver and Arrighi (2000); Cumbers et al (2016).

Capital then can be said to prefer weak, precarious labour forces and to actively seek them out when attempting to relocate production. 'Seek out' is perhaps a misleading way to frame the process of global labour incorporation because it implies that precarious labour is waiting to be found, already existing in a state of automatic structural weakness *vis-à-vis* capital. This would be to elide the multiple strategies, actions and practices of key actors such as companies, state officials and workers themselves which *socially construct* labour forces in relation to mobile capital.

## **2.2 The Social Construction of Labour for Global Manufacturing**

E.P. Thompson in his *The Making of the English Working Class* (2013) provided an early and highly influential account of working men and women's agency. For Thompson the English 'working class did not rise like the sun at the appointed time. It was present at its own making' (ibid.8). Class, for Thompson, should not be thought of as a structure or category but rather as a historical relationship embodied in real people and contexts. The coming to class-consciousness was a contested and arduous social process (ibid. 8). In a similar way labour should be thought of as actively constituted by multiple actors. Focusing on the *social construction of labour forces* directs attention to the multiple strategies of capital and states that attempt to create weak, informalized labour forces for capital's global restructuring. The focus here is on the state's and capital's roles in this process, before addressing workers' role below.

Labour is a fictitious commodity: human beings are not created with the intention of the sale of their labour-power in the labour market (Polanyi 2001; Marx 2013). Workers must be shaped in certain ways that enable buyers of their labour power to put them to work productively. Labour is thus formed through 'the interaction of contested material, social and cultural processes that are filtered through the specific institutional contexts of different locales' (Taylor 2008: 21). Labour forces for low-cost export manufacturing can be moulded through: the institutional and regulatory structures of the state; the hiring and labour control strategies of employers; practices of inclusion and exclusion which dictate who can enter the workforce according to factors such as class, gender, age and ethnicity; and relationships within families which determine which members engage in wage labour (ibid. 21).

State policy is often pivotal in labour force formation for strategic economic goals. For example, in China's economic reforms, starting in 1976, state policy was crucial in altering

the relations of employment and social welfare in society - through the *hukou* fixed residence system and the destruction of the Maoist 'iron rice bowl' welfare institutions - so that a large swathe of the population would become available for wage labour in the nascent private manufacturing sector (Cantin and Taylor 2009). State policy can thus be crucial for commodifying labour and enlarging the pool of surplus labour from which capital can draw. State policy can also influence the terms on which labour is sold as a commodity, namely the wages and working conditions within enterprises. Significant variation between countries can occur in similar enterprises due to alternative types of state mediation of industrial relations, as for example in Chan and Wang's study of Taiwanese-invested factories in China and Vietnam (2004).

The notion of a labour control or factory regime (Burawoy 1985) may be usefully deployed here to illustrate how the state's regulation of the production process constructs workers in different workplaces. Burawoy makes a broad distinction between strategies of coercion and consent and derives from this the ideal types of market despotic and hegemonic regimes (ibid. 87). The former depends on economic and employer coercion to secure control while the latter emphasises the state's regulatory and ideological role in resolving conflict and incorporating workers' interests into a hegemonic form of control (ibid. 12-13).

Strategies to form and control labour unfold at multiple interlocking scales through a variety of institutions. At the factory level different companies can pursue different strategies depending on the requirements of the labour process and local labour market conditions. For example, in the advanced electronics sector:

*Given the need for production quality and stability, management often prefers worker consent over coercion, even in the absence of state intervention to enforce labour laws or provide welfare provisions. This is increasingly true for final assembly processes, since on-time delivery is crucial and a consent-based system is potentially less disruptive (McKay 2004: 174)*

Firms, in this argument, may thus adopt different labour control regimes based on their position within the value chain (McKay 2004; Xue 2008). Different labour control regimes may be present even within the same factory for different sections of the workforce. For example a more hegemonic regime for a permanent, core workforce may exist and another tending to despotism for the informalized, temporary workers working by their side (Webster et al 2008; Zhang 2008). Labour control regimes also extend beyond the factory

to community level institutions such as churches which frame workers' lives (Kelly 2001; Kelly 2002; Neethi 2012).

The feminization of workforces for industry has also been a widespread phenomenon in industrializing countries. The preferences of capital and the social expectations of women's participation in labour markets combine to produce largely feminized workforces in industries such as garments, textiles and footwear. Capital displays preferences for young women workers as they are cheaper and also viewed as more docile and compliant and so less likely to lay claim to work rights (Mies 1986: 117; Theobald 2002; Caraway 2005). In addition capital discursively constructs young women, in distinction to men, as having 'nimble fingers' which are able to cope with detailed manufacturing tasks such as sewing (Elson and Pearson 1981).

Migration flows are also used by both developed and developing country employers to secure a steady supply of cheap, weak labour. These migration flows can be formal and documented but are often informal, including trafficked workers. Migrant workers are subject to legal restrictions on both the duration of their stay and on where and in what industry they can work. This can create a workforce which is vulnerable and compliant, as workers fear deportation, and which is funnelled into precarious and low-wage sectors (De Genova 2004; Binford 2009; McDowell et al 2009; Anderson 2010; Harrison and Lloyd 2012; cf. Breman 1996). Workers may also be bound to specific, highly exploitative workplaces through restrictive labour contracts or practices such as the confiscation of travel documents (Arnold and Pickles 2011; Kothari 2013). Racialization of labour combined with the process of feminization has led to workforces which are doubly subordinated in relation to other groups of workers. For example, in Thailand undocumented Burmese women migrants have been constructed as a low-cost, disposable workforce for the garment industry, with few other sectors open to them (Pearson and Kusakabe 2012; see also Resurreccion and Sajor 2010).

Social construction is thus a key element in the incorporation of workers into global capitalist relations. Social construction indicates how capital and states must actively pursue strategies which first, entail the use of power and coercion, and second, take advantage of and reproduce social inequalities and differences in order to form labour forces suitable for specific industries. However, many of these accounts treat workers as passive in this process; as the putty that is moulded by powerful state and business actors. While applying Burawoy's concepts of factory regime they actually lose sight of a major

point of his work; the emphasis on the worker's subjective experience (1979: 77). Studies instead approach coercion and consent from the side of capital and fail to explain what it is that needs to be controlled. There occurs a collapsing of labour's agency into an unruly mass which necessitates disciplining. A methodological entry point of the labour control regime tends to look first at the institutional structure thus making that structure of control precede the social relations which generated it. It begs the question of what needs to be controlled in the first place. What is it exactly about the specific social relations in specific places that means a specific labour control regime exists and not any other? Using labour control as the entry point, or explaining in terms of a firm's requirements in the value chain, can only answer this question in an indirect and attenuated way. What I will seek to show is that approaching social construction and development processes from the perspective of labour's agency is able to provide insights that may be missed by a labour control regime focus. Paying attention to the social construction of labour through intentional strategies also enables a more open analytical approach to global social dynamics.

## **2.3 Agents of Development**

### **2.3.1 Open, Contested Development**

'Development' is fruitfully understood as a historically open-ended process, contrary to the teleological and structuralist implications of a straightforward 'race to the bottom' framing. 'Development' here is understood broadly as the transformation of social relations, incorporating the contested process of capital accumulation and the practices of agencies such as governments to stimulate and modify that process ('intentional practice') (Cowen and Shenton 1995: 28; Bernstein 2006: 50). I frame my interpretation in the historical materialist critique of political economy provided by Marx (2013), for me the most compelling analysis of capitalism.<sup>6</sup> In my understanding, the social relations of capitalism are understood as having economic, political, ideological and cultural aspects, and as

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<sup>6</sup> Briefly, in the historical materialist account, capitalism centres around the capital-labour class relation, whereby capital controls the means of production and is able to appropriate the surplus value – the difference between the value produced and what the direct producers are paid - which workers create in the labour process. Capital then is essentially a social relation, but one which is mediated through the valorization process where value is produced by labour and then valorized in exchange. Capital as money (M) buys the commodities of the means of production and labour power, turns them into more commodities (C) and realizes their value as profits in exchange (M') to leave the central formula of M-C-M'. Capitalist competition compels endless re-investment of profits and perpetual creation and destruction of value. Opposing class interests in the distribution of the surplus and organization of the labour process – especially over labour time - make capitalist social relations of production inherently conflictual and contradictory. Class struggle is therefore central in capitalist development (Marx 2013).

inherently conflictual and dialectical<sup>7</sup> (Clarke 1977; Roberts 2002; Ollman 2003; Sum and Jessop 2013). The 'intentional practice' of development is widely understood in terms of actions taken towards creating a modernized, liberal capitalist social formation as the *telos* (Thomas 2000; see also Rostow 1990; Escobar 1995). 'Development', I would suggest on the contrary, does not however proceed in a teleological, linear, and even manner. Even in so-called 'developed' countries the transformation of social relations constantly occurs. That capitalism always seeks expansion and to overcome barriers to accumulation is inherent to it as a mode of production, as is instability, crisis, and uneven spatial development (Clarke 1990; Taylor 2007; Brenner 2009a; Duménil and Lévy 2011). Conceiving of development as open directs attention to power and those who wield it and suggests that the continuance of that power is not inevitable. A lack of inevitability and the variable historical-geographical concreteness of global processes should be borne in mind when we turn to analyzing the case of Lao border manufacturing.

### **2.3.2 The Relevance of Agency**

I suggest that a methodological focus on agency yields rich insights into developmental processes. It is a guiding assumption of this work that social relations and structures are not naturally occurring phenomena but socially constructed through the intentional and non-intentional actions of social agents. Explaining the relation between structure and agency thus cuts to the heart of questions of social transformation and power (Cox 1981). The concept of structural power can be taken to mean that power resides in the structural location occupied by a person or group in a set of social relations which people must participate in due to the centrality of these relations in social production and reproduction (Glassman 2003: 681). For example class location and gender bestow structural power within social structures of capitalism and patriarchy, power which may be used intentionally or confer unintentional benefits (ibid. 681). Structural power as a notion however carries with it the danger of analytical reification of a fluid and changing reality:

*while the notion of structural power puts a premium on social change, it also paradoxically, made it difficult to conceptualize social change because it entailed a circular logic: if structures empower the very people who are interested in protecting*

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<sup>7</sup> Following Ollman (2003) dialectics is understood as a method which identifies the internal relations which constitute social phenomena. Things are construed as existing only in and through their relations with other things so that those relations are internal to, and thus constitutive, of a thing. Four kinds of relations are of particular relevance: identity/difference; interpenetration of opposites; quantity/quality; and contradiction, with contradiction of most importance (ibid. 15-19).

*a given social order, how can we explain change?...how can less privileged social forces overcome the biases embedded in society in order to transform it?* (Knafo 2010: 497; see also Bonefeld 1992)

Such a reification of structure is accompanied by a tendency to structural determination, whereby any change can only be explained at the ontological level of structure (Knafo 2010: 499). Giddens' (1984) concept of structuration attempts to overcome the binary between agency and structure by arguing for their intertwined complexity in social causation. Giddens argues that agents and structure constitute each other, and also that structure has contradictory effects for agents: 'the structural properties of social systems are both medium and outcome of the [agential] practices they recursively organize...Structure is not to be equated with constraint but is always both constraining and enabling' (ibid. 25). Structure thus provides 'recursively organized' rules and resources for action, which in turn shape and change those sets of rules and resources (ibid. 25; cf. Jessop 1990).

Knafo (2010) suggests however a key limit to the structure/agency debates which Giddens' work<sup>8</sup> exemplifies. Knafo argues, persuasively I think, that agency is best approached as a *methodological construct* for framing analysis rather than an ontological object of analysis. This is to escape the incompatibility of a structural conception of power and a notion of social change based on agency in the agency/structure debate (ibid. 494). The question of agency and structural determination is based 'on an illusory assumption that one can distinguish' one from the other (ibid. 500). Proving the importance of agency as creating significant change depends on showing that this change was not predetermined by structures. The threshold for deciding this however will vary according to the author or theoretical approach, with a moment of agency for some an example of broader structural determination for others. Therefore posing the question of determination in terms of agency versus structure 'requires an arbitrary distinction that can never be convincingly established on the grounds of ontology' (ibid. 500-501). Reinterpreting the issue as a methodological one shows that structural readings provide a 'misleading' perspective that 'blurs the process of social construction and reifies reality' (ibid. 504). Focusing on structural constraints to action often leads to analyzing the agents constrained by such structures and misses that 'for every agent who is constrained, there is always another who

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<sup>8</sup> For other criticisms see Thompson (1989) and Urry (1991).

is empowered' (ibid. 504). A focus on restrictive structures is itself limiting because *it only addresses one side of a more complex social relation*:

*What appears to be the product of structural constraints is always a product of agency when properly resituated within a social relation that takes into account the power of another actor exploiting these structural constraints. The agency/structure debate is thus ill defined because it examines the issue in terms of a dual relation between structure and agent, when in fact we are dealing with a social relation between agents which is only mediated by structures (ibid. 504).*

Framing the issue as an agency/structure dichotomy also runs the risk of presenting agency as fetishized and thing-like, rather than something which is itself socially constituted through the strategies, actions and practices<sup>9</sup> of actors in relation with each other (ibid. 499). Konings (2010: 68) concurs when he notes that social construction is 'triadic in nature' entailing 'agent-agent relations that are necessarily mediated by norms and conventions' instead of agent-structure relations *per se*. Such an approach takes into account people who exploit structures, thus focusing on what is achieved through structures and not on the product resulting from those actions. 'The process of social construction' is thus revealed rather than merely its outcome (Knafo 2010: 505). Konings (2010: 59) also suggests that institutional structures 'leverage' agency, allowing it to extend in ways that would not be possible if power were merely brute force. As Knafo (2010: 509) summarizes, to move beyond the reification of social reality 'it is necessary to account for agency all along the way of the analysis'.

For the present work, I submit that a methodological focus on agency allows the 'process of social construction' to come into sight. Following agency in the analysis behoves us to identify how the strategies, actions and practices of key actors *condition and constrain each other*. Rather than assuming that power necessarily lies exclusively with one set of actors due to their structural location, we may uncover less obvious sources of power, operating in historically significant ways. Contestation on the part of subaltern actors can appear, not

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<sup>9</sup> 'Strategy' I take to mean the intentional courses of action which are undertaken to achieve a specific goal. 'Actions' are understood broadly as specific acts that are typically more time-limited and singular, e.g. specific instances of attending a meeting or organizing a strike. By 'practices' I understand more long-term repeated instances of actions which indicate an identifiable pattern of behaviour and may be, but not necessarily, more institutionalized, e.g. religious observance, regularly skipping work, gendered divisions of labour within a household.



as a reaction to power, but as a determinant of the pathways open to nominally more powerful actors. The race to the bottom is subverted at source as it is constituted within power relations which are not wholly determined by the powerful.

### **2.3.3 Social Agency and Development: Capital and State**

Who, or what, are the agents of economic development? The state, capital or both in combination are typically posed as the main instigators of development (on the state, Amsden 1989; Wade 1990; Chang 2002; Khan 2007; Rodrik 2008; on capital, Bauer 1971; Stern 1989; Lal 2002; Brenner 2006). The state/market framing is also prominent in debates on the global restructuring of labour and production discussed above. Capital moves to set up production in low-cost locations. States facilitate it by removing barriers to investment or internationalizing their institutions (Glassman 2004). By framing the issue in a dualistic way other actors of relevance for the economic development process are either excluded *a priori* from the discussion or relegated to a peripheral role. Labour is just such a lacuna (Breman 1995; Selwyn 2012). As noted above there is also a tendency to make labour passive in the race to the bottom literature, a subject of control and structural power. In so doing authors relegate class struggle to a secondary place in the analysis. I briefly analyze capital and states as developmental actors, before drawing on open Marxism (Bonefeld et al 1992) to show how they might be theorized *in relation* to labour.

Recent mainstream development economics has been underpinned by a specific notion of agency, which establishes the main driving actor as the private entrepreneur or firm - capital and the market as the main mechanism for development. The neoclassical theory of agency is erected upon the pillars of methodological individualism, rationality, and utility/profit maximization. Individuals will act in all circumstances to rationally maximize their utility and firms will act to rationally maximize their profits (DeMartino 2000: 39). Individual utility or profit maximization will not only lead to the best outcomes for individuals but also to socially optimal welfare through the market mechanism (Wolff and Resnick 2012: 57-58). Markets should therefore be as free as possible and the state should not engage in market-distorting interventions. Freedom for risk-taking entrepreneurs to invest and trade will lead to the best developmental outcomes (Lal 2002). This logic became the basis for the Washington Consensus policy prescriptions of liberalization, deregulation and privatization (Gore 2000).

The agent as found in orthodox neoclassical economics is deficient as a means for understanding developmental processes and represents an ideal-technical construct which fails as a useable simplification of reality. Interconnected criticisms can be levelled at its abstraction of the economic from the social, its ahistoricism and aspatiality, and its untenable conceptualization of rationality (Brohman 1995; Foley 2004).<sup>10</sup> Moreover, the notion of business as the main actor in development has been challenged empirically by work on the state as a developmental actor.

States have a number of key roles in capitalist development. The state can fundamentally undergird and facilitate private capital accumulation by providing the institutional and infrastructural conditions for production and exchange. States are crucial for creating and securing systems of property rights, enforcing contracts, and maintaining macroeconomic stability (Amsden 1989; Lal 2002). The state also has the major role of delivering large-scale, territorially extensive, infrastructural investments. These include roads, railways, and ports, which are too large and risky for private investors (Martinussen 1997: 259). The state may also act directly as the agent of accumulation through state-owned enterprises (Rueschemeyer and Evans 1985: 57-58; Wade 1990: 272-273).

The developmental state paradigm has been prominent in presenting the state<sup>11</sup> as an effective developmental actor (Amsden 1989; Wade 1990; P. Evans 1995). The developmental state model has a strong and efficient state at the core of developmental efforts, but which is nevertheless responsive to society and has mechanisms which allow communication and cooperation between state and society (P. Evans 1995). A particular focus of developmental states, for example, has been import-substitution industrialization (Amsden 2008: 100-101). Wade (1990) asserts that the most successful East Asian developmental states have engaged in a course of 'governing the market' where policies have steered enterprises into higher-wage, higher-technology alternatives and away from short-term speculation and low-wage activities (ibid. 287).

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<sup>10</sup> New institutional economics (NIE) attempted to solve issues of market failure and transaction costs by positing the existence of rationally-formed non-market institutions, but still suffers from the deficiencies of neoclassical agency (Bates 1995; Fine 2006; Khan 2007).

<sup>11</sup> Jessop (2008: 9) defines the state loosely, as 'a distinct ensemble of institutions and organizations whose socially accepted function is to define and enforce collectively binding decisions on a given population in the name of their 'common interest' or 'general will''. This is a useful, in that it points to power and complexity, although somewhat ahistorical formulation, as I understand contemporary states in their historical specificity as capitalist.

However, the developmental state model offers a problematic conceptualization of development which limits its usefulness. The developmental state paradigm works within the limiting state-market dichotomy. Statist theorists have acknowledged the influence of classes on state formation and state action. However, the way they conceive of class distances the concept from its necessary corollary, class relations (Chang 2013). Developmental states are analyzed in terms of state-society relations which are reduced to state-capital relations and, in turn, government-business relations. This stems from a vulgar conception of capital as 'owners of a source of revenue' rather than capital as a social relation, marginalizing labour in the analysis and denying its agency as a positive source of social transformation (ibid. 89-94).

A Marxist focus on the social relations of capitalism and their role in constituting the state perhaps yields greater insights into the state in development. Developing countries are, at least, deeply implicated in a global capitalist system even if their socio-economic structures are only capitalist in a rudimentary manner (Fine 2013: 25). Marxist approaches to the state seem to me better suited to reveal the specific historically capitalist content of developing country states.<sup>12</sup>

#### **2.3.4 Open Marxism and the State**

Open Marxism (OM) is useful for effectively identifying the specifically capitalist content of states, by analyzing the state form as a mode of existence of the antagonistic capital-labour relation. As such it is able to identify the historical significance of labour's agency within the state form and thus internally relate the agency of the state and the agency of labour.<sup>13</sup> Open Marxism seeks to establish a non-deterministic, non-teleological, and thus open, approach to the analysis of capitalist development through highlighting the centrality of class struggle. Struggle is necessarily open-ended and outcomes cannot be predicted through laws or tendencies (Bonefeld et al 1992: xii). OM seeks to establish the state as a *form* of the fundamental capital-labour relation. 'Form' is understood as 'mode of existence' i.e. 'something or other exists only in and through the form(s) it takes.' (ibid. xv). The class antagonism between capital and labour is thus 'a contradictory relation of historical specificity', one 'which bathes all social phenomena in a certain historical form of

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<sup>12</sup> For criticisms of the Marxist position see Migdal 1994 and Leftwich 2000.

<sup>13</sup> OM is preferred to the strategic-relational approach of Jessop (1990; 2002; 2008), as while the latter offers a sophisticated account of the state it maintains an untenable separation between the political and economic, upholds a problematic ontological distinction between structure and struggle, and provides an inadequate basis for understanding how systemic change occurs (Clarke 1991a; Bonefeld 1992; Kelly 1999; Charnock 2010b).

existence' (Bonefeld 1992: 100). Labour as a determining power in capitalist social relations is given in that labour can autonomize itself from capital but capital can never fully autonomize itself from labour, i.e. capital depends on labour for its existence (ibid. 103).

This is not to introduce economic reductionism because these relations are already social relations rather than merely economic ones. Social relations, in a specific and determinate historical process, are subsumed under a dominant relation of production thus determining them as developed forms of that relation (Clarke 1977: 10). The economic, political and ideological are thus forms which the class relation assumes (ibid. 10). The specifically capitalist state develops through a historical process whereby it progressively assumes the role of guarantor and enforcer of private property. The social antagonism of capital and labour is displaced into the state (Bonefeld 1992: 116-117). The existence of class struggle entails a state as a form necessary for containing and mediating it (Clarke 1991b: 190). The state is thus to be viewed as 'a distinct mode of existence of exploitation in that' it 'internalizes in its historic development the preservation of the substance of value (living labour)' (Bonefeld 1992: 119). The state has a tendency to arrogate to itself means of organizing labour power, such as education, skills, health, discipline, and enforcement of legal rights, and moreover processes working class aspirations through its institutional forms. The state is thus a mode of existence of labour in capitalist social relations (ibid. 119). Rather than being derived from the economic relations of production the state stands as a separate but necessary form - a *complementary* form - of the same underlying relations (Clarke 1991b: 193). The existence of class struggle implies that capitalist production is not structure with given foundations but rather a process, the reproduction of which depends on reproducing its own foundations (ibid. 190). Only through the course of this struggle does the state acquire and develop its particular institutional forms and various functions (Clarke 1991a: 53).

Accepting these premises, it seems to me, presents several analytical advantages for the present case. First, they provide a way to integrate state, labour and capital not as discrete and interacting but as fundamentally related and subsisting through each other. This overcomes the dichotomous posing of the state and/or capital as the main agent of capitalist development. Attention is also directed to the ways states historically develop institutional forms which preserve and process labour. What Clarke and Bonefeld seem to suggest is that these institutional forms arise from concrete historical - and open - circumstances of struggle. The institutional forms thus cannot be read off in a functionalist

manner from the general requirements of capitalist production. Particular institutional forms will be shaped in important ways by labour struggling over their social reproduction. Therefore, an important question is not only how does the state shape labour but also how does labour shape the state?

Open Marxism has been criticized on the grounds that it has a 'totalizing' ontology which emphasizes the capital relation as the sole source of human social praxis (Bieler et al 2010). There is a danger here of reducing the multiple discrete forms of social life to an unchanging, transhistorical essence of the capital relation (Roberts 2002: 88; Bieler et al 2010: 31). Roberts (2002) suggests that open Marxist categories need to be opened up to the idea of refraction in order to meet this criticism while retaining their insights. Refraction refers to the distinct and qualitative ideological characteristics of social forms of life (ibid. 99). The content of concrete social forms reflect and refract the content of other social forms such as ethics, epistemology or popular culture. Social forms are thus 'simultaneously determined from without exactly through its determination from within' and 'a diverse arrays [sic] of social forms permeate each other' (ibid. 100). Social forms thus assume historical and social concreteness through this overdetermined process of refraction (ibid. 101). This also makes the category of social form truly open by highlighting how social forms are determinate but only gaining 'identity through the constant shifting interaction with other objects' (ibid. 101).

Roberts offers a useful extension of the core open Marxist premises, which I think, is useful for considering elements of the present case. By viewing capital-labour relations as refracted through ideological environments, the way is opened to integrate, for example, important cultural or discursive elements into an analysis of concrete social formations or the capitalist state form. Roberts' work thus suggests the important question of what ideological notions are present and influencing the development of capital-labour relations in a determinate historical-geographical context.

Open Marxism, as Roberts hints at, asserts the centrality of class struggle but is less forthcoming on the concrete manifestations of that struggle. OM holds up labour as a determining power in capitalist relations but leaves undeveloped the nature of labour as an actor. It is necessary then to elaborate further how labour acts to constitute development processes.

## **2.4 Labour Agency and Development**

Focusing on labour's agency, I seek to demonstrate, provides important insights, but the focus comes with caveats. My understanding of labour's agency is predicated on the acceptance of the Marxist concepts of class struggle and capitalist mode of production. However, even for those not convinced by these concepts, I hope labour's agency may still provide a stimulating shift in perspective when thinking about development. In my particular Marxian interpretation labour is *a* central actor in development but cannot be promoted to *the* central one. There seems a danger to me that accepting that labour is a determining power in capitalist social relations may lead to a reductive position in which capital (or the state) is *only ever reactive* to labour (Camfield 2004: 440). This seems to me not to be the case. While accepting that labour and capitalist strategies to intensify and expand labour remain at the core of contemporary social organization (Cleaver 2002) I also heed Camfield's warning 'that concepts like labour and capital formulated at the level of abstraction of *Capital* should not be used in more concrete historical studies without considerable care' (2004: 440). My focus on labour's agency is therefore not to take a class-reductionist position. Other sources of social praxis such as gender and race relations also suffuse society, as do a myriad of overdetermined ideological forms (Roberts 2002; Camfield 2004: 442). Class it seems to me is thus *constituted through* gender, race and other dimensions of life as a relational process (Thompson 2013). In sum, I suggest that in the analysis of capitalist development it pays to direct attention to that which makes it specifically capitalist, the capital-labour relation, with labour's agency restored to a central place, but also that the latter notion is developed with sufficient attention to the complexity of who workers are and how they act in specific contexts.

### **2.4.1 Labour Movements and Development**

Labour's capacity to act, to challenge and influence the social relations of capitalism has most clearly emerged in the institutional forms of labour movements; particularly the trade union and the political party. These forms of collective organization have often become closely linked in an institutional nexus which channels and mediates the organizational strength of labour both within industrial relations and the broader social and political field.

Miliband (1989: 69) highlights the 'imperative need for [institutional labour] agencies formally empowered to advance working-class interests and demands'. Silver (2003) focuses on how capital moving geographical sites of production has caused labour

movements to spring up in the new locations. Labour movements have thus been the prime agents channelling labour militancy in the twentieth century (ibid. 131-138).

Scholars of labour movements in development have thus drawn attention to both the potent capacity of organized labour and its repression and co-optation by authoritarian states. Many studies illuminate the histories of labour mobilization and repression in different countries, and thus how political conditions provide opportunities for effective mobilization (Hadiz 1997; La Botz 2001; Brown 2004; Glassman 2004). What emerges from these studies is a clear sense of the potential power of organized labour to influence the course of development, but also that historically capital and the state have colluded to construct workers as weak and informal. The extension of capitalist power relations as inseparable from economic development, it appears to me, becomes evident.

Another strand of the literature paints a more hopeful picture of how labour has the ability to organize to act as a political and economic force. Candland (2007; cf. Levitsky and Mainwaring 2006) documents how organized labour in India and Pakistan contributed to democratic consolidation and determining economic policy (such as preventing privatization) in the post-colonial era. Seidman (1994) demonstrates how the patterns of rapid industrialization in Brazil and South Africa created the conditions for class consciousness and class mobilization. The growth of militant trade unionism was reinforced by alliances with community-based campaigns for public welfare such as housing and local services, entailing real social and economic gains for emerging working classes (ibid.). Seidman makes the important point that workers' agency is always embedded within wider circuits of community and social reproduction, although her analysis still falls within a problematic framing of labour and development.

Labour as an actor within the development process is typically analyzed in terms of the 'labour movement' and 'resistance'. Certainly, collective, organized action by labour has been a key phenomenon impacting development. I do not deny this but seek to build on it by suggesting that labour's agency and capacity to affect developmental processes is more variegated. I thus argue that using the categories 'labour movement' and 'resistance' as the primary entry points to analysis can mislead and obscure key elements of workers' agency. I raise two key objections. The first is that this approach tends to reduce labour's capacity to affect the development process to only being properly realized within formal collective organizations. This leads to an analysis of labour in terms of whether a labour movement is nascent, repressed or fully mobilized. In doing so, the analysis potentially excludes other

significant actions and practices. It implies for example that labour has no meaningful agency when formal organizations are banned, apart from attempts to form organizations. It is not that labour movement authors do not recognize that, for example, wildcat strikes take place in repressive labour regimes but they are treated as of little significance except as a prelude or accompaniment to union formation (ibid. 176, 193). This presents what may be termed a *teleological approach to labour's agency* whereby labour only possesses full and realized agency in the form of class conscious collective organization. All other actions are mere way stages to this end point rather than having potential in themselves to affect social processes (Miliband 1989: 69). In some cases however, wildcat strikes and protests may substitute for ineffective, co-opted trade unions (Clarke et al 2007; Pringle 2011; Siu and Chan 2015) and thus narrow or constrain the strategies open to capital or the state. Workers' agency should thus be read on its own terms as having potential to influence social processes.

The notion of 'resistance' as the paradigmatic content of labour's agency is also problematic. As with agency being primarily interpreted as occurring in the form of labour movements to the exclusion of other forms, so with resistance; agency and resistance are conflated. In much of the literature, labour is either resisting capital and/or the state by actively struggling for its rights and interests or alternatively is repressed and passively exploited. It is as if the agency of labour springs into existence at the very point when they start resisting (e.g. Chan 2011). In addition, scholars of labour movements rarely define exactly what they mean by 'resistance'. The concept is implicitly taken to mean an open confrontation or dispute with employers or state in pursuit of rights and/or interests, typically taking the form/s of a petition, a protest, or a strike. Labour as an agent of development thus largely emerges as the militant worker struggling for better wages and working conditions. To be clear, I do not dispute worker militancy as an important and vital part of labour's role in development. What I do suggest is that conflating agency with resistance presupposes that labour's agency only operates in highly specific circumstances and times, a move which elides workers' motivations, strategies, and actions at other times and in other circumstances. Methodologically it is important to pay attention to *what workers actually do on an everyday basis*, as well as in more exceptional periods of militancy, in order to ascertain the points at which agency becomes significant and produces a change in the behaviour or strategy of other actors. In this way a more complex and empirically richer notion of agency can come into view.



#### **2.4.2 Reformulating Labour Agency: Autonomy and Going Beyond Resistance**

Labour's agency can, I suggest, be theorized more adroitly to reflect the multiple ways that workers act. The active constituting power of labour to influence developmental trajectories, argued for by open Marxists, is a theme usefully developed by autonomist Marxism. Katz's (2004) theorization of a more variegated notion of agency can, I believe, supplement autonomist theory by providing more nuanced ideas of what constitutes relevant agency.

Autonomists have affirmed the key role of class struggle in capitalist development and emphasized that labour's agency is not only significant within institutional frameworks of trade unions and political parties but also as an autonomous force outside and in antagonism to these organizational forms. The key point that autonomist Marxist approaches make is that the practices and struggles of labour, which may take place within or without formal class organizations, are the key drivers of capitalist development rather than law-like structural features (Wright 2008). This argument allows us to go beyond framing labour strategies in terms of trade unions. Autonomists raised critical questions about the relationship between the working class on the one hand and, on the other, trade unions and working class-supporting political parties. New forms of working class struggles became the subject of a theorization which was:

*able to articulate...the position that the working class is not a passive reactive victim, which defends its interest against capitalist onslaught, and that its ultimate power to overthrow capital is grounded in its existing power to initiate struggle and to force capital to reorganize and develop itself* (Cleaver 2000: 65)

Autonomists argue 'that the organizational and technological innovations that characterize the 'real subsumption' of capital – full capitalist control over the labour process associated with the expansion of the scale of production - were effectively driven by workers' insubordination to and defiance of capital'. Capitalist development is thus not determined by law-like structural imperatives but instead by labour's productive and organizational powers (Bowring 2004: 104; see also Wright 2002: 64).

Class composition arose as a key concept in autonomism. Class composition refers to the power and organization of the working class relative to that of capital, within a determinate configuration of production. Class composition emerges through the social and technical division of labour and also from the cultural milieu, organizational forms and political

direction of a specific context (Witthford 2004: 8). Capital responds to increasing working class cohesion by restructuring the bases of working class organization in an attempt to 'decompose' its power and create a new 'controllable class composition'. The introduction of new technologies and new organizations of machinery and labour is implemented in order to undermine workers' struggles (Cleaver 1992: 114). In turn the working class will attempt to 'recompose' class relations in their favour (Dyer-Witthford 2004: 8). The crucial point here is that working classes are constantly remaking themselves and being re-made in conflict with capital (ibid. 8). Labour thus emerges as an entity which engages in its own social construction (Cleaver 1992: 114). The recomposition of different categories of labour can only be achieved through appropriate forms of organization. Workers develop and abandon forms of organization depending on the concrete class relation they are within (Cleaver 2000: 67). This theoretical perspective brings into view new forms of autonomous organization in production which may otherwise lie hidden (ibid. 67-68; Wright 2002: 50).

The notion of class composition appears to me as a useful corrective to labour control regime approaches which prioritize analysis of the institutional and organizational forms developed by state and capital. It shifts perspective to make us analyze what it is exactly in a specific circumstance which has to be controlled. Moreover, the notion of recomposition behoves us to think about what spontaneous and hidden types of organization are present, especially useful in a context like Laos of highly limited freedom of association.

Autonomist thought also generated another useful theoretical innovation for understanding labour's agency; the social factory. Autonomists argue that the reproduction of capital includes the reproduction of the classes. The accumulation process thus incorporates the labour of those who reproduce the working class, thus the labour within households and communities. Consequently the working class must be redefined away from a narrow focus on factory labour to include non-factory workers, thus providing a framework for understanding how the struggles of women, students, peasants and the unemployed play a role in contesting the reproduction of the capitalist system (Cleaver 2000: 70; Wright 2002: 135). Feminist autonomists developed key insights into the articulation of socially reproductive work, typically performed by women, with labour in direct production:

*We have to make clear that, within the wage, domestic work produces not merely use values, but is essential to the production of surplus...the entire female role...has had and continues to have a precise and vital place in the capitalist division of labour,*

in the pursuit of productivity at the social level (Dalla Costa and James 1975: 33, original emphasis)

The concept of the social factory indicates that the 'radius of exploitation' expands to incorporate multiple points of the circuit of capital (Dyer-Witheford 2002: 4). This entails that labour's agency must be analyzed not only at the point of production but as embedded within complexes of reproductive work in the household and community.

The notion of the social factory thus, I would propose, offers a compelling way to think about the social division of labour in a given territory. First, it appears especially useful in contexts of industrialization where women constitute the main body of the workforce. How and to what extent does factory labour transform the gendered division of labour within the household? Whose socially reproductive labour is mobilized to facilitate the social construction of factory women? It seems especially pertinent in contexts of deagrarianization and industrialization where access to the means of production may still exist to a certain extent for some workers. To what extent is subsistence agrarian work directed towards supporting capital accumulation, or conversely providing a basis for undermining it? These matters, it would seem of direct relevance to the issue of the social cost of labour in a race to the bottom. Struggles over socially reproductive labour time may for example impose additional indirect labour costs on capital.

There are several drawbacks to autonomist theory. Besides a tendency to present capitalist development as *only* driven by labour (see above) autonomism tends to frame agency as that of a collective subject, and as one which is more or less consciously organized even if this is hidden. This appears to me as unsatisfactory and limiting as arguably other types of individual or unorganized agency may affect capitalist development. Another key drawback is that spatial themes are left undeveloped. How workers may actively make use of space to form a division of socially reproductive labour can be made more concrete. A means to overcome the latter drawback will be outlined below but first I turn to problematizing the hegemonic notion of resistance.

Katz (2004) takes aim at interpreting all autonomous subaltern actions as instances of resistance. She argues that many of these actions can simply not be construed as 'oppositional practices' as they are 'not enough to transform the social relations of oppression and exploitation' which frame many people's daily lives (ibid. 242). In resistance's stead Katz seeks to distinguish those social practices:

*whose primary effect is autonomous initiative, recuperation, or resilience; those that are attempts to rework oppressive and unequal circumstances; and those that are intended to resist, subvert, or disrupt these conditions of exploitation and oppression (ibid. 242)<sup>14</sup>*

Katz's threefold categorization of agency is potentially problematic as it invites empirical application as a rigid ideal-type schema. The risk is identifying actions as fitting neatly into one or the other category when they are in fact more fluid in origin and implication.<sup>15</sup> Katz herself notes that practices of resilience, reworking and resistance are overlapping and have a practical ambit to inform praxis rather than create arbitrary categories (Katz 2004: 256). With this warning in mind, the value of Katz's approach is, I suggest, threefold. Her approach is useful as a heuristic when approaching agency. It can be used as a more refined methodological entry point than a simple focus on agency *per se*. It imposes some order on an investigation but not an overly limiting one as long as practical flexibility is adhered to. Its second strength is that it directs analytical attention to variegated types of agency and so dissolves the category of resistance and disrupts its hegemonic grip on labour theory. The third benefit springs from the second in that broadening the scope of relevant agency enables us to more clearly trace the connections between production and social reproduction and show how the capital-labour relation is embedded in dense webs of social relations.

## **2.5 Labour's Spatial Agency**

Labour, I would contend, is fruitfully understood as an inherently spatial agent. It seems clear to me that labour makes strategic use of space in order to enable its social reproduction. Migration is a case in point but I would propose that labour makes other efforts to command space. Given the preceding analysis of autonomous agency I would go

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<sup>14</sup> Resilience manifests in the small acts of getting by which form the substrate of people's daily lives. The building of resilience encompasses reformulating economic practices and sustaining reciprocal relations of care to ensure daily social reproduction. These acts are not oppositional and do not entail a consciousness which might contest power relations. The flipside of this is that workers or other subaltern actors are sustained, providing the grounds for modes of action beyond survival and recuperation. Reworking refers to those practices 'that alter the conditions of people's existence to enable more workable lives and create more viable terrains of practice'. Reworking projects involve a different type of consciousness, involving the recognition of problematic conditions and focused attempts to effect change. Resistance, for Katz, means developing an explicitly oppositional consciousness 'to confront and redress historically and geographically specific conditions of oppression and exploitation at various scales' (Katz 2004: 246-251, quotes from pages 247 and 251).

<sup>15</sup> Sportel (2013), in her application of Katz's approach to coconut workers in Kerala, is arguably prone to this.

further and say that labour's efforts to command space can be viewed as an important component of specific class compositions. Social construction of labour it would seem is perhaps better recast as socio-spatial construction of labour, a point well-illustrated, I submit, by the dialectic of fixity and mobility.

The work of Herod (2001) has been central in demonstrating the spatial agency of workers. He distinguished between approaches based on a 'geography of labour' – how capital utilizes the geographical differentiation of labour – and those on 'labour geography' – how labour is an actor in its own right which actively shapes the landscapes of capitalism (ibid. 4-6). The production of social space<sup>16</sup> is crucial for workers' survival and their social reproduction. Labour's self-reproduction takes place in specific places which entails that they 'are likely to want to shape the economic landscape in ways that facilitate this self-reproduction' (ibid. 33). Workers are heterogeneous and they will have different spatial fixes – spatial strategies which allow survival and social reproduction. Labour seeking particular spatial fixes at different historical conjunctures allows for a more deeply political analysis of the contested production of social space under capitalism because '*it is the conflicts over whose spatial fix (capitalists' or workers')* is actually set in the landscape that are at the heart of the dynamism of the geography of capitalism' (ibid. 36, original emphasis).<sup>17</sup>

Harvey (2006) argues that capital has 'spatial fixes' – strategic use of space to resolve overaccumulation crises – and Herod usefully articulates that notion for labour. The importance of labour creating its own spatial fixes revolves, I argue, in large part around various strategies and practices which take advantage of, or seek to produce and reproduce, fixity and mobility. Fixity is understood in a threefold sense: from the perspective of labour; from the perspective of capital; and from the perspective of the state. For labour it is the quality of *establishing and reproducing the dense social relations*, as well as *material resources and activities* which sustain these relations, in *the grounded places* in which workers live and reproduce their lives (Miller 1992; Hudson 2001). For capital it is the requirement to *place* and physically retain workers in the workplace (Smith 2006; Pun and Smith 2007). For the state, fixity of labour implies securing a workforce within the country to adequately staff the available means of production. The different meanings of 'fixity' of workers for different actors suggests the interpenetration of opposites (Ollman 2003: 16).

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<sup>16</sup> See Chapter 3.

<sup>17</sup> Herod's insights have been developed by, among others: Rogaly (2009); Cumbers et al (2008); Carmichael and Herod (2012) Oseland et al (2012) Cumbers et al (2016).

Fixity from the perspective of one actor may mean mobility from the perspective of another. For example, fixing workers in the workplace for capital may entail an extended form of mobility for the migrant workers being so fixed. Mobility may contradict fixity, leading to the possible dissolution of fixed places by out-migration, but also may sustain places through the inflows of remittances or immigration.

Harvey (2006) outlines the importance of labour's mobility and fixity. For example, greater mobility of workers enables capital to adopt new labour processes and move location more easily. Harvey, however tends to locate power over mobility with capital. Thus capital for him uses labour's striving after a better life to manipulate mobility to its requirements, and so both migrating and staying in a place can lead to strengthening capital's hand rather than undermining it (Harvey 2006: 385). Harvey does not detail how labour's command of space may, for example, shape factory labour regimes. A more fine-grained analysis of workers' spatial actions and practices is capable, it seems to me, of adding extra explanatory value.

Mobility, I suggest, also has the potential to undermine capital accumulation and result in changes in the labour process. Labour power is indeterminate in that the capitalist can never fully ascertain the exact amount of labour that will follow from buying labour power (Smith 2006). Workers and management engage in work-effort bargaining to attempt to ensure an adequate transformation of labour power into labour to satisfy the capitalist's goals and, from the worker's perspective, to generate as high wages and benefits as possible. As part of this workers are able to leverage their freedom to move and sell labour services in different places into possible benefits, such as higher wages elsewhere (ibid. 391). Mobility emerges as a terrain of struggle and workers can strategize around their mobility both occupationally and transnationally to reproduce their lives on more advantageous terms (Alberti 2014: 866; see also Mezzadra 2004).

Employers must engage in some form of 'capture' – or fixity - of the employee before any production or labour process can begin, an idea which can be related to notions of coercive and consensual labour regimes (Smith 2006: 394). For example, in Chinese special economic zones accumulation has been enabled by dormitory labour regimes which both facilitate and constrain mobility and limit workplace labour organization. The provision of accommodation by factories facilitates the mobility of migrants from rural areas to move to industrial areas but also constrains them by making them more dependent on the employer (Pun 2004; Pun and Smith 2007; cf. Kelly 2002: 402-403).

Geographical mobility may be in contradiction with the strong connections workers have with the typically territorially fixed matrix of family, community, and institutions where social reproduction occurs (labour's fixity) (Kelly 2009). Labour, in the main, emerges from dense sets of place-based, territorially circumscribed relations which both facilitate and constrain workers' actions and practices. Spaces of reproduction, especially the household and local communities, in countries can be interpreted as constituted by dynamics of fixity and mobility. Households are fixed in place and must be reproduced in those places, but their reproduction may extend beyond those places, for example through labour migration and remittances. These activities may then impact on local employment dynamics by, for example, subsidizing local wage rates (ibid: 452).

The contradictory dynamics of workers both moving and also retaining strong ties to specific places which they aim to reproduce – their fixity – it appears to me are especially useful for analyzing the present case. Capital's efforts to fix workers in place seem of greater relevance in a country with a relatively small labour market and in a border context which facilitates easy out-migration. In an authoritarian context such as Laos political and trade union rights are severely curtailed, thus foreclosing a range of strategies, so it seems that workers' everyday use of space also assumes greater importance as a strategy for struggling for social reproduction.

A further refinement of the concept of labour agency is provided by Coe and Jordhus-Lier (2011) who note the way that labour is embedded in broader webs of social relations, especially global production networks (GPN), state structures, community politics, and labour market intermediaries. Agency must thus be understood relationally by considering 'labour's positionality' within the aforementioned social webs (ibid. 214). While their analysis is still framed within the terms of structural constraints which Knafo (2010) criticizes, they do usefully highlight other key actors whom labour forms relations with and how these relations create differentiated potential for workers' agency to effect change. For example, different subject positions held within communities go beyond the identity of 'worker' with 'gender and family identities, or loyalties based on ethnicity, age and place' shaping the potential for agency (ibid. 223). Labour market intermediaries actively shape labour markets, allowing flexibility for some individual workers and some firms while having a destructive effect on trade unionism by increasing worker fragmentation (ibid. 227). They suggest integrating these factors 'offer[s] researchers a better analytical framework – one which can explain why some workers' actions seem to matter more than

others – a more sophisticated understanding of the structural constraints and social relations that shape labour’s agency’ (ibid. 228).

Coe and Jordhus-Lier thus present a useful methodological orientation. They identify key groups of actors who constrain and enable the agency of workers - despite a somewhat structuralist rendering - and are at pains to reiterate the relationality of workers’ positions within these broader systems. If, for example, GPNs and state institutions are not taken as reified structures but as the product and mediator of specific social relations which stem from and supply differential potentials for subaltern agency then an important set of dynamics is highlighted. A voluntarist account of labour’s agency is superseded while simultaneously bringing into view the complex mediations of the capital-labour relation. We are returned to Knafo’s (2010) argument that following agency along the analysis uncovers the process of social construction, and so also the very constitution of power relations and the grounds and possibilities of their contestation.

### ***Conclusion***

The race to the bottom can be interpreted as the attempt on the part of capital to spread a specific set of power relations by imposing informal work. Understanding it in this light suggests a focus on the active constitution of these relations is required. The methodological entry point of labour’s agency to this process of social construction indicates that to proceed we identify the *main strategies, actions and practices of labour* which significantly constrain capital and stimulate counter-strategies. We cannot assume that only certain forms of agency will be of relevance or even that the same strategies, actions and practices will have the same effects in different locations. Such an approach should also be applied to the transformations of the state. If state transformation is understood as a historical internalization and mediation of historically and geographically specific capital-labour antagonisms then we would do well to carefully note the forms and functions which develop out of these highly particular contexts. Fundamentally, not all cheap labour is the same and the costs paid to use it may be difficult for capital to bear.

A focus on labour agency also foregrounds starkly the issue of social reproduction. It allows us to trace more clearly the lines of connection that run between global capital circuits in export-oriented factories and transformations in the social division of labour. How, why and to what extent does labour’s engagement in global production re-orient divisions of labour in a territory towards globalized capital accumulation, and conversely how do



existing conditions of social reproduction constitute the wage-relation within the factory walls? In short, how does the social territory surrounding a factory become a terrain of struggle over who bears the costs of capital accumulation and of labour's social reproduction?

The foregoing questions it seems to me can be fruitfully posed especially in relation to space. Labour attempts to strategically use space to its advantage, in essence to *command space*. I suggest that spatial practices are part of class composition. Identifying the dialectic of fixity and mobility as of particular relevance to the present case suggests that we must identify who is mobile, what types of mobility matter, and what are the constraints on mobility, and conversely who is fixed and what types of staying or embedding in place matter. We would do well to elucidate how the fixity and mobility of a particular actor contradict each other, as well as how the different mobilities and fixities of different actors contradict or interpenetrate with one another. This is an especially relevant theme for the conceptual framework developed in this thesis. In the next chapter I suggest that developmental processes can be understood through investigating how flows of capital and labour may be brought together into a fixed spatial frame for capital accumulation to proceed.

### Chapter 3: Reworking Territory and Scale

In the preceding chapter I suggested that workers are inherently spatial agents, and that attention to labour's variegated agency can provide important insights into developmental trajectories. In this chapter I would like to specify more clearly how labour's agency fits into geographical patterns of capitalist development. In the context of globalization, regional integration projects and FDI how exactly is labour incorporated into a regional economic space or a global circuit of capital? Or following the arguments already outlined on labour's agency, how does labour incorporate itself into geographical development processes or refuse incorporation? These are the questions I seek to answer in this chapter. To do so I introduce three organizing concepts which, it seems to me, are particularly useful for interpreting the dynamics of border manufacturing in Laos in the context of Greater Mekong Subregion regionalization. The first is the dialectic of fixity and mobility, an important contradiction of capitalism, which has been elaborated into the concept of the 'spatial fix' by Harvey (2006). Both capital and labour have their own spatial fixes, their own particular methods and motivations of fixing in places and moving between them, which leads to the question of how they are made to cohere in a place in order for accumulation to proceed. Building on Swyngedouw's (1992) conceptualization of territorial organization as a contradictory unity of force and relation of production, the second organizing concept that I suggest is territorial coherence, understood as a historically specific combination of social reproduction, capital valorization and territorial regulation that produces a pattern of territorial development. The third is that regional integration can be understood as projects of political economic scale-building to create territorially cohesive expanded domains for the production of surplus value and circulation of capital. Moreover, a constitutive element of regional scale-building is the reterritorialization of spaces *within* states in order to create new forms of cohesion *between* states. A focus on labour's spatialized social reproduction strategies is the key theoretical manoeuvre which I suggest helps to illuminate and tie together cross-border regional scale-making, state reterritorialization and the spatial fixes of capital. Labour through its practices and actions, including those to command space, constitutes and constrains specific forms of territorial coherence, and so drives capital and state strategies to recompose labour in forms suitable for constituting new scales. The analysis of how capital-labour relations produce territory and scale through processes of struggle and contestation can help us to understand the unfolding of patterns of uneven development, and the distribution of resources, wealth and power that accrues to the actors

involved. Before I outline these concepts in more detail I review some existing approaches to regional integration and capitalist spatial development.

### **3.1 The Socio-Spatial Relations of Capitalism: Fixity and Mobility**

#### **3.1.1 Regional Integration**

Regional integration and regions<sup>1</sup> has been understood as comprising economic, political, cultural and security dimensions (Baldwin 2008; Das et al 2013). The focus here is however on the specifically political economic elements of integration. Regional integration may be defined very broadly as ‘a process of economic or political organization at work in a supranational area, halfway between world and national level’ (Fau 2014: 7). Two types of regional integration often distinguished are political and institutional (*de jure*) and economic (*de facto*) (ibid. 7). Several analytical pathways have led from this dichotomy. One is try to analyze which comes first. Has regional integration and inter-governmental cooperation been driven by bottom-up economic actors or by states in a top-down manner pursuing political objectives? (Yoshimatsu 2002; Baldwin 2008; Ravenhill 2008; Chin and Stubbs 2011). Another closely related approach is to analyze which motivations for integration are most important for states - political or economic? (Ravenhill 2010). One problematic issue with privileging the state or a bloc of states as the starting point is that it will likely miss the processes at multiple scales which constitute regional integration. Bottom-up and top-down dynamics may co-exist (Sum 2002: 50, 67). Another more fundamental issue with this kind of framing is that it tends to make a binary of the economic and the political and imply that these are externally related processes and logics. Rather, it is more fruitful to understand how the political and economic are both internally related and moments of the same underlying social relations (Clarke 1977). Binary framing also presents states or market actors - firms and organizations such as lobby groups - as the main or only actors in the process of regional integration. To take as one example there is the focus on regional integration as the creation of free trade areas. Regional integration here is primarily understood as enacted in regional trading blocs through the creation of free trade areas or customs unions (Panagariya 1999). Regional integration is thus viewed as the extent of trade (and perhaps also capital market) liberalization and flows within a bloc of countries, with political economy issues revolving around questions of protectionism, sequencing of reforms

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<sup>1</sup> ‘Region’ and ‘regional integration’ are here taken to refer to supranational regions and integration, rather than subnational regions such as the Northeast of Thailand (Scott 1997). ‘Region’ is thus understood as an ensemble of territorially contiguous nation-states.

and negotiation over tariffs and non-tariff barriers (Baldwin 2006). More critical attempts to understand how a hegemonic coalition of forces drives integration have replicated the analytical narrowing of regional integration by prioritising political governance building (Perkmann 2007). How this might affect subaltern actors such as labour, or indeed how they may affect the processes of regional integration is left largely unexplored (Smith et al 2002). Disciplinary backgrounds of regional integration scholars in international relations and international economics also mean that a third sense of regional integration - the geographical - especially the importance of transnational transport infrastructure - is largely not an issue of analytical concern (Fau 2014; cf. Coe 2014). In short, many accounts of regional integration lack any account of the workers who make it possible or ignore or under-theorize the specifically spatial elements of that integration, and much less bring them together.

More promising is the work of critical geographers who have analyzed particular regional integration projects. Sparke et al (2004), for instance, highlight the way that the Indonesia-Malaysia-Singapore Growth Triangle integration project has attempted to assemble land, labour and capital in ways that are 'complementary', or to put it another way take advantage of uneven development between the countries. Uneven development is also a concern of Glassman (2010) who seeks to show how regional integration in the GMS has incorporated countries and populations on uneven and inequitable terms. Glassman brings a welcome focus on class forces but tends to approach his analysis from the perspective of powerful actors such as international investors, and there is consequently a lack of analysis about how subaltern actors create regional spaces. Sturgeon (2013) highlights the way that petty traders and small-scale farmers have played a role in regional integration but labour's active production of space still remains somewhat under-conceptualized. I thus aim to build on this critical body of work to provide a framework for analyzing how labour actively contributes to producing space, territory and scale in regional integration processes.

### **3.1.2 Fixity and Mobility**

I develop the concept of fixity and mobility introduced in Chapter 2 to suggest that a focus on their dialectic sheds useful light on the dynamics of the capitalist space economy (Harvey 2006). The focus on fixity and mobility builds on a particular conception of the relation between space and society. Space is understood not as a static ontological given but rather as produced through multiple social relationships and in on-going construction (Lefebvre 1991). Understanding space as emerging from the flux of interrelations entails that it is

never – like economic development - closed or finished (Massey 2005: 9-11; cf. Bonefeld et al 1992; Sheppard 2008). Following Soja (1989)<sup>2</sup> the relation between society and space is best understood as a mutually constitutive socio-spatial dialectic which forms the social and spatial relationally and simultaneously. Social being is intrinsically spatial and temporal and ‘space-time should not be abstracted from the analytical concept of the sociocultural.’ (Munn 1986: 268 in Harvey 1996: 218). The focus on social production encourages consideration of *who* produces space, how, and to what ends. Moreover, socially produced space reacts back on the social relations which constituted it and so co-constitute the course of those relations (Soja 1989). A focus on the contradiction between fixity and mobility can illustrate this point more clearly.

Mobility and flows are caught in dialectical tension with the status of fixity.<sup>3</sup> The flux of processes which constitute the world are constantly undergoing solidification into what Harvey has termed ‘relative permanences’ and ‘structured coherences’ (Harvey 1996: 55; Harvey 1989: 332; see also Merrifield 1993). The ‘process of place formation is a process of carving out “permanences” from the flow of processes creating spatio-temporality’ (Harvey 1996: 261). This approach apprehends the social-natural world as constituted by relations, processes and flows which are contradictory and internally related, rather than discrete, externally related ‘things’. Matter, social relations and their intersections are fixed into configurations which temporarily provide stable frameworks for the conduct of social life. Furthermore, various degrees of fixity are actually needed to enable the manifold types of mobility:

*There are interdependent systems of ‘immobile’ material worlds and especially some exceptionally immobile platforms, transmitters, roads, garages, stations, aerials, airports, docks, factories through which mobilizations of locality are performed and re-arrangements of place and scale materialized* (Hannam et al 2006: 3)

Mobilities should not be thought of as simple flows but as a flux which ‘involves tension, struggle and conflict...the complex intersections of immobilities and mobilities (Urry 2007: 25). The social life of modernity unfolds through what has been termed a dialectic of ‘mobilities and moorings’ (Hannam et al 2006). Socio-spatial configurations – such as territory and scale - may provide a ‘relative permanence’ and ‘structured coherence’ for a

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<sup>2</sup> See also Dear and Wolch 1989 and Harvey 2008.

<sup>3</sup> Authors have referred to the dialectic of fixity and motion (Harvey 1996; Brenner 1998). I use ‘mobility’ over ‘motion’ because I refer throughout the work to the mobility of capital and labour, which makes it preferable for clarity’s sake to the more abstract connotations of ‘motion’.

stable set of capitalist social relations. The notion of territorial coherence in the pursuit of expanded scales for capital accumulation is, I hope to show, of particular relevance in analyzing the current case. Before delving into more concrete socio-spatial configurations I outline in more general terms how fixity and mobility are of relevance to capitalism, by turning to the concept of the spatial fix.

### **3.1.3 The Socio-Spatial Dynamics of Capital: The Spatial Fix**

For Lefebvre every society, born from a particular mode of production, produces space in its own specific manner and moulds space according to the peculiarities of that mode (Lefebvre 2009: 187). This more general point can be applied to the capitalist mode of production, where capital accumulation appears to pivot on a relentless process of deterritorialization and reterritorialization to embed in certain territories to produce value and to constantly move to expand and break down spatial barriers to accumulation (Brenner 1998). Harvey (2006) explains these dynamics by developing the concept of the 'spatial fix'. Harvey locates his critique of the capitalist space economy within a theory of crisis formation and resolution. He organizes this critique into three 'cuts' which start with orthodox Marxist crisis theory which is then made progressively complex by the introduction of temporal and spatial moments of the crisis process (Sheppard 2006: 124-126). The first 'cut' focuses on the role of overaccumulation and devaluation of capital in forming crises, involving value realization problems where commodities are not sold and investments are not transformed into profits (Harvey 2006: 202). The second 'cut' presents the search for the temporal fix which is needed to smooth out the various time lags, that is turnover times inherent in the production process, as well as the cycles of overaccumulation and devaluation. Here the role of finance and credit is vital for raising the large amounts of money required for investing in expensive fixed capital equipment, and shifting capital from less to more profitable areas of the economy. However, financial markets ultimately quicken the rate of accumulation and technical change and so accelerate the obsolescence of fixed capital. Cycles of overaccumulation and devaluation can be held at bay temporarily through financial means but eventually the law of value bears out (ibid. 324-329).

The first two 'cuts' lay the foundations for Harvey's exploration of whether a 'spatial fix' can resolve the crisis tendencies in capitalist production. Harvey argues that the 'production of spatial configurations can...be treated as an 'active moment' within the overall temporal dynamic of accumulation and social reproduction' (ibid. 374). Harvey points to four kinds of spatial fix: market-based land use allocation; transport infrastructure in spatial integration;

expanding capital to new territories; and territorial governance and social infrastructures. I address the first three in this section, and discuss the latter in relation to territorial coherence below.

The first is the role that the land market has in allocating land and reshaping the built environment into different use-values, promoting the highest and best (from the perspective of capital) uses of the land both in the present and in anticipation of future surplus value production (ibid. 367-368).

The second kind of spatial fix concerns the vital role of spatial integration of production, distribution and exchange. In order for complete circuits of capital to form capitalists must solve the problem of connecting spatially dispersed sites of production and consumption. The relentless pressure from competition to reduce turnover time by realizing value in exchange entails that capital constantly seeks to break down spatial barriers and revolutionize communication and transport. Transport investments alter the shifting relative spaces of the circuits of capital and capitalists in different locations fare in diverse ways. Some may benefit from temporary excess profits whilst others face devaluation of labour power and fixed capital. Fixed capital in the transport industry in the form of the built environment, including roads, rails, ports and terminals, is especially vulnerable to location-specific devaluation. The major contradiction in this process is that capital, often in conjunction with states willing to fund and coordinate such large-scale projects, attempts to overcome spatial barriers to accumulation by creating a transport and communications structure which is highly vulnerable to place-specific devaluation and so becoming a barrier to accumulation itself (ibid. 376-380). Here one form of the dialectic of fixity and mobility asserts itself. The spatial fix requires a certain amount of fixity in order to facilitate mobility, but the very mobility and dynamism of capital undermines that particular form of fixity. The spatial fix in the sense of fixing in place can thus only be a temporary 'fix' as in the sense of solving a problem (Harvey 2004: 65-66; see also Brenner 1998). It is important to note here how the spatial configurations themselves play a determining role in producing other socio-spatial relations. They react back upon the processes of value creation and devaluation by becoming respectively conduits and barriers.

The expansion of capital to new territories relieves the pressures of overaccumulation at home. New outlets for capital must be found on an expanded geographical basis and this means both the extension of the productive forces and the social relations of capitalism. The latter point is important as it means as an inherent part of capital's spatial fix the institution

of wage labour is extended and the proletariat grows on a global scale. Crises are less intense if there is a rapid increase in the labour force, occurring through either primitive accumulation or increase of population. If the transition to capitalist social relations and overaccumulation outlet possibilities are blocked then the spatial fix is negated and global crises are ready to unfold (Harvey 2006: 434-436; cf. Smith 1984). New territorial divisions of labour are thus imperative to ameliorate crisis tendencies.

The significance of the spatial fix for contemporary political economy has been heightened since the 1970s by the development of global transport and communication networks which have resulted in 'space-time' compression (Harvey 1990). Capital is now able to be more geographically mobile and is able to take advantage of freer locational choice. Smaller differences in resources bases, local physical and social infrastructures, and labour costs gain greater importance for capital seeking to relocate. This situation thus engenders intensified competition between places to attract capital (Harvey 1996: 297-298; Sheppard 2002: 311). This is essentially the race to the bottom narrative outlined in Chapter 2.

Harvey's work develops strong arguments for how the socio-spatial dialectic of capitalism operates, and demonstrates how the spatial is a determinate moment in capitalist development. Particular spatial orderings affect the profit rate which has implications for the social dynamics of accumulation. Spatial configurations developed in order to solve the problems of accumulation become over time barriers which must be overcome, leading to a new round of spatial reconstruction. This latter point illustrates how both time and space are important for the present analysis. Spatial organization of social relations adequate for capital accumulation at one historical moment may, at another time, need to be torn down and reconstructed in a constant process of deterritorialization and reterritorialization.

### ***3.2 Territory and Economic Development***

#### **3.2.1 Bordering Spaces, Territorialization and Economic Flows**

I propose, given that capital must constantly fix itself in places and associated social and institutional-regulatory orders, that examining territory can illuminate development processes. I would like to highlight three interrelated aspects of territory of relevance to the present argument. The first is that territory is continually socially produced through the practices of territorialization. The second is that states are actually produced *through* establishing and maintaining territorial regulatory and institutional arrangements to create control over space and population. Third, territory and territorialization are still key concepts



for understanding economic processes in a world of increased flows and mobilities which cross territorial boundaries. This establishes the foundations for the introduction of the notion of territorial coherence below.

Territory is conceptually interwoven in social science debates with the concept of the nation-state and bounded political spaces. Territory should however not be seen as a natural container of a culture, society or economy which is homologous to the space which the borders demarcate. Neither should states be seen as fixed units of sovereign space, as the state, territory and sovereignty are not always coincident - due to for instance its internationalization or lack of internal sovereignty or control (Cox 1987; Agnew 1994). To see them as fixed units would be to fall into the 'territorial trap' (Agnew 1994). Rather, it is more fruitful to understand territory as resulting 'from a historically specific, mutually transformative articulation between the state, the continually contested processes within it, and the land or soil that it inhabits, owns, control and exploits' (Brenner and Elden 2009: 362). Therefore it is useful to distinguish analytically 'between 'territory' (appropriated enacted space), 'territoriality (the sum of relations between subjects therein), and 'territorialization' (the process through which these relations are established)' (Jones 2009: 494).

The production of territory, following Lefebvre, can be seen as unfolding through territorial practices and representations of territory. Territorial practices would include the physical and material creation of borders, fences and boundaries which mark external limits, and moreover the construction and maintenance of large-scale infrastructure which enables flows of goods, commodities, information and energy. Representations of territory involve abstract ways of representing territory such as maps and charts which create imagined notions of a bounded political space (Brenner and Elden 2009: 365; see also Walker 1993; Winichakul 1994; Elden 2010). Boundaries are understood here not as fixed, essential spatial entities but rather as social processes which are constructed and reproduced through a variety of material, ideological and discursive practices (Paasi 1998; Paasi 2009). Anderson and O'Dowd (1999: 595) note state borders 'seldom, if ever, offer a coincidence of economy, polity and culture, but instead [represent] and often [reify] a particular relationship between them that...may prove either transitory or durable.' Bordering practices thus create some extent of territorial coherence for activities contained within them. Territory's boundaries are malleable and porous but nevertheless present barriers to different social actors and perform ordering functions that are historically and geographically variable.

Despite the caveats on the overflowing of borders, territorialization processes construct a material and institutional reality for social life within boundaries, especially due to the infrastructures of governance and regulation developed within territorial frames (Sassen 2006). The development of more or less coherent governance structures which regulate and control bounded spaces at both national and sub-national scales is a hallmark of the territorialization process (Storper and Walker 1989: 215-216; Dicken and Malmberg 2001; Brenner 2004). Brenner and Elden (2009: 368), discussing the work of Lefebvre, suggest that state territorial strategies are central in the co-implicated transformations of territory and state institutions, the latter shaping and reshaping the 'inherited territorial structurations of political-economic life, including those state institutions themselves'. Territorialization of space by the state can thus be seen as central in the enacting and extension of power over the population of a given bounded space. Indeed, territory can be productively thought of as 'the political *form* of space produced by and associated with the modern state', one which constantly undergoes reordering such as centralization, decentralization, zoning and demarcating land use policies (ibid. 362, original emphasis; see also Brenner 2004; Lestrelin et al 2012). Spatial organization is thus 'inherently political and always contested', a point which will be returned to below in the discussion of territorial coherence (ibid. 368). The regulatory and material orders of territories such as nation-states also provide foundational infrastructure for the circulation of capital (Brenner 1998).

Brenner (2009a: 37) provides a useful summary of the territorialization of world space into a grid of bordered territories in the era of capitalist industrialization, indicating the importance of territorial structuring in the formation of a world market and global capitalist social relations:

*(a) The intensified regulation of interstate boundaries; (b) the increasing parcelization of state space among intergovernmental administrative hierarchies; (c) the development of enhanced infrastructural capacities through which states could attempt to extend their authority over all "points" within their jurisdictional borders; and (d) the imperialist conquest and territorial division of peripheralized zones of the world economy under the yoke of colonial rule*

The importance of territory in the contemporary global political economy has been challenged however by approaches which emphasize the relational and networked nature of flows which transcend territorial jurisdictions. Some have argued that the increased ability of finance and productive capital to move at ease over national borders has undermined the

national state as the primary locus of political economic organization (Castells 1999); the territorial jurisdictions of states supplanted by a 'borderless world' (Ohmae 1994). Places, for Amin (2002) in the era of globalization may thus be thought of as non-territorial nodes in webs of relations. Places are thus transitory and non-essential. Cities are network sites where economic flows and distanced organization are translated and transmitted. Focus on 'nested scales and territorial boundaries cuts out so much of the topology of economic circulation and network[s]' (ibid. 395). Amin sees globalization as 'the intensification of mixture and connectivity as more and more things become independent', entailing that a framing of territorialization and scales is perforated, and consequently analytically disabling (ibid. 395). Discussions of regionalism within nation-states have similarly focused on how regions are open and discontinuous, assemblages of near and distant networked flows and relations which traverse regional space. Fluid relations, it is claimed, call into question regions as territorially fixed (Allen and Cochrane 2007: 1162-1163; see also Massey 1994; Amin 2004). Relational approaches however have a tendency to exaggerate the importance of relational connectivity and misleadingly underplay the constraining factors - for example elements such as class, gender, race, and location - which may affect the agency of some to access connective possibilities and opportunities (Jones 2009: 493). As some have pointed out, positing a relations-network *versus* territorial-scalar binary is also unhelpful, a 'both/and' approach preferable to one of 'either/or' (Hudson 2007; Prytherch 2010; Harrison 2013). Socio-spatial relations are multi-dimensional (Jessop et al 2008; Leitner et al 2008; Brenner 2009a). Scale, territory, place, and network are 'mutually constitutive and relationally intertwined' (Jessop et al 2008: 389). I would suggest that a focus on fixity and mobility manages some of the tension between the different approaches as it can help us to understand how space 'is only ever semi-coherent in its concrete realization' and 'to investigate where, why and how processes of regionalization [and I would add territorialization] are negotiated, constructed and contested, becoming semi-permanently fixed, or conversely, dissolving altogether' (Jonas 2012: 265). Territories are still, in a world of increased flows and connectivity, important it seems to me as they are able to provide a means of at least temporary fixity, both infrastructural and institutional, that facilitate those flows. I will return to the salience of territory and borders below, but first I will take up Jonas' challenge to outline how at least a 'semi-coherent' realization of economic space may be conceived.

### 3.2.2 Territorial Coherence

The territorial organization and integration of economic activities provides important insights for analyzing capitalist development. I would propose that the notion of 'territorial coherence' - drawn from Swyngedouw's (1992) conceptualization of territorial organization – can be united with the concepts of fixity and mobility and the socio-spatial construction of labour to understand development processes, such as export processing zones, or scale building processes.

An entry point to the notion of territorial coherence is Harvey's (2006: 398-405) fourth sense of spatial fix. Territorial governance and social infrastructures are for Harvey a spatial fix. The circulation of values through governance structures and social infrastructures are moments within the circulation of capital. Value taxed through the mediation of the state eventually returns to capital in the form of effective demand for commodities produced. Accretion of high quality conditions, through territorially-based social infrastructure investments, of say healthcare or education, can provide locational advantages for firms and attract productive capital to that area. Contradictions arise however in that the maintenance of social infrastructures imply costs for capital in the form of taxes, and if the costs rise capital is prone to fleeing these territories for ones which have less suitable social infrastructure conditions but, crucially, lower maintenance costs (cf. Chang 2009). The geography of social reproduction suitable for accumulation shaped at one historical moment may not be consistent with capital's requirements at a later moment. The socially produced geographical infrastructure becomes the barrier that must be overcome. This translates into social, institutional, and regulatory restructuring, mediated through the state and social struggle, in order to remould the territory into a social geography suitable for the shifting requirements of capital accumulation (Harvey 2006: 398-405).

Swyngedouw (1992) develops these themes into a highly suggestive argument. Territorial organization is conceptualized in a dual manner as both a force of production and a social relation. Territorial organization comprises: 'natural' goods such as natural resources and water; collective goods such as collective equipment necessary for the production and circulation process and reproduction of the labour force, private fixed collective capital – the ensemble of existing capitalist units, and the ensemble of qualities of living labour; the institutional and regulatory forms – both formal and informal - which establish, regulate, and perpetuate the territorial configuration's cohesion; and the characteristics of individual capital units (ibid. 418). The circulation of capital proceeds through the territorial

organization of a space/technology nexus so that the territorial organization itself can be considered as a *force of production*. A key aim for capital thus becomes the competitive monopolization and command over superior space/technology systems created through the relative fixity of its physical, infrastructural, institutional form, and specific qualities of its labour force (ibid. 419-424). Swyngedouw suggests that specific forms of capitalist territorial organization have a greater or lesser degree of territorial coherence for capital accumulation: 'Territorial coherence...refers to a specific combination of the form of territorial regulation with a concrete form of the valorization process which generates a relatively stable pattern of territorial development' (ibid. 419). Territorial organization constantly develops through reconfiguration of complex technical and spatial divisions of labour as particular forms of territorial organization become barriers to further growth, unable to produce competitive rates of absolute or relative surplus value. Here the contradictory unity of territorial organization as force and relations of production becomes evident (ibid. 428). Territorial reorganization implies reconfiguring the relations of production through the spatial structure of production and circulation and with class struggle over production and social reproduction time and space:

*a precondition for the further development of the productive force of spatial configuration necessarily entails a change in the pattern of spatial or territorial configuration and, hereby, a transformation of the spatial pattern of production and consumption; hence the continuous struggle over spatial organization, not only between capitalists, but also between reproduction and production space (ibid. 425)*

I interpret Swyngedouw to mean here that a specific form of territorial organization loses coherence over time *for* capital valorization. The struggle over reproduction and production space implies to me that, *a form of territorial organization can be coherent for social reproduction over capitalist production*. Swyngedouw highlights the importance of territorial organization for social reproduction:

*Territorial configuration as a materialized social relationship...comes into conflict with the need for a permanent revolutionizing of territorial organization as a force of production...The struggle over the appropriation of labour time becomes...a struggle over the appropriation of space, over the control and command of social and productive territory (ibid. 428)*

Swyngedouw, however, approaches the notion of territorial coherence from the perspective of regulation and capital valorization which underplays the significance of social reproduction in a territory's spatial configuration. The spatial reorganization of production and circulation must contend with the concrete forms of social reproduction which both make valorization possible and also contradict it. Indeed in a context of development, territorial coherence for social reproduction could be prevalent. Access to the means of production in the form of farmland for subsistence and/or petty commodity production may provide a stable pattern of coherence for social reproduction but act as a barrier to the territorial reorganization of productive forces for capital. It seems to me that there are important implications of Swyngedouw's account for countries in contexts of industrialization or deagrarianization where command over agricultural space is important and processes of primitive accumulation occur (Glassman 2006; Hall 2012). Complex industrial/agricultural divisions of labour may be present in countries undergoing structural transformation with implications for command over the organization of production space and time (Bryceson 1996). At the heart of inter- and intra-class conflict over labour-time and the production and valorization of capital is:

*exactly the content and territorial boundaries of specific territorial forms of coherence. The scale of territorial coherence is itself the outcome of a struggle, i.e. the struggle between the control over place (the struggle over the production, realization and distribution of surplus) on the one hand, and the control over space (to control the conditions of the struggle over the production, realization and distribution of surplus) on the other (Swyngedouw 1992: 429)*

The foregoing indicates that the substance of contested and open economic development operates at the interface of old and new forms of spatial composition of production and social reproduction. This is an important point because it encourages us to think historically. The inherited territorial unity of the forces and relations of production may act as an important barrier to attempts to create new territorial configurations. It suggests that we should focus attention on the historically determined organization of production/social reproduction within - and between - given territories, as well as on which actors and social forces animate and command this organization, in order to identify the conditions and possibilities for various new forms of territorial coherence.

There are a number of lacunae in Swyngedouw's analysis. His focus is on territorial organization and cohesion within bounded territories and less on what happens between

territories. Institutional and regulatory forms can operate at international scales (Swyngedouw 1992: 418) but there how exactly territorial organization might operate in contexts of uneven development across international boundaries or in regional integration processes is largely left unexplored. Swyngedouw highlights the importance of fixity but perhaps underemphasizes the importance of some types of mobility i.e. *between* territories (Brenner 1998). Mobility may provide investment or employment opportunities that allow greater coherence in some territories while undermining the viability of other territories (Gough 2014). The dynamics of fixity and mobility in the formation of territorial development must be kept in view as they are a key manifestation of the strategies of the actors involved. Each territory will have a socio-spatial construction of labour defined in part by labour's spatial strategies for social reproduction (Herod 2001). Existing socio-spatial construction may also act as a barrier to capital accumulation within a territory and to the expansion of capital into new territories. For example, migration may form territorial coherence which privileges social reproduction. Social reproduction strategies may provide the means to resist exploitative labour relations. Illustrative of this is Mullings' (1999 in Kelly 2009: 452) finding that transnational remittance income received by households in Jamaica provided a level of financial security which allowed workers to resist labour intensification demands from managers.

What I propose is that the notion of 'territorial coherence' as set out by Swyngedouw - one where capital valorization is paramount in coherent territorial organization - is recast as a more open notion. Here, strategies of social reproduction to command space, tie together and reproduce places also block or accommodate with capital accumulation strategies to produce more open-ended development. *Labour's spatial practices thus emerge as part of a class composition which contributes to forms of territorial organization coherent for social reproduction.* It is implied in Swyngedouw's account that the end result of spatial reorganization is territorial coherence in favour of capital. I propose therefore that a recasting of territorial coherence to take greater account of the spatial strategies of social reproduction may also open up the possibility of spatial economic organization based on the refusal or supersession of the capitalist mode of production. Labour's agency thus emerges as an important factor in development processes within and between territories.

### 3.2.3 Global Production Networks and Territory

GPN scholars can offer some informative points to flesh out how foreign capital may concretely form territorial coherence when investing in new places.<sup>4</sup> While GPN analysis mobilizes a network metaphor it has the virtue of not presenting networks as free-floating above the local social relations and jurisdictions of state power. GPN research has thus advanced three interrelated concepts which attempt to account for the grounded geography of production networks and their relation to local and regional development processes: embeddedness; value; and strategic coupling (Henderson et al 2002; Coe et al 2004).

Territorial embeddedness refers to the way that productive activities are located within, and shaped by, a dense web of social, political and institutional relationships that are territorially specific, for example state regulation, social networks and local labour markets. (Henderson et al 2002: 452-453; Dicken et al 2001; Hess 2004). GPNs can be embedded in territory 'in the sense that they absorb, and in some cases become *constrained*, by the economic activities and social dynamics that already exist in those places (Henderson et al 2002: 452, emphasis added).<sup>5</sup> The latter is an important point to remember in considering notions of the race to the bottom and 'hyper-mobile' capital i.e. capital must adapt to existing territorial coherences in order to reterritorialize.

The creation and distribution of value in the process of territorial embedding is important for translating a region's articulation with global production networks into sustained economic development (Henderson et al 2002: 448). The creation of value includes the labour process which generates surplus value; and also various forms of rent from such factors as asymmetrical access to key product and production technologies. Value capture is perhaps most crucial for regional development processes as value may be created and enhanced in a location but still it may not be possible to capture and utilize it to the location's benefit. Government policy on, for example, taxation and repatriation of profits can determine the extent of value capture (Henderson et al 2002: 448-449; Coe et al 2004: 473-476). It is possible that the articulation of a GPN and a region is on fleeting and exploitative terms with little lasting developmental benefits accruing from the investment, with repatriation of profits (realized value) and the eventual relocation of production

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<sup>4</sup> The global commodity chains (GCC) and global production network (GPN) analyse the organisation of transnational production (Gereffi and Korzeniewicz 1994; Henderson et al 2002; Smith et al 2002; Gereffi et al. 2005; Palpacuer 2008). The approaches provide useful heuristics to analyse the governance and intricacy of global production processes but the focus here will be how networks are territorially embedded.

<sup>5</sup> See also Dicken et al 2001 and Selwyn 2012.



networks elsewhere (Coe et al 2004: 474). A highly important point to consider in the formation of new types of FDI- and GPN-based territorial coherences is who is the territorial reorganization coherent for?

Strategic coupling provides a concept which attempts to link territorial development processes with the development and expansion of GPNs. Coe et al (ibid.) argue that regional (or local) economic development in an era of globalization must be conceptualized at the interface of endogenous regional advantages and global production networks. The specific economic endowments found in a region (e.g. various configurations of labour, technology, knowledge and organizational capacities) which constitute potential economies of scale and scope are only advantageous to that region's development to the extent that they can be linked to the strategic needs of trans-local GPN actors. When the endogenous endowments and trans-local strategic needs are complementary, a process of strategic coupling takes place (ibid. 471).

Strategic coupling is a relational conception of the dynamic emergent effects of the contingent intertwining of '*territorialized relational networks and global production networks within the context of changing regional governance structures*' (ibid. 469, original emphasis; cf. Yeung and Coe 2014). The role of labour to Coe et al is pertinent.<sup>6</sup> The organizational strength and flexibility of labour is a key factor in how complementary a region is with the strategic needs of trans-local GPN actors (ibid. 472). Coe et al (2008: 284) assert that the 'clear spatial asymmetry between place-bound labour and polycentric GPNs' raises questions of how labour as an active spatial agent can shape the development of GPN dynamics. The tendency to present labour as fixed/immobile and GPN capital as mobile is misleading however. Labour's mobility may also be a key determinant in providing the territorial resources needed for enacting strategic coupling, and furthermore labour may have to be actively made immobile in order for the GPN to operate (Ngai and Smith 2007; Arnold and Pickles 2011; Arnold 2012; Carswell and De Neve 2013). Therefore the exact forms of labour's mobility and fixity must be ascertained to comprehend how strategic coupling is facilitated and/or blocked.

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<sup>6</sup> Early GCC suffered from inattention to labour. Selwyn argues that for GCC analysis to be properly utilized as a framework then the important role of labour and class relations in co-determining patterns of global production must be acknowledged and foregrounded (2012: 216; see also Smith et al 2002).

Here it is also useful to consider the territorial wage patterns noted by Storper and Walker (1989: 217) to demonstrate how even immobile labour within territorial agglomerations may not be at a disadvantage. The spatial pattern of industry location and territorial labour markets affects the shares of income between classes by changing the relative bargaining strength of labour and capital, so for example the introduction of several new factories into an already tight local labour market raises the relative strength of labour. These territorial pattern effects may raise labour's share of income. Labour's mobility power - the threat of exit to other higher paying competitors – may be enough to enforce a territorial wage pattern which raises workers' income enough to secure them in place (Smith 2006).

GPN frameworks for the analysis of place-specific development are however limited by insufficient connections to the sphere of social reproduction. Kelly (2013), for example, contends the GPN framework is less able to account for on the one hand place-based developmental changes such as social differentiation and uneven development which are not directly related to the firms at the centre of such networks; and on the other household livelihood strategies (ibid. 84-89; see also Kelly 2009; Heyer 2013). GPN insights therefore inform a broader theoretical framework of territorial coherence rather than being the main analytical window in this case. They can provide a finer-grained understanding of the dynamics of foreign capital's entry into a new territory. Tracing the agency of workers which links foreign-invested production networks with broader territorial economic activities is nevertheless preferred here as it brings social reproduction into view and connects more directly to questions of regional integration.

Territorial economic development can be understood then through the creation of distinct territories through bordering practices, institutional and regulatory development, and the combination of the latter with infrastructure, technology and labour to form territorial coherence. The spatial extent of such territorial complexes is subject to change as actors seek to transform the scale of their activities as a means to command space for production and/or social reproduction.

### ***3.4 Scale, Territory, and Regional Integration***

#### ***3.4.1 Scale***

Territory and the scale of development are deeply implicated, because the social production of scale – for example a region – requires the setting of a territorial extent over which particular processes or institutions operate. Territorial organization of production and

economic activity crosses borders and so integrates national and subnational territories. Regional integration projects I would thus suggest are attempts by various actors to construct scales through the creation of specific forms of territorial coherence, recomposing the balance of productive and socially reproductive activities through the command of improved and expanded space/technology/labour nexuses. Crucially, socio-spatial constructions of labour are central in driving these processes, and so the socio-spatial construction of labour also involves rescaling class relations.

Smith (1984) argues that scale is not a pre-existing, naturally occurring hierarchy of smaller and larger arenas of action but rather a socially constructed demarcation of spatial organization. 'In the doomed attempt' to realize spatial fixes, 'capital achieves a degree of spatial fixity organized into identifiably separate scales of social activity' (ibid. 135). Scale in this conception then is not an ontologically pre-given set of frames - 'local', 'regional', 'national', and 'global' - for social relations but rather constructed by these relations themselves through various political economic struggles, strategies and contestation (Delaney and Leitner 1997). Competing conceptions of scale have generated some conceptual confusion and some scholars calling into question its analytical validity (Miller 2009). This has led some to argue that scale should be eliminated as a concept in human geography and be replaced with a 'flat ontology' of horizontal flows (Marston et al 2005; see also Moore 2008). This poststructuralist rendering of a 'flat ontology' however misrepresents the Marxist political economic conceptions of scale that are its target. In the poststructuralist reading the dialectic of fixity and mobility is ignored, with scale presented as structuralist, and Marxist discussion of 'material' and 'real' is conflated with reification (Leitner and Miller 2007: 117-118; MacKinnon 2010: 26). The notion of scale can thus still be deployed using the tools of historical materialism to construct adequate accounts of regional integration processes.

Brenner (2001: 604) has referred to the process of 'scalar structuration' as a dimension of socio-spatial processes - rather than a spatial property per se - such as capitalist production or social reproduction. To the extent that 'a given social, political or economic process is internally differentiated into a vertical hierarchy of distinct spatial units, the problem of its scalar structuration arises' (ibid. 604). Spatial scales are never fully fixed but 'restructured in terms of their extent, content, relative importance and interrelations' (Swyngedouw 2004:

33).<sup>7</sup> Miller argues that three processes are implicated in the construction of scale, namely ‘constructing borders, establishing territorial extent, and determining the responsibilities and capacities of the various levels of territorially nested institutions’ (2009: 56). Miller concludes that scale can be defined as ‘a set of territorially nested, malleable relationships among territorially embedded or constituted agents and institutions, shaping their responsibilities, capacities, opportunities, and constraints through territory-specific rule regimes, resources, and identities’ (ibid. 62). This is partly useful as it provides a succinct framing of what might be termed ‘scales of regulation’ but as Swyngedouw (2004: 33) notes these are in constant tension with ‘scales of networks’, that is constantly deterritorializing and reterritorializing economic networks and flows. The emphasis then I would propose should be on how ‘scales of regulation’ and ‘scales of networks’ are overlain to produce ‘structured coherences’ of varying durability. In processes of capitalist development capital circulation can be deemed as requiring a relatively fixed territorial infrastructure and associated institutional-regulatory framework. Capital circulation is thus organized over ‘multitiered territorial-organizational arrangements’ (Brenner 1998: 464). However, when overaccumulation crises appear this scalar architecture must often be reworked – *rescaled* - in order to maintain accumulation. The contradiction between fixity and mobility in the circulation of capital manifests as continuous tension ‘between the territorialization of social relations within relatively stabilized scale-configurations and their recurrent rescaling through capital’s deterritorializing drive towards time-space compression’ (Brenner 1998: 461). I therefore interpret rescaling *as a means through which spatial fixes are enacted*. The territorialization of space in capitalist development is thus *the basis* for rescaling. Rescaling can involve the creation of new scales – by for example setting new territorial extent - and reconfiguring the relations between territorially embedded actors operating at different scales within a scalar hierarchy (Brenner 2009c: 73). Restructuring of scales in order to command them is a key part of social strategies for control and empowerment and such ‘scale redefinitions in turn alter the geometry of social power by *strengthening the power and the control of some while disempowering others*’ (Swyngedouw 2004: 33, emphasis added). The latter point directs our attention to the inequitable and exclusionary effects of the creation of new scales which are often undertaken in the name of modernizing economic development beneficial for all (Cammack 2016).

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<sup>7</sup> The state has received particular attention as being transformed through the transferral of institutional and regulatory powers downwards to subnational scales and upwards to transnational entities. See Swyngedouw 2000, Brenner 2004, Brenner 2009b, Brenner 2009c, Büchs 2009, Cox 2009, Jessop 2009.

### 3.4.2 Regional Integration and Rescaling

Regional integration can be interpreted as a process of rescaling. In this interpretation a new territorial extent is set for overlapping scales of regulation and scales of networks and new relations are established between actors operating at different scales within the new scalar-territorial organization – such as regional capital/local labour (Brenner 2009c: 73). European integration under the European Union, for example, can be read in this light as the free movement of capital, goods, and labour, continuous eastward expansion, and regulatory and policy gearing towards these movements created a neoliberal space of capital circulation favouring powerful class actors and resulted in the transfer of certain state capabilities to European institutions (van Apeldoorn 2002; Bieler 2006). Similarly, in attempts to escape crisis Cammack (2016: 175-176, original emphasis) observes the Asian Development Bank's role in supporting 'material processes of *regionalization* (physical infrastructure in energy, transport and communications, and regional production chains), and developing a comprehensive *regional project* informed by an ideology of *competitiveness* aimed at *transforming states* and instituting a *global capitalist world order*'. The state transformation in question may be on the one hand orienting central level facilitation of enabling business environments through, for example, capital-friendly investment laws (Carroll 2012) or on the other, transformations at the subnational level. Brenner (2004: 58) argues that national economic spaces have been rescaled into strategically differentiated sub-national territories which are better able to ground deterritorialized capital, which attempts to gain competitive advantages through locally and regionally specific conditions of production. Regional integration has been enacted through this rescaling as integration 'simultaneously opens up national competition and necessitates a greater sensitivity to subnational conditions', a process that can be referred to as 'glocalization' (Swyngedouw 2004: 38). Brenner (2004: 166) elaborates that the emergence of place-specific institutional, regulatory and infrastructural complexes can be understood as political strategy 'intended to position particular subnational economic spaces within supranational circuits of capital accumulation'. Brenner suggests then, in a formulation which I think can be usefully deployed in the context of the Greater Mekong Subregion, that *reterritorialized subnational spaces form articulatory nodes which permit new types of territorial coherence on an expanded regional scale*.

Labour is somewhat under-analyzed in theoretical work on the political economy of scale.<sup>8</sup> Great attention is given to the projects of state and capital to rescale with much less of a

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<sup>8</sup> Although see Chapter 2 on trade union rescaling.

role for labour in the debates, despite repeated affirmations that scale is 'contested'. This risks dissociating the analysis of scale from a grounding in the class relations of capitalism (Charnock 2010a). Class relations and labour's agency are scaled and central to processes of rescaling. For Gough (2004: 188-195) social relations may be both a cause and an aim of rescaling with the reorganization of capital and its scale always formed in relation to labour. Classes have differing abilities to command territories and distances of different scales and so shifts in scale constitute a method of class struggle. Restructurings of capital which shift between scales in order to escape crisis tendencies and sustain accumulation are projects of capital but projects which are premised on labour as an active agent. That is, capital enacts rescaling projects in order to escape or control labour's agency. For example, the breakup of national wage-bargaining and its fragmentation to the local level subjects labour more strongly to the discipline of capital by drawing it into competition between individual capitals. This form of 'neoliberal localism' is based on, and stems from, the value discipline caused by global stagnation and its consequences of heightened transnational capital mobility relative to labour. Labour may be locally confined and the labour market and wages constituted contingently at the local level but it is also made to compete with other labour at expanding scales (ibid. 195). The construction of new scales of economic governance, either through supranational governance structures such as the European Union, global trade architecture such as the World Trade Organization, or regional economic integration projects such as the ASEAN Economic Community, enables larger domains of capital mobility and competition which deepen value discipline (ibid. 199; Cammack 2009; Cammack 2016). That is, regional integration processes act to provide larger arenas for capital's spatial fixes. In addition, the increased distances at which class relations can operate mean that employment relations are transformed into abstract, global relations which obscure the operation of power: 'the greater distances between production and labour on the one hand and decision making on the other tends to produce a more powerful market fetishism: more remote competitors, markets, corporate headquarters and state decision making tend to depersonalize economic processes' (Gough 2004: 199). Workers can seek to resist the disciplinary and fragmentary effects of capital and state rescaling projects by building their own scales (Gough 2010). Many efforts to resist exploitative employment or become resilient to it will be enacted at the local scale but workers can also build relations with trans-local actors which allow them to push back against capital's rescaling projects (Gough 2004: 190).

Scale can be understood in a dual sense of overlaying 'scales of regulation' and 'scales of networks' which create 'structured coherences' for capital accumulation and economic development. As territorially-nested sets of malleable social relations they shape opportunities and constraints and are both the outcome and object of social struggles. Changing scale can thus be a form of class struggle as in the creation of larger domains of capital mobility. Regional integration can therefore be understood as projects of rescaling to create cohesive expanded domains for the production of surplus value and circulation of capital. As Brenner notes however, scaling up can also mean scaling down to create new articulatory spaces.

### ***3.5 Spatial Reordering, Territorial Coherence and Special Economic Zones***

The geographical political economic dynamics which have been discussed thus far can, it seems to me, shed light on the operation of special economic zones in the global economy. Reterritorialization of state space and associated rescaling of state regulatory-institutional orders can manage the fixity and mobility of capital and labour in order to integrate a territory with regional or global capital circuits. The territory is thereby rescaled by incorporation in a regional or global hierarchy. This appears to be a persistent theme in special economic zone development. Special economic zones, it seems to me, can be conceptualized as articulatory nodes which facilitate new forms of territorial coherence in scale-making processes.

Territory and borders remain salient in the global economy because they can be used to create spatial frames for structuring capital accumulation and managing the mobility and fixity of capital and labour in expanded regional and global scales (Mezzadra and Neilson 2013). States and capital have actively sought to fix bounded spaces for capital accumulation such as free trade zones, economic corridors, offshore tax havens, special economic zones, and resource extraction enclaves (Sidaway 2007a; Fau et al 2014; Bezuidenhout and Buhlungu 2015). This suggests that, in one sense, it is precisely differentiation of territorial jurisdictions that allow particular networks and connections – particularly of powerful class actors – to form. The reterritorialization of space within and between countries is implemented with the intent of creating new forms of territorial coherence which privilege some and disadvantage others. Efforts to fix mobile capital and labour in territories lead to a diversity of macro-regional, national and sub-national spaces differentiated through institutional and regulatory orders (Ong 2006; Sidaway 2007b). Mezzadra and Neilson summarize the variation and complexity of these territorial-institutional arrangements:

*The strange form of excision, by which states establish such zones and enclaves by removing them from ordinary normative arrangements, allows a plurality of legal orders, labour regimes, patterns of economic development and even cultural styles to emerge...Rather than being spaces of legal voidness, they are saturated by competing norms and calculations that overlap and sometimes conflict in unpredictable but also negotiable ways (2013: 208)*

Special economic zones are one such type of territorialization to take hold in the era of globalizing capital, with the first modern export processing zone in Asia established in Kaoshiung, Taiwan in the mid-1960s<sup>9</sup> (Ong 2006: 103). Special economic zones provide a specific territorial enclosure which provides advantageous conditions for globalized capital accumulation through a differentiated treatment of capital and populations within the national space (Park 2005; Ong 2006; Laungaramsri 2014). Differentiated treatment is achieved through regulatory packages of tax breaks, the lowering of trade barriers, special rules for the circulation of commodities, capital, and labour through the zone, and other incentives to attract mobile capital (Aggarwal 2006; Banerjee-Guha 2008; Brautigam and Tang 2011; MMN 2013). Special economic zones, it seems, can be seen as one means of enacting a 'strategic coupling' between GPNs and localities. In doing so these territories and populations within them are rescaled within a scalar formation.

Ong (2006) challenges us to consider how such territorial innovations transform the relation between states and citizens, although her conceptualization of such zones as ones primarily of 'exception' requires qualification. She argues that zones involve 'de facto or practical adjustments and compromises in national sovereignty' (ibid. 78). These practices she terms 'graduated sovereignty' with governments flexibly managing sovereignty by adjusting 'political space to the dictates of global capital, giving corporations an indirect power over the political conditions of citizens in zones that are differently articulated to global production and financial circuits' so that neoliberal zones act as exception to broader state power structures (ibid. 79). Zones also administer populations differently to create 'graduated citizenship'. Access to rights and welfare are restricted, for example, for low-skilled workers compared to higher-skilled workers in zones such as science or technology parks. Preferential treatment in the zones can also be distributed along lines of citizenship and nationality, race and ethnicity (ibid. 79). Ong here clearly indicates the importance of social construction of different population groups in order to facilitate the articulation of

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<sup>9</sup> Neveling (2015) identifies the first export processing zone/special economic zone as established in Puerto Rico in the 1940s.



territorial enclaves with global capital flows, while nevertheless tending to elide workers' agency.<sup>10</sup> Workers and other subaltern groups in the zones of 'exception' are the subject of differentiated governance practices and not the source of their own. Capital and state are the main bearers of agency.

Another issue with Ong's approach to 'graduated sovereignty' is that the emphasis on 'exception' to national state power is perhaps misleading as to how zones reinforce state power. Brenner (2004: 16, original emphasis) echoes Ong when he asserts: 'it is no longer capital that is to be molded into the (territorially integrated) geography of state space, but state space that is to be molded into the (territorially differentiated) geography of capital'. Posing the issue in a dichotomous 'either/or' way is misleading as the moulding of a space may serve *both* the aims of capital *and also* the state. Park (2005) casts doubt on SEZs being solely or primarily 'exception' to national powers orders by examining government's role in zones in South Korea. While accepting that graduated sovereignty is apparent in Korean zones, they were 'hybrid spaces' which combined neoliberal elements and 'active state intervention in industrial development', the latter inherited in a path-dependent manner from South Korea's developmental state institutions (ibid. 868). Arnold (2012), in the case of border economic zones in Southeast Asia, argues persuasively that SEZs found in border areas operate to reinforce state power and legitimacy. Border SEZs provide conduits to more diversified economies and regional divisions of labour by engaging in mutually reinforcing enabling and restricting practices. For example, in Thailand in a border economic zone on the boundary with Myanmar the establishment of labour-intensive manufacturing in the area has allowed foreign-invested firms to access cheap Burmese migrant labour while at the same time blocking that labour from moving further into Thailand. This serves state goals of national security, population control and legitimacy from maintaining the ethnic integrity of the nation's territory (ibid. 745-748; see also Arnold and Pickles 2011). Zoning and other territorial practices may also be used by the state to manage the mobility and fixity of capital and labour, through for example locating special economic zones on borders to take advantage of cheap labour from neighbouring countries (Arnold and Pickles 2011; Arnold 2012; cf. Dwyer 2013; Dwyer 2014).

Referring to the work of Andrew Walker, Arnold (2012: 744) observes that a focus 'on the supposedly neoliberal ways of managing territory and citizens involves playing down the extent to which states throughout the modern era have also sought to link their territories

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<sup>10</sup> Her previous work has more space for agency, although also downplayed. See Ong 1987.

and citizens with the political dynamics, economic systems and natural resources of neighbouring countries'. This all suggests to me, that viewing border or SEZs as primarily zones of exception or enclave spaces for global capital accumulation overstates their 'excision' from the surrounding territory. To be clear, I agree that the forms of 'excision' can and do integrate zones and enclaves with larger-scale economic processes in ways that are exclusionary and oriented to benefits of trans-local actors. The point is however that the new forms of territorial coherence within zones and between the spaces they articulate are potentially affected by existing forms of territorial coherence in the area. The socio-spatial construction of labour required for such zones illustrates this point.

The establishment of SEZs hinges on the creation of localized labour regimes. Specific labour rules and regulations thus construct zone workforces as low-cost and controllable and these labour control systems can operate through both formal and informal mechanisms (Kelly 2002; McKay 2004; Park 2005; Chan and Ngai 2010; Chan 2014). This is well considered in the literature and it has provided valuable insights. However, there are blind spots in the analysis of zone labour regimes, one of which is workers' agency, especially of the everyday, variegated kind.<sup>11</sup> Ngai and Smith (2007), for example, may examine how a 'dormitory labour regime' is used to enable a flow of rural migrants and fix that flow in place, but the onus is on the strategies which zone capital uses to do this. In short, there is a lack of attention to how labour participates in its socio-spatial construction through its own practices of fixity and mobility and social reproduction, and thus how this affects the stability and prospects of differentiated zones of global accumulation. Echoing the faults of Ong's 'neoliberal exception' and some GPN analysis there is a tendency to consider the socio-spatial construction of labour in relation to what happens *within* the zone and not how the internal coherence of the zone both depends on and also changes constructions of livelihood and divisions of labour *beyond* its boundaries. This issue is especially pertinent for the reconfiguration of territorial organization as capital expands into new spaces and encounters socio-spatial constructions of labour embedded in existing coherences of social infrastructure, production, social reproduction and space, which must be overturned or accommodated with. Contestation over territorial coherence is I would propose one way in which labour affects the rescaling process of regional integration.

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<sup>11</sup> Chapter 2.

## ***Conclusion***

The foregoing has articulated a conceptual framework that I suggest is useful for interpreting the case of Savannakhet border industry and GMS regionalization. Regional integration projects can be fruitfully read, I believe, as political economic scale-making processes which are enacted to create expanded domains of capital mobility and circulation. The dialectic of fixity and mobility thus emerges as a key conceptual lens as mobile capital must reterritorialize to operate on an expanded scale. The fixity/mobility lens directs our attention to who or what is fixed in place or mobile (or both) and the exact methods through which they are made so. What type of spatial fix is being performed and how does it cohere with or contradict the spatial fixes of other actors? The notion of territorial coherence, it seems to me, can help to grasp the multiple, interlaced and contradictory fixes and mobilities. How are the elements which compose capitalist spatial development – institutional-regulatory order, bounded spaces, capital, labour – brought together to cohere long enough for a stable pattern of accumulation to emerge? How does class struggle – with labour’s agency at its core – determine the exact ‘content and territorial boundaries of specific territorial forms of coherence’? How are fixity and mobility reorganized to destroy or overturn one form of territorial coherence in order to create a new form, especially on an expanded scale? How do the spatial strategies of labour to command space for purposes of social reproduction produce a particular form of territorial coherence which contradicts and constrains the territorial reorganization of capital? The relevance of these issues, it seems to me, lies at the heart of regional integration, the reterritorialization of state space, uneven development and any global race to the bottom. Understanding regional integration in terms of the changing configurations of social reproduction-capital valorization-regulation opens a way past a market-led ‘bottom-up’ or a ‘top-down’ political-institutional rendering and towards the contested and negotiated imbrication of various actors’ strategies and practices operating at different scales to create differentially inclusive forms of cross-border connection. Moreover, it shifts focus to include the grounded practices and lived experiences of subaltern actors which both produce and contest certain forms of integration. Purchase is therefore gained on how regional integration operates as - and builds on - uneven and inequitable development in order to forge channels, corridors, and zones of articulatory coherence between territories. Such spatialities function for some powerful actors such as investors or state officials but disrupt forms of socio-spatial organization beneficial for other actors or exclude wider distribution of surplus value. Conversely, it seems, existing forms of territorial coherence can act as barriers for the expansion of capital

into new territories attempting to access a low social cost of labour in a race to the bottom. In short local conditions of social reproduction and labour markets matter when mobile FDI attempts to embed in a new territory. This points to the need for a detailed understanding of the specific geographical and historical trajectories through which territories are produced, the subject of Chapter 4.

## Chapter 4: Laos' History – Peripheral Centrality

The notion of turning Laos from a land-locked to a land-linked country (Pholsena and Banomyong 2006) has become a keystone of the Lao government's recent development discourse on regional integration. Laos sits at the geographical heart of the Southeast Asian peninsula and its historical remoteness from larger centres of power, trade and population has caused Laos to be peripheral to the main sweep of the Southeast Asian mainland's history. Laos' peripheral status is, however, a paradoxical one because of the very centrality of its geography. Foreign powers have long vied for influence, strategic advantage and economic benefit and Laos has become an arena for struggles because of its simultaneous geographical peripherality *and* centrality; what I term its peripheral centrality. This chapter therefore situates contemporary development processes and the present case in a historical context of Laos' shifting orientations and integrations with its neighbours.

I demonstrate that Laos' peripheral-central status in Southeast Asia historically resulted in it becoming an arena for contending external interests – an issue with clear contemporary parallels. The Lao have thus engaged in a balancing act to manage and derive benefit from foreign forces. I focus on three interrelated themes: the development and transformation of the Lao polity and state; the economic geography of Laos; and the multiple, tangled relations with external actors which the Lao have tried to balance and derive advantage from.

### 4.1 Early Lao Mandalas: Lan Xang

Ethnic Lao form a sub-grouping of the broader Tai ethnic group, which also includes contemporary Thai in Thailand, Shan in Myanmar/Burma and Tai Leu in Yunnan. By around 2000 BCE the early inhabitants of Laos were Austroasiatic-speaking groups ancestral to the present-day ethnic minorities now residing in Laos' highland areas (Stuart-Fox 1998: 10). Tai groups began to migrate southwards into Laos probably from the border area between China and Vietnam in the late first millennium and early second millennium CE (ibid. 26; Lieberman 2003: 240). By the mid-14<sup>th</sup> century Tai groups had established polities in Laos (Stuart-Fox 1998: 32). Tai political organizations above the village level were known as *meuang*<sup>1</sup> and would be comprised of several villages presided over by an aristocratic lord, the *chao meuang*. *Meuang* were organized in what historians have termed the *mandala*

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<sup>1</sup> A word with contemporary meanings signifying 'town', 'city' or 'country'.

form. *Mandalas* were a form of political organization prevalent in mainland Southeast Asia from at least the first millennium CE. A *mandala* was formed by a central settlement from which power radiated in concentric circles of decreasing power the farther from the centre a territory lay. Rulers of a powerful central *meuang* could extract tribute, in the form of economic surplus and labour requirements, from smaller *meuang* within their sphere of power. Smaller *meuang* which lay between powerful centres would pay tribute to both centres (Tambiah 2013; see also Wolters 1968). Low population densities entailed that political power was marked, rather than by the control of territory, by the ability to control populations in order to produce economic surplus and gain labour for war and royal construction projects (Reid 1988: 132-135). Early Tai centralizing polities were predicated on an agricultural basis of irrigated wet-rice cultivation (ibid. 20-25; Lieberman 2003: 50).

Early Lao *meuang* were peripheral to larger power centres elsewhere on the mainland. It was not until the rise of the kingdom of Lan Xang in the 14<sup>th</sup> century that a Lao polity formed a powerful and extensive *mandala* of its own. Lao chronicles assert that Lan Xang was founded by Fa Ngum in 1353. Fa Ngum is said to have unified Lao *meuang* occupying the middle reaches of the Mekong and the northern and eastern sections of the Khorat plateau<sup>2</sup> through military force (Stuart-Fox 1998: 43-44). Lan Xang was 'decentralized and segmentary in its political organization' (ibid. 45) with four principal *meuang*, including the capital Xiang Dong Xiang Thong,<sup>3</sup> as the core and each with its own dependent, secondary *meuang*.

The structure of early Lao society was composed of three classes: nobility, commoners (*phai*) and slaves. The king and powerful lords of larger tributary *meuang* formed the top layer, below which came the free peasantry, valued as surplus producers and soldiers, and then slaves. Highland ethnic minorities lived according to their own laws and customs and largely stood outside Lao society (ibid. 47). Stuart-Fox (ibid. 49-50; cf. Evans 2002: 13) argues that in terms of the production and extraction of wealth Lan Xang had 'a semi-feudal tributary mode of surplus accumulation in which a hierarchy of local rulers channelled a proportion of whatever surplus wealth they could extract to their immediate overlord in the form of tribute, along with provision of so many armed men in the time of war'. Relations of blood and marriage between the royal centre and tributary governors did not prevent revolts and power depended less on administrative structures than on military

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<sup>2</sup> Now northeastern Thailand.

<sup>3</sup> Present day Luang Prabang.

capabilities and economic prosperity (ibid. 59, 73). Lan Xang was thus prone to fissiparous tendencies which would eventually lead to the break-up of the *mandala*.

Wealth was generated through craft production, tin and iron ore mining, alluvial gold panning and valuable forest product collection. Trade networks were crucial for leveraging this production into wealth with Lan Xang occupying an important position at the intersection of trade routes. Riverine transport enabled lowland-highland trade and established rivers as principal trade arteries. The main Lao commercial centres engaged in trade with neighbouring *mandalas* in Yunnan, Burma, Thailand, Cambodia and Vietnam (ibid. 49). Trade was made difficult however by Lan Xang's distance from larger population centres and maritime trade routes. The geographical position of Lan Xang made trading a long and arduous process. The difficulty of moving goods and resources across Laos' space would become a recurrent theme of its economic history.



Figure 1: Lan Xang (dark green) circa 1400 CE<sup>44</sup>

Laos' history is marked by the ebb and flow of competing powers' struggles to influence this territory at the centre of the Southeast Asian peninsula. Other Tai polities, as well as China, Vietnam and Burma have all attempted to derive benefit from projecting political and military power into Laos from the time before Lan Xang emerged as an independent

<sup>44</sup> Source: [https://en.wikipedia.org/wiki/Lan\\_Xang#/media/File:Map-of-southeast-asia\\_1400\\_CE.png](https://en.wikipedia.org/wiki/Lan_Xang#/media/File:Map-of-southeast-asia_1400_CE.png)

entity until its dissolution and fall. Lan Xang as a unified entity began to disintegrate in the late 17<sup>th</sup> and early 18<sup>th</sup> centuries. A series of succession disputes provoked the dissolution of Lan Xang into three antagonistic polities, Luang Prabang in the north, Vientiane in the middle, and Champasak in the south. The decline of Lan Xang was matched by the ascent and consolidation of the Siamese polity of Ayutthaya and by the late 18<sup>th</sup> century all three of the Lao *meuang* which represented the broken remnants of the Lan Xang kingdom were under the suzerainty of the Siamese (ibid. 103).

Lan Xang was in a loose long-distance tributary relationship with China. More or less regular tribute was sent to China - albeit with some long periods between missions - throughout the Lan Xang era (Stuart-Fox 1998: 59 *passim*). Lao rulers, during periods of weakness, at times requested China to intercede with Siam on their behalf (ibid. 117). The 16<sup>th</sup> and 17<sup>th</sup> centuries were marked by multiple conflicts as the Tai polities of Lan Xang, Lan Na and Ayutthaya, as well as Cambodia and Burma jostled for power on the peninsula (Lieberman 2003: 263-274; Wyatt 2003: 76-85). Lan Xang was able to benefit to a certain extent from trade in its luxury forest products and resources such as gold as increased coastal, i.e. foreign, demand solidified commercial links with its maritime neighbours Ayutthaya and Cambodia, and to a lesser extent Burma and Vietnam (Lieberman 2003: 265). Lan Xang, on the whole however, was unable to easily access the commerce with Asian and European merchants that was so profitable to its coastal neighbours. Exclusion from trade also had the disadvantage of reduced knowledge and use of the latest military equipment and tactics. Developments in accurate European firearms impacted negatively on the use of elephants in war and advantage swung to the coastal states who had the means to pay for European mercenaries and arms (Stuart-Fox 1998: 98). Technology transfer was thus a problem for Laos well before any attempt at industrialization. Trade with Yunnan and Guangxi in China was unable to offer an adequate alternative to maritime trade, hindered by difficult routes and limited volumes (Lieberman 2003: 285).

The disadvantageous geographical position of the Lao polity was also reinforced by the loose administrative structure founded on personal relationships between rulers and ruled. Lan Xang was unable to cohesively generate overarching loyalty to the monarchy and state across its territory. Lao rulers were therefore unable to control labour on a sufficient scale to consolidate economically and militarily (Wyatt 2003: 84-85). The succession disputes of the early 18<sup>th</sup> century broke Lan Xang into three antagonistic parts and this dissolution was aided and abetted by both Vietnam and Ayutthaya promoting their own interests (Lieberman 2003: 285). Rising Siamese power entailed Lao *meuang* transferring their



allegiance to Ayutthaya and a further sapping of Lao rulers' ability to control labour and extract tribute (Stuart-Fox 1998: 91). Continued fragmentation of the Lao kingdoms in the 19<sup>th</sup> century was marked by increased competition between Siam and Vietnam for influence over *meuang* east of the Mekong. For example, some Lao rulers, such as of the Phuan territories in northeast Laos, sought to balance over-dependence on Siam by entreating for Vietnamese protection (ibid. 128-132). Siam was the more influential however and was to leverage economic benefit from hegemony over Lao territories. By the 1850s Siam was receiving significant annual taxes in kind as well as specie. Lao offered resistance to this extraction with several *meuang* in arrears, but the in-kind goods still flowed to the advantage of Siam (ibid. 136).

Siamese hegemony was the cause of population migrations in the 18<sup>th</sup> and 19<sup>th</sup> centuries which arguably reverberate to the present day. Siam was responsible for the forced migration of a significant part of the Lao population from east of the Mekong to the west bank and the Khorat plateau. The Siamese conquest of Vientiane in 1778 led to thousands of Lao families being deported to central Siam (ibid. 112). Later in 1827 the Chao Anouvong rebellion led to further depopulation of Lao territories. This revolt was the last attempt by a Lao kingdom, Vientiane, to throw off the yoke of Siamese suzerainty. Chao Anouvong, the ruler of Vientiane attempted to recapture the Lao population of the Khorat plateau and reconstitute the power of Lan Xang but his failure and defeat entailed the forced resettlement of Khorat plateau Lao closer to Bangkok and the entire population of Vientiane to be deported to the central Khorat plain, to enable greater Siamese control over them (ibid. 125-127). The Siamese policy of forced resettlement continued in subsequent years in order to deny any Lao support for a Vietnamese invasion (ibid. 130-131). By the time of a political agreement in 1847 which ceased hostilities between Siam and Vietnam 'the east bank was a virtual wasteland of abandoned villages and rice fields' (ibid. 131). Such forced mobility suggests a reason for Laos' contemporary low population densities (and the concomitant issue of mobilizing sufficient labour for capitalist development), although as we shall see below this was not the last large-scale permanent movement of the Lao population across the Mekong. Cross-Mekong movement and attempts to fix populations in place in order to further political and economic ends of Siamese hegemonic control have given way in more recent times to Lao economic migration to Thailand. The contemporary principles of fixity and mobility were foreshadowed by historical upheavals.

Lan Xang, despite periods of ascendancy and regional power in the 15<sup>th</sup> and 16<sup>th</sup> centuries, was undermined as a coherent political entity by: its loose administrative structure dependent on personal relations and the concomitant inability to command populations and their labour; its distance from lucrative maritime trade routes; the internecine succession disputes of its elites; and the prolonged interference in its affairs by powerful neighbours. The second half of the 19<sup>th</sup> century saw the emergence of a foreign power from farther afield which was to have a lasting impact on Lao history: France and its project of colonial domination.

#### **4.2 Laos in French Indochina**

The expansion of French colonialism in Indochina from its initial base in Cochinchina – the southern section of Vietnam - was provoked by both capitalist interests and inter-colonialist competition with Britain (Brocheux and Hémerly 2009:32-39). The annexation of the Lao territories, was part of a bid to extend influence over the rich and populous territories of Siam west of the Mekong (Stuart-Fox 1997: 20). France began its piecemeal colonization of Laos in the late 1880s, initially utilizing different Siamese and Vietnamese conceptions of tributary relationships to its advantage. The Siamese understood Lao *meuang* requests to enter tributary relations as attempts to balance between competing power-centres while the Vietnamese interpreted such requests as entreaties to enter into the imperial order and so recorded tributary *meuang* as administrative divisions of Vietnam even where Vietnamese influence was small. France utilized the existence of these administrative divisions to claim control over Lao territory. The French embarked on an aggressive policy of extending their influence on the east bank (Stuart-Fox 1997: 22-23). After skirmishes between Siam and France in the disputed territories in 1893, France engaged in gunboat diplomacy, sailing two ships up the Chao Phraya river and training their guns on the royal palace in Bangkok. A treaty was signed in 1893 giving France control over the east bank from the kingdom of Luang Prabang in the north to Cambodia in the south. Negotiations in 1896 with the British led to the ceding of territory north of Luang Prabang to France in return for the acceptance by the French of a neutral and independent Siam. France was able to gain two extensions west of the Mekong in Xainyabuli and part of Champasak in 1904 (ibid. 23-26). Thus demarcated Laos was incorporated into the French domain of Indochina, in which it would occupy a subordinate position.

Laos and Cambodia were to play a minor part in the French colonial project in Southeast Asia, with Vietnam being ascribed greater economic importance. The French held

Indochina to be a single territorial entity composed of five parts – the Vietnamese territories of Tonkin, Annam, and Cochinchina, as well as Laos and Cambodia. The Mekong's Lao east bank territories were not considered by the colonists a separate and coherent political entity but rather an extension of Indochina. Laos was thus a hinterland of Vietnam, and colonial policy was directed at ways to serve and consolidate France's Vietnamese interest (ibid. 28). Laos' subservience within the Indochinese colonial space became manifest in interrelated administrative and economic modes of domination.

Laos was constituted as a single administrative entity in 1899. The French administration was, at least nominally, direct, except for the Kingdom of Luang Prabang where a protectorate was established (Stuart-Fox 1997: 30). The French attempted to run the administration at a minimal cost with upper (northern) Laos in 1914 run by 224 officials, of which the French contingent numbered 24. Brocheux and Hémery (2009: 86-87) argue that this minimal administration required preserving and accommodating the existing Tai-Lao political structures in order to construct a central, minimal, state-controlled structure which transformed local potentates into civil servants of the colonial state. The low numbers of French in the administration entailed that administration was in effect indirect. The French thus were insulated from resentment against corruption, taxation and corvée labour, with anger rather directed at indigenous officials (Stuart-Fox 1997: 31).

France held that colonies were expensive and so should pay for themselves. In this way the colony could become of value to the French empire and self-fund its administration and development (Gunn 1990: 18; Stuart-Fox 1997: 46). France initially had high hopes for Laos as a conduit to Chinese trade and a source of wealth, but the Mekong could not provide a route to China (Osborne 1975). Hopes of trade were also dashed as it soon became apparent that trade both in Laos and the Khorat plateau was oriented towards Bangkok (Stuart-Fox 1997: 46). Efforts to promote economic development centred on repopulating Laos with a workforce and on constructing a transport infrastructure.

French Laos was beset by the problem of low population density. Compounding this issue in the French view was that the Lao were deemed to be indolent and lacking the vigour needed for development. The solution was to import more energetic surplus labour from Vietnam, especially Annam, to repopulate the colony (Gunn 1990: 33). The economic potential of Laos thus 'awaited exploitation through the investment of French capital and the introduction of Vietnamese labour' (Stuart-Fox 1997: 29). Statistics from 1936 indicate that 27,000 Vietnamese inhabited Laos out of a total population of 1,012,000. The

Vietnamese were largely concentrated in urban areas and mainly worked as government officials, labourers and traders (Gunn 1990: 34-35). French capital was extended into Laos first as merchant capital, with competition from comprador Chinese and Vietnamese, and then as industrial capital in transport infrastructure and resource-extractive exports (Gunn 1990: 22-23). Tin-mining was the main focus of capitalist investment in the Lao economy with a noticeable upswing in mining investments in the late 1920s, attracting large amounts of capitalization on the Paris Bourse (ibid. 26). Exploitation of Lao timber, especially teak, was also notable with 12,000 to 15,000 logs of wood sent down the Mekong to Saigon annually. Other export-oriented investments included the development of rubber and coffee plantations, although production remained at a low level compared to other areas of colonial exploitation, with rubber plantations of 20,000 hectares and coffee production of a mere annual output of 3000 tons in 1940-1945 (ibid. 28). In Laos primitive accumulation was incomplete and 95 percent of the population existed in a state of autarkic subsistence, an obstacle to capitalist production and trade, compounded by the country's relative geographical isolation (Murray 1980: 6; Gunn 1990: 28-29).

The spatial reconstruction of the territories advanced by the French attempted to weld Laos to the Vietnamese colonies, as a provider of commodities and a vent for Vietnamese surplus labour. The *debloquement* or opening up of Laos and its integration into the wider Indochinese economic space assumed a key role in France's plans for the *mise en valeur* of this hinterland. An emphasis on transport infrastructure was such that Gunn (1990: 40) argues 'the "development" of the country was almost coterminous with road construction'. Road and rail construction was intended to reorient Laos away from its traditional links with Siam (ibid. 40-41). Attempts were made to link the Mekong towns to the Vietnamese coast across the Say Phu Luang cordillera, with three routes eventually crossing the range in Thakhaek, Savannakhet and Xieng Khouang provinces. The extension of the road network enabled goods to be transported from Savannakhet to Saigon in three days, an improvement compared to the twelve days such a journey took along the Mekong. The roads were not of sufficient carrying capacity in the eyes of French planners to shift bulk produce, with a railway seen as the panacea for Laos' economic isolation. The boom in tin-mining in the 1920s gave added impetus to the rail project with plans drawn up for a 187-kilometre line from Vietnam through the Mu Gia pass to Thakhaek, in the vicinity of the tin mines (Stuart-Fox 1997: 47-50). The railway 'would bring migrants in and take produce out, enabling Laos...to fulfil its 'natural' role as the resource-rich hinterland of French Indochina' (ibid. 50) but never materialized, a victim to the Great Depression (Gunn 1990: 40).

Without the space-spanning means to valorize extracted commodities, metropolitan investment remained low (Stuart-Fox, 1997: 50). The low level of economic development would impact on the administrative capacity of the state and associated political and social development.

French Laos operated on a minimal budget, a limitation which resulted, through the prism of French neglect, in poor social outcomes for the population. Internal security and revenue collection were prioritized over health and education spending, with negative knock-on effects for future human resource development (Stuart-Fox 1997: 43-44). Laos's local revenue collection was insufficient to cover its expenditures and its budgetary needs were met by subsidies from the general Indochina budget (Gunn 1990: 43). Efforts to make up the local budget deficit were to fall on Lao taxpayers. Indirect taxation and capitation formed the principal bases of local revenue mobilization. Opium, alcohol and salt monopolies played the key role in mobilizing indirect tax revenue (ibid. 42-44). The taxation system also acted to monetize the economy by forcing the conversion of a part of subsistence agricultural production into market exchange or alternatively necessitating the local population to seek wage work in French dominated agro-mineral production (Murray 1980: 68-69). In addition to capitation, *prestation* (corvée labour dues) formed part of the burden on the population (Gunn 1990: 48).<sup>5</sup> Certain continuities in the transition from tributary to colonial modes of exploitation were present. The colonial state 'in its role as appropriator of agricultural surplus and as mobilizer of manpower, for whatever reason...was heir to the historical tradition and prerogatives of centralized State [sic] power' (ibid. 48).

Political development and widespread resistance to French rule was somewhat slow to emerge. The sections of the indigenous population who benefited most from the French presence was the small client elite, ethnically Lao and with origins in the nobility, and to a certain extent a Chinese comprador class. No indigenous capitalist class was formed with industrial capital primarily in the hands of the French and trade dominated by Chinese and Vietnamese (Stuart-Fox 1997: 52; Gunn 1988: 34). The elite was apparently small and dependent enough to accept French arguments that Laos needed French-directed modernization over political representation (Stuart-Fox 1997: 43). Most of the indigenous population remained engaged in production close to subsistence and, sparsely scattered and highly ethnically heterogeneous, lacked an overarching political identity or means of

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<sup>5</sup> See Chapter 6 for a discussion of Lao labour history.

large-scale autonomous political organization. Revolts in resistance to French taxation requirements did occur, notably by the southern highland minorities (Gunn 1990), but it took wider regional dynamics to provoke the development of nation-building and communism.

France actually encouraged a form of Lao nationalism in the 1940s in order to differentiate Laos as a political space and shield it from an assertive Thai irredentism. A strong nationalist discourse influenced Thai politics in the 1920s and 1930s, and became strongly connected to 'an irredentist drive to incorporate Laos and Cambodia' into a pan-Tai political unity (Ivarsson 2008: 60). The French were thus faced with the task of reorienting Laos away from Siam politically and culturally as well as delinking its economic space from west of the Mekong. Ivarsson (ibid. 94) notes that 'the formation of a 'cultural frontier' between Laos and Siam by attributing a unique historical, religious and linguistic distinctiveness to Laos' was a crucial part of integrating it into Indochina. The incorporation of Laos into Indochina therefore rested paradoxically on encouraging a distinctive identity of its own (ibid. Ch. 3). The impact of French efforts in forming a coherent Lao national identity should not be overstated however given the political and ethnic fragmentations which inhered in colonial Laos (Stuart-Fox 1997: 60). The first stirring of cultural nationalism was certainly not 'a popular movement with mass appeal' (ibid. 52). The overall effect was to foster a sense of Lao identity and promote the concept of a potential Lao nation in a small part of the elite who would go on to play prominent roles in the struggle for independence (Gunn 1988: 103). A nascent cultural and political identity amongst the Lao would dovetail with the occupation of the Japanese army in 1945 to provide the conditions for a national independence movement.

Japan executed a military *coup de force* against the Vichy French administration in 1945 and encouraged Laos' independence, eventually leading to the formation of a first Lao-controlled government, that of the Lao Issara ('Free Lao') nationalist grouping (Gunn 1988: 108). The Japanese surrendered to the Allies in August 1945, with their surrender received to the north of the sixteenth parallel by the Kuomintang Chinese and to the south by the British. The Lao Issara, led by Prince Phetsarath, a prominent aristocrat, proclaimed independence in October 1945 (ibid. 139). This government would prove however to be short-lived as the British allowed the French to re-establish control in the south around Pakse and the Chinese became the new power-brokers in the north. The Lao were politically fragmented and divided by regional antagonism which hindered the

establishment of a coherent national opposition to the various forces contending the country's domination (ibid. 132; Stuart-Fox 1997: 60).

The French completed their reoccupation in 1946 and attempted to reconstitute their rule in the guise of the Kingdom of Laos. The Lao Issara government fled to Bangkok (Gunn 1988: 173). An agreement signed between the French and the king of Luang Prabang in August 1946 established the Kingdom of Laos as a constitutional monarchy within the French union. Some devolution of powers took place but the French commissioner still held a power of veto (ibid. 173-74). The Royal Lao Government (RLG) was not representative of the wider population. It was dominated by the aristocratic elite which had benefited most in terms of French education and reinforcement of the Lao class hierarchy (Stuart-Fox 1997: 66-68). The Lao Issara maintained guerrilla activity from bases in Thailand but the most significant pressure on the French's position in Laos and their grip on Laos came from the insurgency of the Viet Minh in the First Indochina War (Gunn 1988: 216-217). US pressure to give full independence to Indochinese countries, including recognition of an independent Laos, further tipped the balance of forces in Indochina away from the French (Stuart-Fox 1997: 75). A Treaty of Friendship and Association in October 1953 transferred residual French powers to an independent Laos. The Geneva Conference of 1954 confirmed the cessation of hostilities in the First Indochina War and the French withdrawal. The conference however was but an early staging post in the arduous journey to a stable political settlement in Indochina as Laos' first blush of independence was undermined by the regional dynamics of the Cold War.

### ***4.3 Laos' Independence and the Cold War***

Communism entered Laos through Vietnamese migrants and the early communist opposition to colonialism in the late 1920s and 1930s was dominated by the Vietnamese community, with limited impact on the local population. The first stirrings of communist activity in Laos occurred in the context of peasant rebellion and worker strikes in neighbouring Annam<sup>6</sup> in 1930. Shortly after in 1931 the French authorities reported the operation of a Vietnamese communist cell in Savannakhet, and further believed that militant communications would also pass through the Mu Gia pass in addition to trade and transport infrastructure. Refugees from the disturbances in Annam swelled the migrant labour force in the areas of Khammouan and Savannakhet and formed a population open to communist agitation (Gunn 1988: 44-45; see also Goscha 1999). The Vietnamese

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<sup>6</sup> The central region of Vietnam.

founded and led Indochinese Communist Party (ICP) was the only political movement in Laos which sought a mass following (Stuart-Fox 1997: 52). A Lao Regional Committee of the ICP was formed in 1934, an event which marked the first recorded participation of Lao in the communist movement, although this was minimal (Gunn 1988: 40). A more repressive French administration forced the movement to go further underground from 1938 through to 1946 when the tumult of the end of the Second World War would bring new opportunities for communist advance (ibid. 79-82, 97). The Lao Issara was riven by internal disputes and in 1949 a leftist faction affiliated with the Viet Minh and led by Prince Souphanouvong – a scion of the Luang Prabang royal family – broke away and helped to consolidate control of mountainous areas of eastern Laos held by their Vietnamese allies. Souphanouvong and Lao comrades formed the Neo Lao Issara ('Free Lao Front') organisation in 1950, subsequently changing the name to Pathet Lao ('Lao Nation'; PL); the name by which the Lao communists would become best known. The communist Phak Phasason Lao (Lao People's Party) soon followed, founded in secret in 1955 (Brown and Zasloff 1986: 44-45). It was to become the Lao People's Revolutionary Party (LPRP), the current rulers of Laos (Phomvihane 1981: 19). A 1953 Viet Minh-led offensive established Pathet Lao control of the northeastern provinces of Phongsaly and Huaphan, the two provinces forming the 'liberated zone' base area from which the revolutionary struggle for the control of Laos would be launched (Stuart-Fox 1997: 83).

The United States had been increasingly active in the East Asian arena since the end of the Second World War as they attempted to secure a capitalist hegemony in the region in the face of growing communist and nationalist movements. The Geneva accords attempted to enshrine Laos' neutrality with the withdrawal of French and Vietnamese forces from the country (Stuart-Fox 1997: 85-86). Negotiations for a political role for the Pathet Lao continued through 1955, at the end of which elections took place. It took until 1957 before the First Coalition government was formed. The settlement would 'reintegrate both PL provinces to Royal Lao government administration', lead to 'acceptance of the communist-controlled Lao Patriotic Front ['Neo Lao Hak Xat'] as a legal political party', and eventually include two PL ministers (in Planning, and Religion and Fine Arts) (Stuart-Fox 2002: 58).

The US was deeply dissatisfied with the outcomes of the conference in light of the concessions given to the Pathet Lao and so refused to endorse it. The US viewed Laos as a 'domino' under immediate threat from what it deemed to be an aggressive expansionist communism. The US's anxiety to halt the spreading virus motivated increasing involvement in Lao affairs. An embassy was thus established in 1955 along with 'a substantial CIA



presence' (Stuart-Fox 1997: 89). The neutral status of the country entailed that 'US assistance to the RLG had to be disguised and dispersed in secrecy' (Phraxayavong 2009: 63). American aid to Laos averaged USD 43 million a year in the period 1955-1970 rising to approximately USD 50 million between 1971-1973 (ibid. 103). The majority of US aid funded the military and propped up the country's economic stability with a smaller amount directed to socio-economic development projects (ibid. 99).

By 1963 the PL had been excluded from government, attempts at a Government of National Unity had failed and the American-backed General Phoumi Nosavan emerged as a strongman leader in Vientiane. The Pathet Lao waged war from their mountainous redoubts in the east (Stuart-Fox 1997: 123-129). American aid increased greatly during this period to buttress rightist forces. Stuart-Fox (ibid. 130) argues that 'USAID in particular expanded rapidly to the point where its parallel administration included counterparts for virtually every government ministry and department, a structure that could only be described as neo-colonial'. The US believed that aid would boost consumer spending and provide a spur to the economy and living standards. The RLG, however, severely mismanaged the aid, abusing an import programme to gain massive rents. Developmental aid projects failed to have much of an impact and were unable to spread to the areas controlled by the Pathet Lao. The Pathet Lao made grassroots political hay from the RLG's aid mismanagement, accusing the government of fostering corruption and failing to deliver aid to rural areas (ibid. 126).

The Pathet Lao for their part also received foreign aid, aid which served the geostrategic aims of their allies. The communist Democratic Republic of Vietnam provided military support and advisors to the PL. This included detachments of North Vietnamese troops fighting inside Laos (Stuart-Fox 1997: 138; see also Langer and Zasloff 1970). The USSR and China also 'provided official substantial military assistance' to their Communist brethren in the PL (Phraxayavong 2009: 109). The North Vietnamese presence in eastern Laos both bolstered the PL and also acted as a strategic buffer against the encroachment of hostile US-backed forces into border areas with North Vietnam (Langer and Zasloff 1970: 156).

The war years effectively carved Laos into three spheres of foreign influence. The RLG area of the west and Mekong valley was maintained with US and Thai patronage; the east was under the sway of the North Vietnamese; and the north was under the influence of the Chinese, where the Chinese army was constructing a road network into Laos as part of a 1962 agreement between the Lao and Chinese governments (Stuart-Fox 1997: 135, 142)

The Lao civil conflict thus served as a proxy engagement in the Cold War and 'Lao leaders became the tools, willing or not, of powerful outside forces whose use of Lao territory as an extension of their own conflict showed little concern for its impact on the Lao people' (ibid. 135).

Military advances for the Pathet Lao over 1968-1970 and the waning of American involvement in Vietnam created a more advantageous position for them in the negotiations leading to the Third Coalition government, the Provisional Government of National Union, officially formed in 1974 (Brown and Zasloff 1986: 99-106). The neutralist prince Souvanna Phouma, a half-brother of Souphanouvong, acted as prime minister with twelve ministerial portfolios shared equally between the rightists and the PL. The government functioned relatively well for a year but was undermined as the balance of forces in the former Indochina swung towards the communists. Phnom Penh and then Saigon fell to communist forces in April 1975 and the PL moved to take advantage of the evolving conditions. PL forces expanded their territorial control in the northeast and encouraged massive demonstrations by students and workers against the corruption of the political right. Prominent rightists and generals began to flee to Thailand. Souvanna Phouma, in an attempt to stave off the risk of civil war facilitated PL control of the vacated ministerial positions and the movement of PL troops into RLG-controlled territory without armed resistance. The PL initiated a purge of the bureaucratic apparatus and a People's Revolutionary Committee set new controls and restrictions on prices, property transactions and personal movements. The offices of USAID were shut in the face of demonstrations and American aid ceased leading to economic turmoil (Stuart Fox 1997: 158-162). King Savangvatthana was forced to abdicate and on 2nd December 1975 the Lao People's Democratic Republic (LPDR) was proclaimed (ibid. 164).

The post-independence period of Laos clearly highlights the contestation over Lao space by powerful external actors and the implicated struggle of Lao actors to orientate the country in a particular geopolitical direction. In the end the communists – and an orientation to Vietnam – won out.

#### ***4.4 After the Revolution: The Lao People's Democratic Republic***

The Lao People's Revolutionary Party after 1975 moved to consolidate their power as large numbers fled across the Mekong. The LPRP initiated a project of nation and state building along socialist lines but market reforms were initiated in the 1980s and by the start of the 21<sup>st</sup> century the country was increasingly integrating with the market economy of the

Southeast Asian region. The socialist remaking of Laos, in contrast to the Year Zero shock therapy of Democratic Kampuchea, was intended to proceed in a gradual step by step manner to socialism, bypassing the stage of capitalist development. Initial economic reforms focused on nationalization of private sector assets, development of the state sector including its banking and trade capacities, and promotion of agriculture, especially the expansion of irrigated rice production, multiple cropping and labour use rationalization (St John 2006: 32-33; see also Doré 1982). The new regime was however handicapped by an extremely low level of resources with which it could enact reform. In 1977, the Lao regime displayed continuity from the RLG in that 81 percent of its revenue came from foreign aid, although this time the aid came from Vietnam, the USSR and other communist bloc nations (Evans 1991: 91; Phraxayavong 2009: 142-145). The LPRP was faced with almost complete lack of economic surplus for boosting production and utilization of productive capacity in industry was at 30 percent (Evans 1991: 90-91). An interim three-year plan was initiated in March 1978. The plan aimed to expand and strengthen the socialist economy. A primary objective was to achieve self-sufficiency in grains, especially rice, by 1980 (ibid. 96; St John 2006: 34). The new regime targeted agricultural collectivization as a means to achieve this (G. Evans 1995). The party began promoting collectivization at the end of 1977 and launched a formal policy of collectivization in early 1978. The policy foundered however on poor implementation and peasant resistance and the programme was effectively abandoned by December 1979 (Stuart-Fox 1996: 164; St John 2006: 37-38).<sup>7</sup> The LPRP attempted to implement the plan through the institutional form of state centralization but they lacked the organizational capacity to enact the reforms (Evans 1991: 98). Admission of the failure of the policy led the LPRP to conclude that they had attempted a transition to a planned socialist economy too hastily. Economic policy shifted focus to officially recognize different economic forms which could be used to develop Laos, including private capitalist and state socialist. A first five year plan was initiated in 1981 with an emphasis on boosting agricultural and forestry production and reducing dependence on Thailand for import and transshipment of goods. Liberalization was included with for example private trade at border crossings allowed (St John 2006: 52-53). These early measures foreshadowed a more extensive market-based reform programme starting in 1986. Socialism, as an economic system based on extensive planning and state control of the main sectors of production, in Laos was thus never embedded deeply. The

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<sup>7</sup> See Chapter 6.

Lao flirtation with any form of socialist mode of production was brief, lasting a mere 10 years before the country embarked on an extensive course of capitalist reform.

The Fourth Congress of the LPRP in November 1986 saw the official sanctioning of economic reform. A new party line emerged on the need for economic restructuring, termed in Lao as *chintanakan mai*, or 'new thinking' (Stuart-Fox 2002: 264). It was implemented through the New Economic Mechanism, a wide-scale decentralization of economic decision-making. Pricing, production targets and wages were delegated to local economic units and state-owned enterprises (SOEs). The exchange rate was unified and the private sector and import substitution were encouraged. Restrictions on internal agricultural trade were lifted. State subsidies were removed from SOEs and they had to 'self-finance' themselves through after-tax profits and bank credit. Increased autonomy along market lines did not bring success and in 1989 the government ramped up the pace of reform in response. A programme of privatization was launched which covered around 260 SOEs. Privatization found its complement in an emphasis on international trade and FDI, and a foreign investment law was promulgated which sanctioned wholly owned enterprises and equity joint ventures. In July 1988 a drive was launched to attract foreign investment, with Thai capital being a particular target. Domestic capital formation in Laos was paltry – the private domestic savings rate was negative – and the government aimed to attract capital to boost technological and economic cooperation with other countries. The new investment code allowed the remittance of profits and salaries and in certain conditions offered tax incentives - features which would be developed in subsequent foreign investment regulation. By the early 1990s private ownership had become the main form of property rights in the service and agricultural sectors. That this liberalization was not matched by a boom in investment can be attributed to a weak supportive framework of underdeveloped legal structure, inadequate physical infrastructure, and a peripheral position in the circuits of world markets. The economic liberalization was not however matched by a political parallel, with the LPRP retaining firm control. A constitution was promulgated in 1991, partly in response to potential business entrepreneurs' concerns over a lack of legal framework protecting investment (St John 2006: 81-90).

The 1990s were a decade which consolidated and extended the reform of the Lao economy along capitalist lines and oversaw increasing economic integration with Laos' neighbours. In 1994 a new, refined foreign investment law was introduced. The law freed up restrictions on joint ventures, introduced lower corporate tax rates, opened new areas to FDI and sought to expedite investment through a one-stop service provided by the Foreign

Investment Management Committee. The state also sought to expand its taxation revenue with a new land tax and a registration tax on housing and property. The liberalization of the economy did see a boost to GDP and growth rates averaged more than 6 per cent between 1990-1996 (ibid. 113-114). Structural transformation began to occur. The ratio of GDP contributed by industry and services rose relative to agriculture. Industry's contribution to GDP grew by 12.6 percent in 1991-1993 and 12.3 percent in 1994-1997 (Bourdet 2000: 66). Agriculture however performed poorly leading to polarized and uneven wealth and income distributions between rural and urban areas (St John 2006: 114). Trade liberalization saw the beginning of a progressive integration with the global economy, which continues to the present. Change in the composition of trade accompanied an increased quantity of trade. Exports rose from USD 96.6 million in 1991 to USD 316.9 million in 1997. Similarly imports jumped from USD 215 million to USD 647.9 million between 1991 and 1997. Wood and timber products fell from 42.3 per cent of total exports to 28.6 per cent in the same period, while light export manufacturing began to make its mark especially in the form of garments, which leapt from 15.6 per cent to 28.3 per cent of total exports over 1991-1997 (Bourdet 2000: 78-79). The Asian financial crisis of 1997-1998 put the brakes on Laos' economic transformation largely due to spillover effects from the severely affected Thailand. Thailand was the main trading partner and source of foreign investment leading to declines in exports to the Thai economy and FDI (St John 2006: 115). Foreign direct investment pledges rose from USD 170.1 million in 1992 to peaks of USD 2064.3 million in 1994 and USD 1292.6 million in 1996 but dipped to USD 78.4 million in 1999 (Freeman 2001: 109). The decline can be attributed, Freeman (ibid. 113-114) argues, to the floundering of the Thai economy, increased competition from China, Cambodia and Myanmar, and decreased investor confidence in economies with weak business environments following the financial crash. The crisis was a stumbling block in Laos' deepened integration with the region, cooperation which was formalized in Laos' accession to the Association of Southeast Asian Nations (ASEAN).

Laos officially acceded to ASEAN on 23<sup>rd</sup> July 1997. The motivation was primarily economic - in search of greater access to development aid, investment and trade – although some have suggested the positive security implications of closer political integration and cooperation with neighbouring states (Pholsena and Banomyong 2006: 28-38). Accession set the stage for a gradual insertion of Laos into the trading area of the ASEAN Free Trade Agreement (AFTA). Recognizing the backwardness of the Lao economy, full integration was postponed until 2008 (ibid. 39). Agreements signed in 1998 laid out economic objectives

intended to expedite economic integration including: facilitating the transport of goods; maintaining AFTA; and simplifying and harmonizing customs regulations to facilitate trade and transit (ibid. 125). ASEAN integration was consistent with the government's stated development mantra of turning Laos from a 'land-locked to a land-linked' country (Pholsena and Banomyong 2006; Jerndal and Rigg 1999).

The turn of the millennium and the first part of the new decade proved somewhat rocky for Laos due to political turbulence and economic uncertainty. An unprecedented anti-government protest hit Vientiane in August 1999 in the wake of discontent at the government's economic mismanagement. The students and teachers responsible called for reform and free and fair elections but were met instead with fierce repression and imprisonment. A bombing campaign of disputed provenance was waged throughout 2000, and anti-government guerrilla raids occurred. At the Seventh Party Congress in March 2001 the old guard of the LPRP consolidated its grip on power and staved off any pressure for meaningful political reform. Over 2001-2004 the macroeconomic situation stabilized, although the majority of government revenue was still provided largely by donor funding - around some 80 per cent of the budget in 2001 - and revenue mobilization remained problematic. Growth stood at 5.9 per cent in 2003 and signs of FDI picking up provoked hopes of an upturn (St John 2006: 157-162). Prime Minister Bounnhang Vorachit stated in September 2002 that the government's aim was to promote as much investment as possible, including through the use of special economic zones and border trade areas (Lintner 2003: 141). Cooperation with Thailand increased in the form of agreements to open border checkpoints to facilitate trade and tourism, and ties with China strengthened. China's role in resolving the economic turbulence of 1999 signalled an increase of influence. China had provided generous export subsidies and interest-free loans that had contributed to stabilizing the kip. Border trade with China picked up due to the rising relative prices of Thai goods (ibid. 142-143). Efforts continued at reform of the investment process and the first special economic zone, the Savan-Seno SEZ, was established by decree - although not physically - in 2003 (Freeman 2004: 126). Continued political control by the LPRP did not necessarily translate into infrastructural power and administrative capacity remained weak (Hlaing 2006).

#### ***4.5 The Contemporary Lao Economy***

I close this chapter with a short snapshot of the contemporary Laos economy, before addressing the dynamics of geographical political economic development that have created

this developmental situation. In the last decade Laos has experienced high growth rates, driven in large part by foreign investment in hydropower and mining. External trade has increased although the state's capture of the benefits of trade has been somewhat limited. A current account deficit remains. Despite growth foreign debt remains a concern and the budget is still supported by significant amounts of foreign aid.

Laos' incorporation into the developmental mainstream was evidenced by a rapidly changing macroeconomic position. GDP per capita grew from USD 326 in 2001 to USD 1,751 in 2013 (World Bank 2016). Total merchandise exports saw a seven-fold increase from USD 336 million in 2003 to USD 2.26 billion in 2013. The rise in exports was mirrored by increased imports from USD 462 million to USD 3.02 billion during the same period (ibid. 16). Between 2007 and 2014 growth averaged around 7.8 per cent annually, reaching highs of 8.5 per cent in 2010 and 2013 (World Bank 2016). The composition of exports has seen significant fluctuations in the period from 2000. The beginning of the noughties witnessed a shift away from primary commodities and to manufactures, especially garments and footwear, propelled by preferential trade schemes such as the Generalized System of Preferences. Composition swung back to primary commodities in the middle of the decade due to increased external demand for ores, metal and fuels. In 2010 primary commodities constituted around 80 per cent of total exports (Menon and Warr 2013: 6-7). Mining and hydropower have made especially significant contributions in recent years. For example in 2013 these two sectors composed USD 1,983 million of the total merchandise exports of USD 3,882 million (IMF 2014a: 27). The share of manufacturing in exports had dropped by 2013-2014 but the sector has shown a long-term increase in real terms. In 2003 value-added output contributed by manufacturing amounted to 9 per cent of the total, rising to 11 per cent in 2013 (World Bank 2014b: 18).

The gradual liberalization and expansion of the Lao economy has been accompanied by an ongoing structural transformation (see Table 1). Laos' external trade position is also weak. The current account deficit was an estimated USD 3.2 billion or 25 per cent of GDP in 2014 according to ADB figures (ADB 2015b; 2015c). The foreign exchange position is precarious and vulnerable to a terms-of-trade shock (ADB 2015c: 221; IMF 2014a: 4, 6). In response to these challenges Laos has embarked on a course of fiscal tightening (ADB 2015c: 220). The kip has appreciated in real terms in recent years despite close management by the authorities, and has hit export competitiveness (ADB 2015c: 221; World Bank 2015b: 107). Inflation has moderated in recent years. In November 2013 the rate of inflation reached a high of seven per cent, mainly propelled by rising food prices (World Bank 2014a: 4).

**Table 1: Sectoral Value-Added Contribution of GDP (%)**

Sector/Year	1990	2000	2006	2010	2014
Agriculture	61.2	45.2	35.3	32.7	27.7
Services	24.3	38.2	37.0	35.5	40.9
Industry	14.5	16.6	27.7	31.8	31.4

Source: World Bank, World Development Indicators 2016.

In 2014 however the annual rate had declined to 6.4 per cent, as a result of slower food price inflation and decreasing fuel costs in the context of falling global oil prices (World Bank 2015a: 10).

Sustained economic growth has been correlated with improvements in human development indicators. A reduction in poverty has taken place, much-trumpeted by the government. According to government statistics, poverty incidence, as below a nationally defined poverty line, was 46.0 per cent of the population in 1992-1993 before dramatic drops to 39.8 per cent in 1997-1998 and 32.6 per cent in 2002-2003. Incidence declined at a similar rate, to 27.6 per cent, in the five-year interval to 2007-2008 before slowing somewhat to 23.2 per cent of the population in 2012-2013. Poverty reduction was especially marked in rural areas, declining from 51.8 per cent to 28.6 per cent from 1992-1993 to 2012-2013, as compared to a drop from 26.5 per cent to 10 per cent in urban areas during the same time span (Warr et al 2015: 16). Government data indicates that absolute poverty has decreased but this has been accompanied by a rise in inequality. Laos' Gini coefficient increased from 0.31 to 0.38 between 1992 and 2012. Warr et al (ibid. 10) summarize the inequality dynamic in the 20 years of their study as '[o]verall, the poor gained in real terms, but the rich gained much more.' Average life expectancy rose from 53.6 years in 1990 to 66.2 by 2014 (UNDP 2016). Educational coverage also expanded. Measured by mean years of schooling, education showed an increase from an average of 3.1 years in 1990 to 5.0 years in 2014 (ibid.).

The contemporary macroeconomic context then is one of sustained growth fuelled by large injections of FDI with fiscal instability and an external position vulnerable to indebtedness and trade shocks. An ongoing structural transformation is underway but still incomplete. Poverty has declined for many but inequality has grown which, along with changes in employment structure, indicates increasing social differentiation.



## ***Conclusion***

Laos' peripheral centrality and distance from maritime trade routes can be used as key frames for interpreting Laos' history. While wishing to avoid a simplistic geographical determinism, it seems clear that these factors have had crucial influences on Laos' historical development. Three persistent themes emerge. The first is the question of the exact nature of the Lao territories' relations with external actors. How has Laos been influenced by larger neighbours or powerful external actors, on what terms, and how have Lao actors balanced relations with different external actors? Careful consideration of these questions can provide insights into the specificities of Laos' subalternity throughout its history. On the whole Lao territories have been dependent on or subordinate to variously the Siamese, the French, the United States, or the Vietnamese at least since the time of the dissolution of the Lan Xang kingdom. This has not however entailed a state of abjection for all as Lao actors have sought strategic engagement with external actors to constellate power to their advantage within Laos. The French operated through and patronised an existing aristocracy, the RLG grew fat on American aid and the Vietnamese buttressed the power of the LPRP during and after the revolution. Peasants and workers were often left out of the largesse of economic aid, or the fruits of resource extraction and had access to the prestigious hierarchies of power blocked. Clearly some subalterns are more subaltern than others. It seems then that in contemporary development it pays to direct attention to how Lao actors engage with foreign influences to boost their power relative to both foreigners and other Lao actors.

The second prominent theme relates to the first and it is the persistent question of orientation and integration. To which of its neighbours should Laos be oriented politically and economically and how should space be produced to enable integration and access to maritime circuits of trade? The French answered this question by resolving to weld Laos to Vietnam as part of a cohesive Indochinese economic space. The Lao government during pro-market reforms of the 1990s first turned to Thailand and then to a rising China. Orientation and integration are of course pertinent to the present regional integration, so the production of space in the service of specific forms of integration should be a clear concern of the present work. We would also do well to consider these first two themes in relation to each other. How do Lao actors engage with foreign forces to enact specific forms of spatial integration which differentially incorporate populations?

This question speaks to the third persistent theme; the mobility and fixity of Lao populations. It seems there are interesting historical parallels throughout Lao history where

the powerful undertook to move people in or out of Laos to meet labour and/or security needs. For example, the forced depopulation of the Mekong's east bank by the Siamese or the import of Vietnamese labour by the French to valorize natural resources. Low population densities and the demand for labour power have led to recurrent efforts to facilitate mobility and fix it in Lao territory, and Thailand has historically been a destination, willingly or not, for the Lao, especially those of the Mekong valley. Therefore, we should ascertain the possibility, extent and drivers of both the need to fix labour in place in Laos and movement of Lao people to Thailand. I suggest that all of these themes are manifesting in new ways in the era of Laos' rapid capitalist development and deepening integration with its neighbouring countries, issues to which I now turn.

## Chapter 5: The Political Economy of Lao Development and Regional Integration 2006-2014

Laos' historical status of simultaneous centrality in the Southeast Asian landmass and its peripherality to the region's economic circuits and political power remains a key issue in the country's contemporary development. This chapter situates the Savannakhet case in the broader spatial development processes of Laos' capitalist transformation, especially recent policies to control the fixity and mobility of populations and territorialization projects – such as special economic zones - which allow integration with foreign capital and wider regional spaces. I thus develop empirically the key concept of territorial coherence in the Lao context. Moreover I develop the theme of the state taking on a historical form of capital-labour relations through its spatial practices. These are issues that will recur when we examine the empirical case of Savannakhet more closely.

In a manner reminiscent of the French *débloquement* and orientation to a wider Indochinese space, the Lao government now pursues economic transformation through integration with the wider Southeast Asian region, especially the mainland. The Lao government seeks to secure its power and legitimacy through the development of a modernized capitalist economy. A strategy framed discursively by the government as turning Laos from a 'landlocked to a land-linked' country comprises two main intertwined strands. The first is to turn Laos into a frontier space for regional and global circuits of capital; opening the country to FDI provides a fertile arena for foreign companies' spatial fixes, overcomes the paucity of domestic capital formation, and stimulates economic transformation. The second is to create the material infrastructure and spatial organization which facilitates the circulation *and* fixing of capital, commodities, and people through and within Lao territory. The aim of the government then is to create Laos as a production base, a logistics node, and a territorial bridge necessary for the connectivity of the larger scale territorial formations of the Greater Mekong Subregion (GMS) and the ASEAN Economic Community (AEC). Capitalist modernization implies the transformation of the underlying social relations into a class structure characterized by a capitalist class and wage labour. Regional integration has thus entailed for Laos an ongoing reconfiguration of space, investment, and people which provide 'structured coherences' for capital accumulation.

In this chapter I make five interrelated claims about the political economy of Laos' regional integration and development. The first is that the Lao state prioritizes the development of

capitalism and the spatial fixes of foreign capital over other interests – such as labour or subsistence farmers - and is thus undergoing a historical process of transformation into a social form of capital-labour relations, albeit it one refracted through the ideological environment of post-socialist Laos. Foreign capital from Laos' large neighbours – China, Thailand, and Vietnam – is especially prominent, maintaining a history of contestation over that space. The second claim is thus that through integration with regional capital circuits the state is not deprived of power but actively reproduces its power, sovereignty and legitimacy. Third, regional integration into the GMS scale attempts to achieve territorial coherence *between* national state spaces defined by high levels of uneven development, which presupposes transforming the territorial coherence *within* national territories. The fourth is that regional integration is grounded in local places and most notably enacted through state and capital strategies which manipulate space and control population, including their fixity and mobility. In the case of Laos and the GMS flows of capital, commodities and labour are processed through flexible yet strong reterritorializations of bounded state spaces which continue to structure and striate regional space. Fifth, economic territorialization projects and scale making processes are thus closely intertwined with the social construction of labour forces *within* and *between* territories. I thus develop the key critical lenses of fixity and mobility and territorialization which can shed light on the empirical investigation.

### ***5.1 Development Policy as Capitalist Transformation***

Development policy in Laos displays elements of economic liberalization, interventionist developmentalism, and post-socialist authoritarianism, but is fundamentally one of FDI-led capitalist transformation. The state's development strategies aim to achieve the dual goals of enabling capitalist accumulation and transformation and reinforcing the legitimacy and power of the state in the context of constrained resources (GoL 2011: 79-81). The Lao state's efforts to transform Laos into a capitalist social formation have implied class projects to encourage the development of a Lao capitalist class and effect a structural transformation in the labour force away from subsistence agriculture and towards wage labour and market commodity production. The Lao state thus has a class character as Glassman explains:

*The Pathet Lao state has...faced the difficult task of generating capital and an attendant class transformation through the efforts of a nascent protocapitalist class within and around the state, without substantial "national" resources or class*

*allies...The question for the class elites within the Lao state...is not an abstract question of socialism (or capitalism) but rather a concrete question of how to generate economic activity and forms of development that will enhance its own power and enable it to accumulate more surplus (2010: 140; see also G. Evans 1995: xiv-xx)*



**Figure 2: Contemporary Laos<sup>1</sup>**

The overarching development goal reiterated by the government is graduation from Least Developed Country (LDC) status by 2020 (Sisouphanthong 2014: 182). The core method to

<sup>1</sup> Source: University of Texas Libraries  
[http://www.lib.utexas.edu/maps/middle\\_east\\_and\\_asia/laos\\_pol\\_2003.jpg](http://www.lib.utexas.edu/maps/middle_east_and_asia/laos_pol_2003.jpg)

achieve this is to promote development of a diversified capitalist economy which will result in high levels of GDP growth and rising income per capita, and align this process with the human development aims of the Millennium Development Goals (MDGs) by 2015. For this end policy makers have sought to utilize Laos' abundant natural resources - especially hydropower, minerals, and land resources - provide an attractive environment for FDI, and promote structural transformation in the context of increasing international integration (GoL 2006b: iv-viii). The 7<sup>th</sup> National Socio-Economic Development Plan (NSED) for the years 2011-2015 (GoL 2011) lists four broad overarching targets: maintain economic growth at eight percent per annum, with a GDP per capita target of USD 1,700 set for 2015; achieve sustainable development through integrating economic development with socio-cultural development and environmental protection; ensure political stability, fairness and order in society; attain the MDGs and full integration with the ASEAN Community by 2015 as means to enable Laos to graduate from LDC status (ibid. 79). The government's targets can be interpreted as intentionally mutually supportive. High levels of economic growth and 'sustainable development' to be achieved through regional integration will contribute to maintaining 'political stability' and 'order', terms which can be read as meaning the continuing dominance of the LPRP over the state and society and the maintenance of its legitimacy (ibid. 59).

An industrialization and modernization strategy has thus been in place since the beginning of the century, with the government following a long-term plan based on stages:

*These are implementation of the 5<sup>th</sup> Five-Year Plan (2001-2005) as a starting point of integration in regional and global economies, implementation of the 6<sup>th</sup> Five-Year Plan (2006-2010) as a building-up period, and completion of the industrialized foundation to graduate from the status of an LDC (2011-2020) (Oraboune 2011: 272)*

The government has prioritized five main sectors for capitalist expansion in the country: 'hydroelectricity, agricultural production, tourism, mining, and construction material manufacturing' (Oraboune 2012: 52). Industrialization is to be effected through the modernization of the agricultural sector, upgrading to more value-added activities of agro-processing, the utilization of foreign capital, and the transfer of labour out of agriculture into industrial employment (GoL 2011: 95; World Bank 2014b). For instance, in order to develop Lao industry and upgrade its ability to compete in domestic and export markets the strategy aims to '[i]nvite foreign capital of high quality that adheres to the principles of fair business practice and environmental regulations' that should also 'create jobs for local people and

enable transfer of technology' (GoL 2011: 99). The government states in the 7<sup>th</sup> NSEDP that private domestic and foreign investment would account for '50-56' (USD 7.4-8.3 billion) percent of total investment over the plan period (ibid. 85), indicating the constraints of low levels of domestic capital formation. Moreover, this industrialization strategy, it should be stressed, is an open, export-oriented one. The government thus set a target in 2011 of an increase in export value by 18 percent per annum (ibid. 81). Moreover, exports are expected to stimulate 'backward linkage sector development' (Oraboune 2011: 273).

Manufacturing development - while not as prevalent in government plans as natural resource extraction and agriculture - is an important means for providing structural transformation out of agriculture, especially since the natural resources sector creates few jobs (World Bank 2014b: 34). The 7<sup>th</sup> NSEDP sets a target for 'processing', a category containing manufacturing, to contribute at least 24 percent of GDP by 2015, and highlights garments, food and drink processing, wood processing and construction materials as key areas for development (GoL 2011: 97-98). The 'manufacturing and handicrafts' sector is targeted for growth rates of 'maximum 13% per annum and to account for 15% of GDP' by 2015 (ibid. 81). An emerging trend in manufacturing development has been Laos' insertion into regional and global production networks through the processing of intermediate goods, that is 'semi-finished goods and parts and components' (Oraboune 2011: 268). For example, the garment industry in Laos mainly consists of subcontractors - many of whom are investors from Thailand, China and Japan - importing materials and performing 'cut make trim' for export (ibid. 281-282). Motorcycle assembly factories are also prominent instances of foreign-invested companies - Korean, Japanese, and Chinese - importing components from suppliers in the region, especially in Thailand, to construct motorcycles for export and to supply the domestic market (ibid. 285-293). Establishing Laos as an export-oriented assembly platform is thus one important avenue of industrial development which potentially ties together government aims of foreign investment, regional integration, technology transfer, and the provision of non-agricultural jobs.

Laos' capitalist transformation has been accompanied by transformations in the state. Laos seeks to follow a linear, stage-based trajectory of structural transformation and capitalist modernization. Such a strategy entails changes in the forms and functions of the Lao state in its historical development to becoming a complementary form of capital-labour relations (Clarke 1991b). Among the key tasks of the 'public administration' are 'upholding the role of effective state management of the economy' and 'ensuring continuous growth and stability'. Moreover the state is to maintain 'a balance of capital' and a 'balance of labour' (GoL 2011:

193) meaning that enough capital is mobilized for the development strategy and matched with enough labour in the key investment sectors (ibid. 85-88). The state should ‘promote an integrated, planned market-oriented mechanism...and carefully calculate costs and effectiveness of investment projects’, suggesting regulatory and facilitating functions (ibid. 193). Moreover, ‘intense consultation between the state and the business sector’ will occur and these ‘consultations will extend to *finding ways to overcome impediments* that the business sectors face’ (ibid. 196, emphasis added). Notably no other actor is granted the courtesy of ‘intense consultations’ over the direction of development. The state thus addresses itself to removing barriers to capital accumulation as a first order priority. The key point to remember is that the Lao state has embarked on a development strategy of attracting FDI, and so the accommodation of foreign capital’s spatial fixes has been complemented by the transformation of the Lao state into a political form of the underlying social relations between foreign capital and Lao labour. Before I turn to the regional integration process I examine some of the key foreign investors and actors operating within Laos.

## **5.2 Foreign Investment and International Relations**

The regulatory transformation of the Lao government to process capital-labour relations is illustrated by the promulgation of the Investment Promotion Law in 2009 (GoL 2009). Article 4 of the act states that the Lao ‘Government promotes investment in all economic sectors, both domestic and foreign, by formulating policies to create a favourable investment climate’. The law provides a legal basis for investor rights and investment protection, establishes a range of incentives such as profit tax and land lease fee exemptions, streamlines investment procedures through a one-stop service mechanism, and codifies procedures for establishing and investing in special economic zones. The promulgation of the law responds to the reality of booming foreign investments in Laos since the turn of century.

The years between 2006 and 2014 saw sustained FDI flows, increasing markedly since 2013. FDI<sup>2</sup> stood at USD 187.3 million and then averaged USD 290.6 million<sup>3</sup> in 2007-2012 (World Bank 2016).<sup>4</sup> FDI subsequently surged to USD 426.6 million in 2013 and a massive USD 720.8 million in 2014. Government statistics cite ‘electricity generation’, likely large hydropower investments, as the largest channel for cumulative FDI, totalling USD 6.67 billion between

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<sup>2</sup> Net inflows in current USD

<sup>3</sup> Author’s own calculation using World Bank data.

<sup>4</sup> Domestic capital provided 20.25 per cent of total investment in 2015 (World Bank 2016).



1989-2014. Significant amounts of cumulative foreign investment in the same period also flowed to mining (USD 5.68 billion), agriculture (USD 2.77 billion), services (USD 2.32 billion) and ‘industry and handicrafts’ (USD 1.97 billion) (GoL 2016a). China, Thailand and Vietnam jostle for position as the largest investors in Laos (see Table 2). Goto (2011: 78) found that between 2000-2009 FDI from China and Vietnam increased rapidly, joining a more steady and long-standing amount from Thailand.

**Table 2: FDI by Country 1989-2014<sup>5</sup>**

No.	Country	Projects	Value (USD)
1	China	830	5,396,814,087
2	Thailand	746	4,455,364,613
3	Vietnam	421	3,393,802,891
4	Republic of Korea	291	751,072,139
5	France	223	490,626,243
6	Japan	102	438,242,441
7	Netherlands	16	434,466,484
8	Malaysia	101	382,238,773
9	Norway	6	346,435,550
10	UK	52	197,863,480
	<b>Total</b>	<b>2788</b>	<b>16,286,926,701</b>

Source: Lao government statistics, <http://www.investlaos.gov.la/index.php/resources/statistics>

High levels of FDI from China, Thailand and Vietnam reflect Laos’ most important international relations; those with its powerful immediate neighbours. Laos’ neighbours vie for economic advantage and geopolitical influence, manifesting as investment and aid flows. Laos is in many ways in a dependent position *vis-à-vis* its neighbours but this does not entail that Lao actors are powerless and dominated.<sup>6</sup> The Lao state actively pursues foreign investment to boost development and reproduce its own power and legitimacy.

China’s recent influence in Laos dates from the late 1990s, after it had played a role in stabilizing Laos’ economy after the Asian financial crisis. China’s rise to global economic powerhouse caused a shift in relations with its Southeast Asian neighbours as production networks were established between China and Southeast Asia, feeding resources into

<sup>5</sup> Table shows approved investments.

<sup>6</sup> High (2014: 174) argues that ‘there is a political orientation, present but not inevitable in the Lao political mosaic, that does not shy from the efficacy of foreign power, and indeed seeks it out’.

China's booming economy especially its export-led manufacturing sector (Thayer 2013: 194). Chinese investment and trade ties mounted throughout the decade (Stuart-Fox 2009: 146-147). The boom in Chinese investment can be attributed to both improving bilateral governmental relations, the Chinese state strategy to 'go out', to send capital and labour overseas, and the eagerness of Chinese investors to seek new avenues for accumulation (Goto 2011; Su 2012; Tubilewicz and Jayasuriya 2015). Chinese investment has been especially prominent in the northern parts of Laos close to the border with Yunnan. Agricultural land concessions have transformed the landscapes of northern regions as Chinese companies have moved in to grow crops such as rubber and bananas (Dwyer 2013; Dwyer 2014; Friis 2015; McAllister 2015; Friis et al 2016). The Chinese have also invested heavily in the construction of transport infrastructure such as roads and bridges (Stuart-Fox 2009: 146; RFA 4/2/2016), an endeavour which may benefit Laos but also clearly serves Chinese aims of expanding trade and production links across Southeast Asia. Chinese investment has been accompanied by an influx of Chinese migrants to Laos, including investors, traders, and migrant labourers working on construction projects. This has led to considerable tension about the number of Chinese in Laos, amid concerns that such an influx will swamp Laos (Stuart-Fox 2009; Tan 2012). These worries have led some to make accusations of 'neo-colonialism' (Creak 2011: 121), or suggest that 'Vientiane has effectively ceded sovereignty to Beijing' (Crispin 2010, in Tan 2012: 80). There are however negotiated mutual benefits:

*What the Chinese want for their grant aid and loans are three things: backing for Chinese policy on everything from Taiwan to Tibet; access for Chinese companies to exploit Lao resources; and lines of communication through Laos to Thailand. The Lao provide all three. What the Lao regime seeks in addition to aid and investment is political support in the face of Western pressures for reform, both economic and political, that the Lao are reluctant to accept. It receives this support in the guise of China's policy of non-interference in the internal affairs of sovereign states (Stuart-Fox 2009: 147)*

Some have suggested that China interferes in the sovereignty of Laos itself (Economist 26/5/2011). The Lao state however uses Chinese power to boost its own influence and sovereignty by strategic spatial use of Chinese investments and promoting Laos' regional integration through providing 'lines of communication' to Thailand (Nyiri 2012; Tan 2012). The concrete measures that the state uses relate to its policy of 'turning land into capital'

discussed below. Laos, and its developmental strategies, is not however entirely pivoted towards China but also to Thailand and Vietnam.

Laos retains a close relationship with Vietnam, one which stems from the political tutelage and military support during the revolutionary period. Vietnam views Laos as within its sphere of influence and benefits politically from having a stable, client regime on its eastern border (Stuart-Fox 2009: 151; Roberts 2012: 161). Vietnam gives aid in many fields, such as education and agriculture and also in explicitly political areas such as Party organization, security and the military (Stuart-Fox 2009: 149). Economic considerations are also important in Vietnam's relations with Laos, as investment has increased (see Table 2) which has been interpreted as an intentional Vietnamese state strategy to boost Vietnamese capital (ibid. 151; Kenney-Lazar 2012: 1025). The political relations and economic strategies of Vietnamese actors I would suggest cannot be easily separated, with political relations paving the way for economic cooperation and the extension of Vietnam-based circuits of capital into Laos (To et al 2014). Moreover, the Lao state does not facilitate the entry of Vietnamese capital in a one-way system of domination. For example, Kenney-Lazar (2012: 1025) notes how the Lao government gave land concessions to a Vietnamese company in return for financing of an international sporting event hosted by Laos in 2009. On a more local scale the illegal timber trade of Lao logs to Vietnam has been facilitated by Lao state officials for financial gain (To et al 2014). Vietnamese investments have been in rubber plantation concessions, mining, and services and are concentrated in the south and the east of the country (Stuart-Fox 2009; Baird 2011; Goto 2011; Kenney-Lazar 2012; Laungaramsri 2012; Schönweger and Messerli 2015). While Vietnamese capital is not a focus of the present work, its extension into Laos via close political relationships enacted at multiple Lao scales of governance demonstrates how Laos is being incorporated into the region via historically determined relations with neighbouring countries.

Laos also has close historical affinities and connections with Thailand but seeks to maintain its difference and autonomy from the most economically powerful nation in mainland Southeast Asia. Rigg (2009: 708-710) suggests that the Thai/Lao relationship provides a pertinent dualism for comprehending Laos. The utility of such a frame stems from, Rigg argues, Laos' attempts to differentiate itself from its larger neighbour with which it shares a language<sup>7</sup>, a religion and many common cultural and social features (ibid. 709). On the one

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<sup>7</sup> Thai and Lao are closely related, yet distinct, languages which are mutually intelligible to a large extent. Lao speakers have little problem understanding and communicating in Thai because of

hand Laos seeks to maintain a physical, political and cultural boundary with Thailand, but on the other integrate economically with Thai territory. The importance of Thailand to Laos economically is illustrated by trade, as well as investment, figures. In 2014, Thailand was the origin of 56 percent of Laos' imports and the destination for 22 percent of its exports (OEC 2016). Thai investments have been concentrated in the energy sector, with hydropower providing an especially important outlet for Thai capital as well as a benefit in terms of energy supply to power the Thai economy (Goto 2011: 78; Baird and Quastel 2015). Laos' orientation to Thailand also operates at a village level. Labour migration to Thailand has linked Lao villages with distant Thai places through social networks of labour and remittances (Khumya and Kusakabe 2015). Cooperation between the Lao and Thai governments has also seen a burgeoning transport infrastructure as part of regional integration projects (ADB 2010a; Lainé 2014). An especially pertinent point here is that this transport infrastructure has allowed Thailand and Laos to be integrated through the extension of production networks from Thailand to Laos (Rasiah et al 2011; Norasingh 2013; also Oraboune 2011). As will be shown in Chapter 7 on foreign investment in Savannakhet, many of these production networks are those of globally active multinational corporations originating in advanced capitalist countries. Laos' integration into global circuits of capital is being mediated through its integration with Thai territory and companies' regional bases located there.

Relations with other extra-regional countries thus play a smaller but increasingly important role in Laos' industrial development. Japan and Korea have become more prominent in the past decade. Japan has been the source for an increasing amount of investment. Approved investments<sup>8</sup> from Japan totalled USD 90.86 million in 2011-2015 (GoL 2016a). Japanese companies are prominent in the Savan-Seno SEZ (Vientiane Times 5/3/2016). South Korea also has a rising profile in Laos. South Korea's approved investments were USD 222.65 million over 2011-2015<sup>9</sup> (GoL 2016a). Korean investment has been especially noticeable in the success of Motolao,<sup>10</sup> a motorcycle manufacturer operating in both Vientiane and Savannakhet. France, the United Kingdom, and the Netherlands have also been significant investors in recent years and again European capital has extended regional production networks into Laos, also notably in the Savannakhet industrial border enclave (GoL 2016a).

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significant consumption of Thai media. Thai speakers comprehend Lao with more difficulty due to less exposure.

<sup>8</sup> 'Approved investments' refers to investment projects which have been approved by the Lao government. They may or may not have actually been invested when the statistics are reported.

<sup>9</sup> See Table 2.

<sup>10</sup> Company name has been anonymized.

The Lao government has thus enacted its industrialization and modernization strategy by opening to FDI, especially from neighbouring countries and the wider East Asian region. FDI has boosted the power of Lao state actors at national and subnational scales, as indicated by foreign financing of the state and local officials' facilitation of illegal trade. The Lao government thus seeks to recast its peripheral centrality into a new yet historically determined set of internationalized social relations which simultaneously reproduce foreign capital and the state apparatus. How FDI has played a role in entrenching the power of the Lao government over population and territory will be examined in greater detail below. The Lao state's processing of foreign capital-Lao labour relations in new socio-spatial combinations within the country is, I suggest, the simultaneous rescaling of Lao territory into larger regional spaces of capital accumulation and economic development; the emerging scales of the ASEAN Economic Community (AEC) and the Greater Mekong Subregion (GMS).

### ***5.3 Regional Integration and the Greater Mekong Subregion Scale***

Actors engaging in processes of international economic integration in developing country contexts are arguably primarily interested in securing new forms of *territorial coherence* between national jurisdictions (Perkmann 2007; Faludi 2013). In conditions of uneven development between and within countries the differing spatial concentrations of capital, labour, land and material and informational resources must be recombined to create an expanded, integrated space for the circulation of capital. I suggest, following Glassman (2010) that viewing Laos' regional integration as motivated by various actors' attempts to secure an advantageous territorial coherence – which necessarily implies disadvantages and adverse incorporation for other actors – is a useful way to understand the country's contemporary development. It will also be suggested, following Mezzadra and Neilson (2013) that regional integration in the case of Southeast Asia does not imply a straightforward lowering of barriers to the flows of capital, commodities and people but rather is enacted through the reterritorialization of state spaces that attempt to privilege specific powerful actors.

The role of international integration has been conceptualized in terms of increasing sophistication in Lao national development plans, incorporating integration into the AEC<sup>11</sup> and the GMS. A core international goal of the 6<sup>th</sup> NSEDP was membership of the World Trade Organization (WTO), achieved in 2013. In addition the plan aimed to 'explore trade

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<sup>11</sup> The AEC is one of the three 'pillars' of ASEAN integration, the others being the ASEAN Security Community and the ASEAN Socio-cultural Community (Das et al 2013).

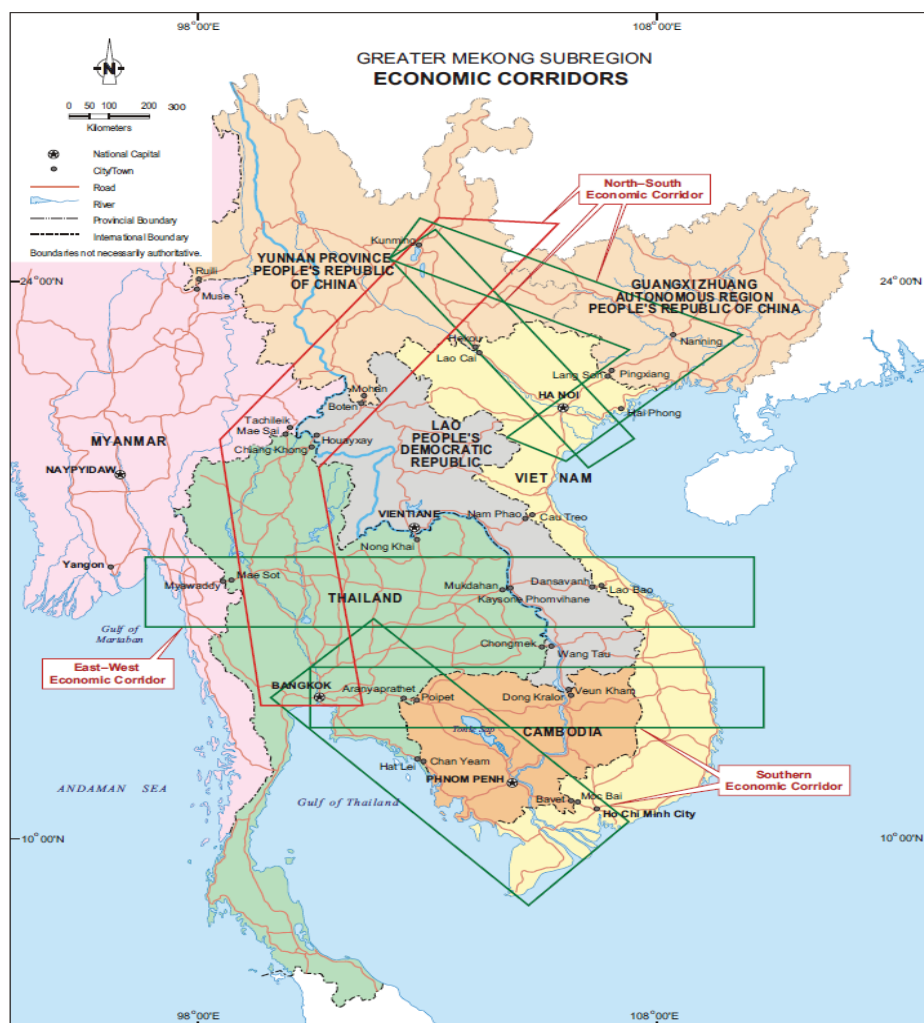
and cooperation arrangements that generate more benefits and limit to a minimum all constraints that might impede socio-economic development' (GoL 2006b: 59). The 7<sup>th</sup> NSEDP provides much more detailed guidance for international cooperation both within the frameworks of the AEC and the GMS. The aim of the AEC is to increase Southeast Asian regional integration beyond that of a free trade area to create 'a single market and production' base through the 'free flow of goods, services, foreign direct investment and skilled labour and the "freer flow of capital"' by the end of 2015 (Tiong 2013: vii-viii). The 7<sup>th</sup> NSEDP thus emphasizes tasks for AEC integration such as: the development of 'a legal system supporting creation of a common market'; creating 'an enabling and favourable environment for competition'; deepening 'integration with the ASEAN and world economy'; and 'fulfilling obligations under the AFTA [ASEAN Free Trade Agreement]' (GoL 2011: 221-222). While predating the AEC the GMS project coheres with it in terms of facilitating trade and investment, promoting infrastructural connectivity, and aiming to narrow the development divide between richer and poorer members of ASEAN (Pomfret and Das 2013: 302-305). The GMS plays a key role in Lao government development thinking. International integration targets in the 7<sup>th</sup> NSEDP for 2015 included achieving the Greater Mekong Subregion (GMS) Cooperation Plan and Triangle Development Cambodia-Laos-Vietnam Cooperation Plan (a part of the GMS integration project); and increased GMS cooperation with neighbouring Mekong basin countries (GoL 2011: 84). The narrowing of the development divide may however be questioned because as I suggest in the section below. Governments and international organizations are constructing the GMS as a distinct regional scale which however links to the broader Southeast Asian scale and the global economy.

The Greater Mekong Subregion (GMS) Programme was established in 1992 and involves six countries through which the Mekong runs: Cambodia, Yunnan Province of the People's Republic of China (later expanded to include Guangxi Province); Lao PDR; Myanmar; Thailand; and Vietnam. The GMS scheme gained impetus from the changing geopolitical context where by the end of the 1980s Vietnam, Cambodia and Laos had emerged from years of violent conflict and embarked on market reform. Thailand, at that time in the midst of rapid economic expansion, wished to engage in regional integration as it would enable access to the resources of its newly peaceful neighbours and other economic opportunities that their pro-market turn might present (Krongkaew 2004; Oehlers 2006). In Thai Prime Minister Chatichai Choonhavan's famous phrase the historical conjuncture would be summed up as turning 'battlefields into marketplaces' (Krongkaew 2004). The main principles of the GMS Programme were thus formalized into an integration and cooperation

agreement (Oehlers 2006: 465). The ADB claims that the 'Greater Mekong Subregion (GMS) is a natural economic area bound together by the Mekong River' (ADB 2016), but the reality is that it is a socially constructed region produced through intentional strategies and discourses. The discursive promotion and attempted naturalization of the GMS as a regional construct has 'been consciously produced within the literature of a specific institution, the Asian Development Bank (ADB)' (Glassman 2010: 6) and can be interpreted as an example of the social construction of scale (Delaney and Leitner 1997). The GMS Programme is not a formal institution like the ASEAN or a free trade agreement such as the AFTA but rather a looser cooperation and integration programme. The GMS is based on the concept of the growth triangle: cooperation between neighbouring countries at different levels of development to not only bolster trade between them but also to exploit their complementarity in order to boost exports to outside the growth triangle (Krongkaew 2004: 979). Growth triangles are a way to combine investment and cheap labour in an export-oriented strategy that trades beyond the region and so integrates with the world market (Cammack 2016: 177). The GMS could thus "exploit the comparative advantages of the participating economies through the reallocation of production bases for purposes of export" (ADB 1995; 27 in Cammack 2016: 177). Actors driving the GMS integration process are then, I would propose, attempting to create new forms of territorial organization and coherence *between* GMS state territories (Swyngedouw 1992).

In pursuit of territorial reorganization the GMS has 'five strategic thrusts' (ADB 2012: 2): strengthening infrastructure linkages; facilitating cross-border trade and investment, and tourism; enhancing private sector participation and competitiveness; developing human resources; and protecting the environment and promoting the sustainable use of shared natural resources. The GMS Programme's strategy to achieve these goals hinges on the first 'thrust' mentioned, infrastructure. A system of 'economic corridors' which traverse mainland Southeast Asia from north to south and east to west is planned. These economic corridors represent a strategy which links together the national territories of GMS countries into a supranational space. The corridors operate as lines of connection which link together 'nodes', such as urban centres. Corridors are complexes of transport infrastructure, communications networks and cross-border free trade zones which provide opportunities for production and trade on either side of the main arteries, while simultaneously providing the material infrastructure which facilitate the circulation of capital, commodities and people across the subregion (Taillard 2014: 26-27).

The ADB's GMS vision is for corridors to be developed along both north-south and east-west axes (ADB 2010a; ADB 2010b; ADB 2010c). Laos is thus transected by both the North-South Economic Corridor (NSEC) and the East-West Economic Corridor (EWEC), Savannakhet lying along the latter. The EWEC was launched at the Eighth GMS Ministerial Meeting in 1998 as a flagship GMS initiative (ADB 2010a: 6). The corridor links the Indian Ocean at Mawlaymine in Myanmar with the South China Sea at Da Nang in Vietnam, extending 1,320 km across mainland Southeast Asia. The corridor also links together: commercial nodes – important commercial centres; border nodes at border checkpoints; gateway nodes – ports at either end which give access to external markets; and interchange nodes at intersecting points with north-south arterial routes (ibid. 6-7).



**Figure 3: GMS Economic Corridors<sup>12</sup>**

The ADB specifically targets Laos as EWEC's 'weakest link', noting that trade and tourism flow across Laos between Thailand and Vietnam but few Lao produced goods are exported

<sup>12</sup> Source: ADB 2010c, p.2



along the corridor. Savannakhet province is a particular focus of business promotion for the ADB (ibid. 51, 55). While the ADB highlights the need for small and medium enterprises in the Lao section of the corridor, 'cross-border investments' are pivotal for the EWEC:

*The EWEC provides an opportunity to obtain economies of scale in the production of cross-border industries, and this larger production area, in turn, provides the basis with which to develop intra-firm trade, implement marketing processes that takes advantage of vertical and horizontal product differentiation in markets outside the region, expand the volume of intra-industry trade within the EWEC, and bring in much needed domestic and foreign investment and financial capital to the subregion (ibid. 66)*

The EWEC is pivotal for creating a 'larger production area' which 'provides the basis' for new forms of territorial organization of 'cross-border industries' and the circulation of capital. The corridors aim to create a new regional GMS scale by creating an arena for spatial fixes for investors, both from the GMS region and further afield. EWEC countries are thus to enact policies to attract capital, liberalize trade and make investments in transnational infrastructure for the pursuit of greater regional coherence and complementarities in the pursuit of global competitiveness, and so the regional strategy is one 'of state, regional *and* global transformation (Cammack 2016: 178, original emphasis).

For the Lao state the GMS focus on regional integration dovetails with the long-held spatial development discourse of turning Laos from 'land-locked' to a 'land-linked' country and also with FDI-led development.<sup>13</sup> Laos hopes to benefit not only from increased trade and investment opportunities but also to operate as a logistics platform, criss-crossed by the economic corridors of the GMS project along which Laos' own industrial structure can be implanted (Pholsena and Banomyong 2006; Sisoupanthong 2014: 183).

Cammack (2016: 175-176) indicates both the relevance of the regional scale to the insertion of national territories into global capital circulation and the class-oriented nature of these transformations. Glassman (2010: 11-12) suggests that a class-based approach to the analysis of GMS regionalization is vital to grasp how forms of human agency are central in incorporating GMS countries into the new regional scale in highly uneven ways, with for example Myanmar – and to a lesser extent Laos – mainly contributing cheap labour. I concur

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<sup>13</sup> Scalar construction is also evident in another prominent Lao developmental discourse: that of becoming the 'battery of Asia' through hydropower development and export (Glassman 2010: 137-146; Baird and Quastel 2015)

with Glassman that this uneven incorporation is driven by class actors. Glassman however identifies the class incorporation of Lao workers into the GMS scale as primarily through migration to Thailand (ibid. 141), but as I shall demonstrate in Chapters 8 and 9 the uneven development of the GMS scale necessitated a new socio-spatial construction of Lao labour *within* Lao territory. Far from creating a smooth space of integrated flows, FDI and regional integration have implied reterritorializations of Lao state space and labour.

#### **5.4 The Lao State and Territorialization Projects: Managing Fixity and Mobility**

##### **5.4.1 The Lao State**

The construction of territorial coherence on an expanded scale, I would suggest, is in the Lao case predicated on the reconfiguration of territorial coherence *within* the territory controlled by the Lao government. The Lao state has thus embarked on rounds of spatial restructuring to create a territorial organization for the fixity and mobility of capital (Swyngedouw 1992; Brenner 1998; Harvey 2006). Spatial restructuring is also deeply implicated with the management of the fixity and mobility of populations as a key part of the social construction of labour needed to reproduce that capital.

State power rests firmly with the Lao People's Revolutionary Party, the only permitted party (GoL 1991). The LPRP is pervasive within Lao society and controls the key institutions of the government, the military, the bureaucracy and the mass organizations. The latter are the Lao Front for National Construction; the Lao Federation of Trade Unions (LFTU)<sup>14</sup>; the Revolutionary Youth Union; and the Lao Women's Union. The mass organizations are directed by the party and substitute for civil society, and function primarily as channels for surveillance and indoctrination of different sections of Lao society (Stuart-Fox 2006: 65). The Politburo, or officially the Council of Ministers, is the highest executive body (ibid. 64). The National Assembly (NA) is the legislative body. Traditionally viewed since its inception as merely existing to rubber stamp the decisions of the Politburo, the NA has shown signs in recent years of playing a more active role in Lao politics. The Politburo still rules by decree but 'an increasingly active and institutionalized National Assembly...has been drafting, deliberating, and implementing new laws' (Roberts 2012: 152). Public debate in Lao society is still however highly constrained (High 2013: 139-146; Belloni 2014).

The LPRP permeates society but the centre in Vientiane does not command strict hierarchical control over subnational power structures. The administrative configurations of

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<sup>14</sup> See Chapter 6

the country give latitude for provincial and district-level autonomy and variation in policy implementation. The central government has enacted several rounds of decentralization and recentralization of powers as it has sought stable administrative solutions for governing its transition to capitalist development (Stuart-Fox 2006: 63). The province has been a key scale where administrative powers have been de- and recentralized. Soukamneuth (2006: 89; see also Barma and Oksen 2014) notes that provincial governors' position in the party hierarchy, above many ministers, allows them to bypass the command structures of vertically organized ministries as in 'most cases, the higher party rank of ministers, *vis-à-vis* governors, determines the effectiveness of central policies on the local level'.

Appointments at district and provincial level are made by the LPRP, and therefore district officials and provincial governors are Party members representing Party interests rather than those of local communities. Village head elections are held but with the district level determining lists of suitable candidates. Village chiefs thus become proxy agents of the district level in the village, thus extending Party and state control to the smallest political units (Stuart-Fox 2005: 21). The Law on Local Administration in 2004 established a legal platform for decentralization. The Law re-emphasized the administrative structure advanced in the late 1980s of provinces as strategic planning units, districts as planning and budgeting units, and villages as implementation units (Lestrelin et al 2012: 590-591; Barma and Oksen 2014: 114).

Referring to the context of rural development, Lestrelin et al (2012: 591) state that these administrative reconfigurations entail that objectives and strategies set at the central level drive development processes, but these are reinterpreted and implemented at subnational scales depending on local economic opportunities and constraints and the agency of provincial and district leaders. Reinterpretation has given rise to regional differences in, for example, plantation concessions (ibid. 591). Kenney-Lazar (2012: 1023) also notes that 'central level government policies regulating land concessions are not often implemented at the provincial level due to policy misunderstanding and miscommunication, a lack of resources to implement policies' and illegal, rent-seeking behaviour by local officials. Provinces and even districts can sign agreements directly with foreign investors (Laungaramsri 2012; Lestrelin et al 2012) and so economic integration occurs at multiple, differentiated scales constituted by varying levels of regulatory mediation (cf. Tubilewicz and Jayasuriya 2015). The autonomy of subnational administrative units is a continuing concern for central party leaders, who 'blame provincial and local officials for siphoning off the fruits of development' (Creak 2014: 160). Provincial governments, as well as district and village-

level officials, are exhorted to implement central directives faithfully and adhere to jurisdictional limits (ibid. 161).

Development policy is thus constructed and implemented in an uneven and contested territorial-scalar formation. This configuration of power is constituted by struggles within the state apparatus over jurisdictional limits and the extraction, appropriation and distribution of economic resources. The key point here is that Laos' capitalist development has been played out through transformations of the state's constellations of command over space. State actors' reconfigurations of territorial regulation and specific forms of capital accumulation pursue new forms of territorial coherence.

#### **5.4.2 Territorialization Projects: Managing Mobility and Fixity**

Foreign-invested capital accumulation in Laos, I seek to show, has been facilitated by the Lao state through reterritorializations of the country's space. That is, there has been a proliferation of bordered spaces *within* and *on* Laos' borders which have allowed capital to enter and articulate Laos with the regional and global scales. Moreover, I suggest that a crucial component of the reterritorialization of Lao space is the management of populations, with control of people's fixity and mobility providing a particularly useful lens to interpret contemporary development processes in the country. I contend then that FDI transplanting into Lao space as a globally integrative social relation has relied on strategies of territorialisation, forming parcels of space which favour particular types of economic activity and configuring the fixity and mobility of capital and labour. Lao state practices of reterritorializing populations are often applied to the population of highland ethnic minorities and this provides a context for understanding how somewhat similar practices may also be targeting the ethnic Lao of the lowlands in the Savannakhet case.

A useful starting point for discussing the Lao state's territorialization projects is Lestrelin et al's (2012) periodization of land use planning policy. They highlight three main projects of the LPRP dating from 1975, which started at different times but continue to the present: moving people from the hills and exploiting abundant natural resources since 1975; stopping the chain of degradation and rationalizing land use since 1990; and turning land into capital

since 1997 (ibid. 584-590). Of particular interest for illustrating the present argument are the first and third of these projects.<sup>15</sup>

In the immediate post-revolutionary period the LPRP was faced with the task of securing national territory and welding together diverse populations in a project of socialist state reconstruction. In a context where ethnic groups in Laos had fought on different sides in the Indochinese wars, the LPRP 'urgently needed to increase political control over remote and potentially subversive populations' and gather 'disparate and often poorly connected ethnic minorities' for socialist development (ibid. 584). Internal resettlement of highland populations emerged as the key strategy for accomplishing these goals. Over time the resettlement strategy became a key means to achieve government developmental goals of facilitating market access and service delivery, reducing swidden agriculture, eradicating opium, enhancing cultural integration and nation building, as well as responding to ongoing security concerns (Evrard and Goudineau 2004; Baird and Shoemaker 2007; Dwyer 2014). Resettlement involves developing Focal Sites and Village Consolidation, both of which function to concentrate populations with the aims of poverty alleviation, service delivery, commercialization of agriculture, and elimination of swidden cultivation. Focal Sites are oriented to the development of infrastructure - 'roads, schools, health clinics, irrigation, market facilities' - and have been established by national, provincial and district-level administrations (Baird and Shoemaker 2007: 874-875). A key point here is that the Lao state seeks to create new forms of territorial coherence through moving people and fixing them in new configurations of infrastructure and population for the purposes of market-based development - the commercialization of agriculture - *and* state control.

Another crucial point of relevance to the current case is that the agency of subaltern populations was also present. The often negative effects of resettlement on poverty, health and livelihoods have been actively resisted (Rigg 2005: 108-111). For example, resettled peoples pursued new mobilities and migrations in search of better livelihood opportunities, or ignored or circumvented land regulations (Evrard and Goudineau 2004; Lestrelin 2011; Kusakabe et al 2015). Reterritorializations can be contested by subaltern actors in multiple ways, even in a constraining authoritarian context such as Laos. As Lestrelin (2011: 317; cf. Baird 2010) notes it 'is not simply a matter of resisting territorial projects that are deemed unsustainable or undesirable. It is also a matter of exploiting and colonizing interstitial

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<sup>15</sup> The second of these involved promoting sustainable development through the zoning of village and forest land into areas of conservation or where particular economic activities would be permitted (Lestrelin et al 2012: 587).

spaces within and between existing territorialization projects'. It would appear that elements of populations 'exploiting interstitial spaces' can also be seen in the territorialization project of 'turning land into capital'.

In 1997 the Lao government began implementing a strategy of land enclosures with the intention of turning land into a means of economic development. Demand from foreign investors for access to natural resources influenced the government to identify "'empty" space or [free] space for the development of large-scale mining, hydropower, plantation and agribusiness concessions' (Lestrelin et al 2012: 588). Private-sector investment was to bring in technological improvements and economies of scale to make large tracts of 'unutilized' or 'underutilized' land profitable, while simultaneously achieving long-held policy objectives of eradicating shifting cultivation, concentrating remote villages into focal sites by removal from project areas, and so integrating ethnic minorities into the mainstream of Lao development and culture (ibid. 589). The reterritorialization of parcels of land as centres of foreign accumulation has in many cases disembedded local people from traditional livelihood systems leading to accusations of 'land-grabbing' (Dwyer 2007; Baird 2011; Kenney-Lazar 2012; Dwyer 2013). Large-scale land concessions have been marked by contestation over the command of space, as village-level territories have been subsumed under concession areas and the right to produce and use resources within those areas transformed, often in favour of powerful foreign actors but nevertheless with resistance from local people (Dwyer 2007; Laungaramsri 2012; Delang et al 2013; Hatcher 2014; McAllister 2015). The Lao government's strategy of 'turning land into capital' is a key means of regional integration via foreign capital from neighbouring countries. *State and international organization actors' pursuit of territorial economic coherence over an expanded scale entails the reterritorialization of subnational spaces in Laos and with it the transformation of the territorial coherence of land, capital, labour and their regulation within those subnational spaces.* Rigg (2005: 149) suggests that the marketization of the Lao development trajectory 'involves closing off some, usually traditional, activities and opening up other, new ones'. Rigg is perhaps too upbeat about the new opportunities that marketized development brings. In the case of plantation concessions the 'opening up' of new activities has involved dispossession of local communities and their reincorporation into the plantation systems under conditions of exploitative wage labour, or as Baird (2011) puts it an article title 'turning land into capital, turning people into labour' (see also GAPE and JVC 2011; Kenney-Lazar 2012; and Chapter 6 below).

Baird's phrase neatly encapsulates the dual processes of state and capital's reterritorializations which seek to command and construct both space and populations. As noted above FDI has been used by the Lao state to reinforce its political control. More concretely, and following Arnold (2012) and Dwyer (2013; 2014), it appears that in Laos the reterritorialization of subnational space to provide zones of global capital accumulation has been used to control populations, and incorporate them into regional integration in a subordinated position, especially at the margins of national territories (cf. Hughes 2011). This is somewhat different from saying that graduated sovereignty of special economic zones and suchlike are 'ultimately under the control of...nation-state elites' (Nyiri 2012: 534). Reconfiguring land and capital can be used to reinforce and *produce* the state's power and control over territory and people rather than assuming a pre-existing state sovereignty over a given space (Lund 2011). This suggests that *the Lao state is gaining a mode of concrete existence as a complementary political form of capital-labour relations precisely through its spatial practices.*

Dwyer (2013: 313) argues that land deals between state and foreign capital in northern Laos became 'tools for managing not only problematic villagers, but local authorities as well' demonstrating how 'new bilateral connections can strengthen the hand of central-level authorities'. Central level authorities siting a coconut plantation concession for a Thai investor in an area of recent shifting cultivation was seemingly not a search for empty or unutilized land but rather for a population without a 'permanent livelihood' regarded as in need of development. The swidden landscape of the area was for Dwyer 'not an unintended casualty of [the land concession], but its specific target' (ibid. 318). The sedenterization of the population of the area would be achieved by creating the concession and also offering local villagers compensation for lost production in the form of wage labour on the new plantations (ibid. 316). Moreover, the province level authorities had intended to log timber in the concession area but the land deal foreclosed that possibility, reinforcing the power of the central level to allocate resources (ibid. 316). In another paper Dwyer (2014) proposes that the narrative of Vientiane ceding sovereignty to China is misplaced. He argues that very different agribusiness concession arrangements were enacted in two different locations – with a 'far more intrusive and disruptive' form of enclosure in one site enacted due to the Lao state's historical security concerns over the trustworthiness of certain ethnic groups (ibid. 382). The pairing of a Chinese rubber planting project with a focal site of resettled, and to the Lao state potentially subversive, ethnic groups resulted in enclosure of land and a labour regime which was 'more enclosure- and wage-labour-heavy' than concession

schemes pursued elsewhere and also ‘deliberately geared...toward keeping...residents on the land’ (ibid. 398). It is noteworthy that the construction of the labour force for the Chinese plantation was refracted through the particular historically determined ideological environment of a security-conscious post-revolutionary state. The state selected ethnic groups for land-labour regimes, with large variations in developmental benefits and autonomy for the ethnicities in question, in order to satisfy its security requirements. Dwyer’s account illustrates how constructed FDI-territorial arrangements reflect existing state power, and produce it by differentially incorporating and processing populations, a point also relevant to SEZ development in Laos.

### ***5.5 Special Economic Zones as Turning Land into Capital***

Special economic zones are one type of project with which the government aims to ‘turn land into capital’, and the fact that many have been placed on borders, I would propose, means that they offer a particularly privileged lens for understanding regional integration and territory in Laos. I want to suggest two key points in this section. The first point is a concrete development of the argument that FDI-based territorialization cannot be construed as simple erosion of sovereignty – while admitting elements of relinquishing power over space to extra-territorial actors may be present. FDI-based territorialization can structure and produce the power relations between state and society actors within Laos by developing new types of territorial coherence and overturning others. The second is thus that SEZs in Laos are constructed by the government and capital to form new types of territorial coherence between countries in the region, that is provide exceptional nodes of territory which facilitate the circulation of capital on an expanded regional basis. SEZs provide a structured territorial coherence which reconfigures land, capital, labour, infrastructure and institutional and regulatory orders in pursuit of the FDI that is deemed so crucial to Laos’ development. The siting of SEZs on Laos’ borders is crucial as Laos’ peripheral centrality in the context of regional integration makes its own peripheries central to its development process. ‘Coherence’ does not imply even and equitable spatial integration because SEZs privilege the mobility and fixity of some actors, especially foreign capital, over other actors such as labour and dispossessed locals. SEZs in Laos structure and striate space in order to enact specific, uneven and unequitable forms of regional integration.

The concept of SEZ development in Laos started, according to government literature, from a feasibility study in 2000 on the Second International Mekong Bridge (SIMB) performed by



JICA,<sup>16</sup> with the bridge linked to the construction of the Savan-Seno zone as an ‘experimental site’ for attracting ‘domestic and foreign investment’ (GoL 2012: 4). From the outset then SEZ development was tangibly linked to regional integration. Government policy distinguishes between ‘special economic zones’ and ‘specific economic zones’. ‘Special economic zones’ are enclaves which promote, facilitate and grant special privileges to businesses governed under differentiated regulatory regimes from the wider state territory, which are designed to attract investment and have an area of at least 1000 hectares. Special economic zones may encompass a wide range of economic activities such as industrial production and duty-free trade and so are a broader concept than ‘specific economic zones’. The latter are zones designed for a specific economic activity such as ‘production for export zone, tourism zone, duty free zone, technology and information development zone, border trade zone, etc.’ so that a special economic zone may be comprised of different specific economic zones (ibid. 1). For simplicity in the following I will use ‘special economic zones’ and ‘SEZ’ to refer to both unless specifically indicated.

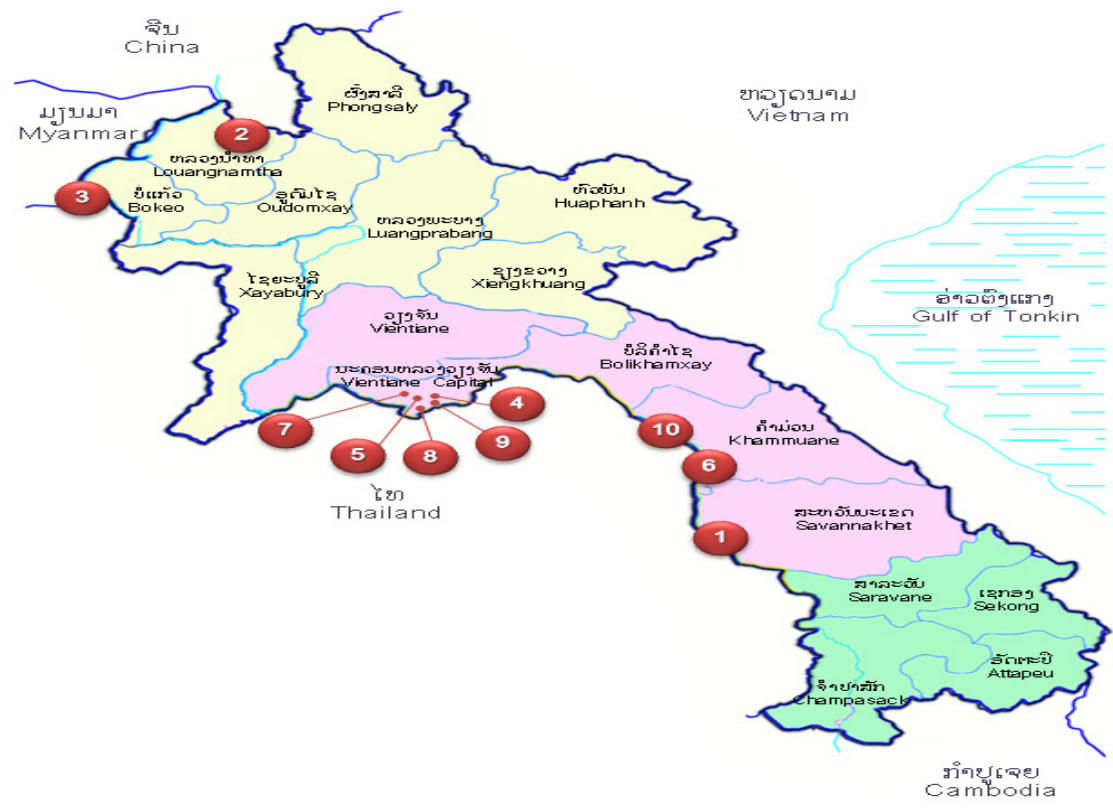
The broad aims of SEZs are ‘to contribute to a rapid socio-economic development, to integrate Lao economy into the regional and international economies, to promote an economic reform based on market mechanism under the supervision of the state [sic]’, aims to be achieved through ‘building an industrial foundation moving forward to modernization by transformation of land into capital, using strategic position potentiality [sic]’ (ibid. i). The emphasis on ‘strategic position’ indicates that SEZs are a core component of the government’s spatial development strategy, with zones located in important urban centres and in border areas so that they *benefit from and construct greater economic connectivity in those locations* (GoL 2011; Nolintha 2011; Nolintha 2012). The 7<sup>th</sup> NSEDP thus states: ‘with the establishment of economic zones, there will be some diffusion effect, thereby stimulating economic development of the area, as well as linking up with neighbouring regions for raw materials supply and markets’ (GoL 2011: 151).

The Lao state has created a new administrative structure and implemented new governance mechanisms to implement the SEZ policy. The governance principle for the zones is ‘smaller administration unit but wider society’ meaning that each SEZ has the autonomy and authority to contact, coordinate and sign agreements with domestic and foreign investors, and ‘to consider and approve the investment, business operations, production, services, revenue-expenditure, administration and management’ within the zones (GoL 2010a:

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<sup>16</sup> The Japanese state’s international development agency.

Articles 3-4). The aim is to streamline bureaucratic investment procedures and management practices and channel them through a smaller, more efficient internationalized governance unit (GoL 2012: 5). Zone administrations are not fully autonomous and remain under the oversight of the National Committee for Special and Specific Economic Zones (NCSEZ), which in 2014 was located under the Prime Minister’s Office.<sup>17</sup> The NCSEZ is chaired by the deputy prime minister and was founded in recognition of the importance of SEZs to development strategy. In addition, the SEZ Secretariat Committee was established in 2010 under the Ministry of Planning and Investment as an administrative unit to support the NCSEZ (Nolintha 2011: 201-202). SEZ administrative reform thus represents a rescaling of powers to highly localized territorial administrative units in pursuit of grounding FDI, perhaps emblematic of a process of ‘glocalization’ (Swyngedouw 2004).



**Figure 4: Lao SEZs.<sup>18</sup> Savan-Seno (number 1), Boten Golden City (2), and Golden Triangle (3) are shown.**

Extensive plans for SEZ development have not been matched by swift development on the ground. By 2014 ten special economic zones had been legally established by the

<sup>17</sup> The NCSEZ was moved to be under the Ministry of Planning and Investment in June 2016 as part of efforts to streamline administration. See Vientiane Times 16/6/2016.  
<sup>18</sup> Source: <http://www.investlaos.gov.la/index.php/where-to-invest/special-economic-zone>

government<sup>19</sup> but only three had begun operation (GoL 2016b). These were the Savan-Seno SEZ (established 2003), the Boten Golden City SEZ (2003), and the Golden Triangle SEZ (2007). The Savan-Seno was the only one oriented primarily towards industrial development, with Boten Golden City (BGC) and Golden Triangle (GT) SEZs operating models of casino-based tourism. BGC and the GT SEZs are located in northwestern Laos and are large-scale concessions to Chinese investors. The Lao state and investors' intended objective for BGC and GT has been to encourage casino tourism from Thailand and China, countries where gambling is forbidden and thus 'stimulate a development dynamic by providing tax advantages' (Tan 2012: 80).

Boten Golden City is located in Luang Namtha province on the border with China. It is also sited on the GMS's North-South Economic Corridor. The zone was established legally in 2002 when the Lao government granted Fu-Khing, a Hong-Kong registered company, a 30-year concession of 1,640 hectares (ibid. 80). The zone was opened for business in 2007 with its main feature being a casino-hotel complex. BGC's initial operations were characterized by being almost exclusively Chinese, including the employees, small business owners, the currency, and communications networks (Nyiri 2012: 536). A yearly increasing concession fee was arranged in advance, starting from USD 700,000 until 2010, and USD 2 million in 2011-2013. With the fee the investors essentially bought the right to levy taxes and administrative fees, retained by the zone administration. In addition the administration was permitted to enact zone legislation (ibid. 537). By 2010 the zone had run into difficulties as reports in Chinese media surfaced of indebted gamblers being illegally detained and murdered, and the Chinese government applied pressure to restrict the flow of tourists to the zone with the last gambling hall shutting in April 2011 (ibid. 538). The Boten zone persists however as a Yunnan province based company acquired GBC from the original owners, it was reopened as Boten Beautiful Specific Economic Zone, operating as a cross-border trade zone and logistics hub, with suggestions of greater Lao government oversight (ibid. 539; New York Times 6/7/2016).

The Golden Triangle SEZ is located in Bokeo province, across the Mekong from Thailand, and in the eponymous tri-border area of Laos, Myanmar and Thailand, once infamous for narcotics production. The Lao government granted a 3000 hectare concession on a 50 year lease to Kings Roman, a Hong Kong registered company, in 2007 (GoL 2016b). Company documents have however been reported as stating that the area is 103 square kilometres

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<sup>19</sup> Rising to 14 by mid-2016. See Vientiane Times 12/6/2016.

and lease duration 99 years (Nyiri 2012: 539). The zone is primarily operated by the Chinese investor Zhao Wei, who had previously operated a gambling hall in Mong La, Myanmar, but under pressure from the Myanmar and Chinese governments had closed it and relocated to a more receptive Laos (ibid. 540). The GT SEZ comprises a complex of hotels, casinos, a shopping centre, markets, and houses and dormitories (ibid. 541; Laungaramsri 2014: 35). As claimed by the developer the GT SEZ is to connect Laos, Thailand and China, facilitating the flows of investment and tourism in the region (Laungaramsri 2014: 35). Moreover, the GT zone is envisaged by developers as turning into a modern city with a population of 200,000 and requisite accompanying urban infrastructure, including an industrial park (Nyiri 2012: 553; Tan 2012: 82-83). The developer's aims would thus dovetail with the government's aims of using SEZs to drive industrialization and modernization. The GT SEZ's administration is also reportedly largely autonomous from the Lao government, with the power to collect taxes and fees and set zone-specific rules and regulations (ibid. 37; Nyiri 2012: 542). The Lao government however retains a greater role in the project than the botched Boten zone and through 'owning shares in the new project' it 'maintains better control of operations and will directly recover profits if the operation is successful' (Tan 2012: 82).

The northern SEZs raise the question of sovereignty and domination by foreign actors, especially the Chinese – with Chinese FDI being intertwined with national and subnational Chinese state actors (ibid. 77-78; Su 2012; Tubilewicz and Jayasuriya 2015). As noted above however the Lao state courts foreign actors to reinforce its own control, and this suggests analysis should examine how SEZs are strategically deployed by the Lao state, or actors within the Lao state, to produce particular forms of social relations. I build on elements within existing studies of the northern border zones by Nyiri (2012), Tan (2012), and Laungaramsri (2014) to offer an account which hopefully is more conceptually adroit than their studies in linking together state transformation, territorialization, foreign capital and labour.

Nyiri (2012: 535) suggests that sovereignty in the border SEZs is vested in Chinese-invested private corporations but which attempt to 'borrow' the symbolic and administrative trappings of the Chinese state to boost their own legitimacy. Nyiri approaches the zones from the perspective of the spread of Chinese state power throughout the world and underplays both the importance of the zones for regional economic integration and how the Lao state deploys and benefits from SEZs. For instance, Nyiri (ibid. 541) mentions without comment on the relevance to Lao state power that two-thirds of the GT SEZ consist of hills that will not be developed and left as a nature reserve and swidden agriculture will be

forbidden there. This is *a key territorialization and population management scheme of the Lao government*, as argued by Dwyer. Nyiri presents sovereignty as ‘contested’ between Chinese investors and Lao state actors but at others points indicates how state and capital aims may cohere by citing the work of Danielle Tan (ibid. 555). Tan (2012: 85) argues that Chinese investment in the northern uplands actually extends and produces central (lowland) Lao state control by recasting Chinese investors as tax farmers to raise resources to implement rural poverty alleviation and a concomitant consolidation of sections of the state apparatus:

*Chinese networks play a crucial role in the new architecture of power by forming regimes of wealth accumulation, regulation and control, essential for the survival and the redeployment of the Lao state in the context of globalization. By producing rent and new opportunities of redistribution among influential personalities, they contribute to the viability of the state. This alliance of networks thus constitutes a strategy of the Lao state to impede the emergence of a counter-elite and manage internal conflicts, especially between provinces and the central government, and within the party (ibid. 85-86)*

Tan’s formulation is deeply suggestive of the new configurations of power and control over territory that are enabled by the internationalization of the state in border regions, but she lacks a systematic account of the state which links it to capital accumulation. Tan also marginalizes labour – a trait shared by Nyiri - in her analysis of Chinese networks, with investors and petty traders deemed ‘the main drivers of change’ (ibid. 71). Laungaramsri (2014), in her analysis of the GT SEZ, is clearer on how such zones rest on the construction of labour forces and transformations of livelihoods. Laungaramsri still frames the GT SEZ in terms of Ong’s ‘graduated sovereignty’ where the Laos government has commodified its sovereignty as the only development strategy open to it as a weak and poor state *vis-à-vis* the power of China (ibid. 40), and so the zone has ‘turned the border into a neo-liberal space where sovereignty has given way to the force of the market’ (ibid. 39). Nevertheless, she identifies two elements which have been crucial to the establishment and functioning of the zone: the resettlement and differential incorporation of local Lao villagers into zone employment; and migrant Burmese labour as a key actor. The zone concession entailed that eventually nine villages would have to be resettled and lose their farmland. Villagers from the first resettled village were relocated to substandard housing built by the zone developer and had to struggle for fair amounts of compensation for their houses and land. Compensation was generally

regarded as inadequate by villagers. Lao government officials and village-level power brokers were the actors forcing villagers to relocate and negotiating low compensation costs. In the new location, less farming land was available leading to reduced subsistence food production and longer working hours to achieve it (ibid. 41; Sengchanh 2012: 6). Despite claims that the zone would modernize the area and bring much-needed poverty alleviating jobs, employment opportunities were limited. Only young people willing to work odd hours in the casinos were accepted, or less than one third of the population of the relocated village (ibid. 41-46). Moreover Sengchanh (2012: 4) suggests that Lao people applying to jobs were also rejected because they could not speak Chinese. That Lao people applied to work in the zone did not detract from the feeling of many local villagers that the zone represented an unwanted intrusion into their livelihoods which ruptured their relation to the land, replacing it with low wages in poor conditions (Laungaramsri 2014: 46; RFA 22/1/2014; RFA 11/4/2014).

Meanwhile the zone administration actively facilitated the mobility of others into the zone. Chinese people moved in to start and run key businesses such as restaurants or hotels. Migration networks, often connected with the home province of the site developer, enabled their access to the zone and the opportunities it presented (ibid. 38; Nyiri 2012: 543). Moreover, Laungaramsri contends that 'the key engine that drives the economic force of the SEZ is the Burmese', migrant workers from Myanmar who constitute a large portion of the workforce (2014: 49). Burmese migrants formed an informal, exploited and disposable workforce which was easier to mould than a local Lao population somewhat resistant to the incursion of the zone in their livelihoods (ibid. 48-52). Burmese migrants' incorporation into the zone as 'neoliberal subjects' spatially dislocated from and unprotected by any state - as well as an oversupply of Burmese labour - entailed, for Laungaramsri, they would 'totally submit...as a profitable commodified subject for the advancement of Chinese enterprise' (ibid. 52).

Although Laungaramsri tends to underplay the agency of workers to present them as passive and exploited, she raises important themes. One is that the new form of territorial coherence and GMS regional integration which the zone aims to achieve through facilitation of tourism and investment flows is predicated on overturning a previous form of territorial coherence, that of the Lao villagers agricultural production. Local Lao villagers' command over space, their spatial organization as a force of production, was ruptured. It should also be noted that Lao villagers had their own forms of international territorial coherence in engaging in small-scale cross-Mekong trade of

agricultural commodities, which presumably would have been reshaped by falling agricultural productivity (ibid. 41; Sengchanh 2012: 3). Second, the zone depended on capital and state's differential management of the fixity and mobility, the inclusion and exclusion, of populations. Establishment of the zone required moving villagers outside of the zone and placing them elsewhere and operation of the zone involved facilitating the entry of Chinese and Burmese migrants. A *socio-spatial construction of labour* therefore took place which was vital to the new form of territorial coherence. The Golden Triangle SEZ comprised a reterritorialization which integrated Lao space into a larger scale. This reterritorialization was implemented by powerful actors and created a particular territorial structured coherence which gained cohesion through the differential promotion of certain flows (capital, Burmese migrants) and forms of social reproduction (zone wage labour over agricultural production). I propose then that in the Lao context territorial coherence, socio-spatial construction of labour, fixity and mobility provide a particularly fertile framework for understanding the forms of uneven and inequitable regional integration that are occurring.

### ***Conclusion***

Reorganization of internal Lao space is a core feature of the Lao state's development efforts and tied closely to integration into larger geographic scales. This suggests that any analysis of Laos' regional integration must look at the exact means through which space is reorganized within the country to reach actors and processes beyond the country. Reterritorialization within the country appears to be creating new forms of territorial integration between Laos and GMS neighbours. The project of changing Laos from a 'land-locked to land-linked' country should be interpreted in this light, with territorialization projects – such as SEZs - a key means to ground foreign capital, but also to manage and control populations. Contrary to arguments which claim that the state loses power in the face of relentless forces of transnational capital, the Lao state actively seeks to reproduce itself through interaction with powerful foreign actors. Therefore, analysis would do well to be focused on the exact means that the Lao state uses to both attract and ease the flows of foreign capital, including institutional and regulatory transformations as well as spatial practices, and how these transformations structure the relations between foreign capital and subaltern actors such as farmers and workers, and restructure the relations between the state and the Lao population in variable geographic and political economic contexts within the country.

The suggested relevance of territorial coherence, socio-spatial construction of labour, and fixity and mobility lead to a number of questions which can guide enquiry of the present case: how does foreign capital transform territorial coherence within Laos and between it and its neighbours and to whose advantage? Whose agency is driving the changes in territorial coherence within and between territories? Whose fixity and mobility matters and how and why? What are the socio-spatial constructions of labour in a given territory? The latter question is of particular importance, because by taking labour as the entry point at the centre of relations of production and foregrounding the way that labour forces are constructed we can shed light on how territorialization projects function, who benefits from them, and how they might be transformed or contested. Savannakhet presents a very different context to the northern SEZs, based as it is in an existing large urban centre in the Lao lowlands, and so while I submit these questions retain relevance for the case, the answers to them vary significantly from the northern SEZs due to the different constellations of territory, resources, and actors in the southern Lao-Thai borderlands. These resulted in different possibilities for labour 'exploiting and colonizing interstitial spaces within and between existing territorialization projects' (Lestrelin 2011: 317). Before examining the Savannakhet case I recount a brief history of labour in Laos, and recent changes in work and livelihoods in the light of recent capitalist transformations.



## **Chapter 6: Labour in Laos**

The landscape of work in Laos is undergoing a period of intense change in the era of foreign investment, modernization, and reterritorialization projects. This chapter situates contemporary Lao labour within a *longue durée* of labour dynamics in Laos and within the contemporary capitalist transformation. The historical contestation of Lao space by external actors has manifested, among other factors, as attempts to appropriate Lao labour power and - in a sparsely populated territory - to manage the movement of populations. Historical population control has contemporary parallels but there are key breaks with the past in an era of capitalist modernization. Highlighting these contemporary dynamics - labour's constitution under a capitalist form of law, wage labour as part of diverse livelihood strategies, international migration, and new manufacturing industries - will be important for understanding the Savannakhet case. I develop in relation to labour some of the key themes introduced in Chapter 5 regarding Lao space. I also highlight how the agency of subaltern actors' - farmers and workers - has been at various points a key factor in historical development processes. I specify and expand on the argument that in the era of capitalist modernization the Lao state has assumed a political form of capital-labour relations. A key claim is that the legal and social formation of Lao workers renders them as 'in-fact' informal labour (Chang 2009).

### **6.1 Work in Lan Xang**

During the period of the Lan Xang polities gendered, ethnic and territorial divisions of labour comprised the productive ensemble for livelihoods and trade. Production was at a subsistence level in most villages with agricultural labour shared by the family. Men ploughed and men and women together planted rice and harvested the crop. Hunting for wild game was chiefly the preserve of men while both men and women fished. Women were responsible for the production of textiles and household materials, weaving cotton and silk, and making baskets, mats and other domestic utensils. Men made ploughs and other implements, including traps and nets. Some of these items may have been exchanged within the village but this was not production for trading at distances (Stuart-Fox 1998: 48). Craft production in the vicinity of larger population centres was present with villages of specialized hereditary craftsmen manufacturing tools, weapons, pottery and paper, making jewellery and silverware, and weaving dyed cottons and silks. Some villages mined tin and iron ore or panned for alluvial gold. Highland ethnic minorities were largely responsible for

the collection of valuable forest products. These were exchanged for the cotton cloth, iron and silver produced in the lowlands and comprised an important basis for Lan Xang's participation in regional trade networks (Stuart-Fox 1998: 49; Rigg 2005: 46-47).

Low population densities in Southeast Asia led to polities' competition over populations and their removal to another territory to satisfy labour demands (Reid 1988: 132-135).<sup>1</sup> One example from this historical dynamic suggests how attempts at labour control and labour's agency drove significant historical developments. In the 1820s the Siamese king Rama III ordered a census of manpower in order to enable complete enforcement of each peasant's *corvée* labour requirements. Lao peasants on the Khorat plateau were forcibly tattooed for this purpose. Tattooing of *corvée* labour was an unknown practice in the Lao *meuang* and was to cause widespread resentment. Lao labour was mobilized to construct public works in the new Siamese capital of Bangkok, including defence works at the mouth of the Chao Phraya river. Tattooing and *corvée* demands for such heavy labour caused widespread resentment which contributed to the Chao Anouvong rebellion (Stuart-Fox 1998: 119). Lao recalcitrance in submitting to the labour demands of a foreign ruler was also to impact political events and economic trajectories in the era of colonialism.

## **6.2 Colonial Labour Regimes**

The French colonial regime mobilized labour in Laos in two primary ways: *corvée* and encouraging labour migration from Vietnam. Laos' sparse, rural population presented a problem for the French in valorizing the territory. The hinterland was thinly inhabited by a populace not strongly integrated into the cash economy and more dependent on subsistence production than wage labour. Furthermore 'the Lao were universally decried by colonial agents as unwitting and unreliable proletarians' and characterized via orientalist tropes as lazy and innocent (Gunn 1990: 33). Despite this disdain the colonial state still chose to extract labour from the Lao populace in order to unblock the country and weld it to wider Indochina. Lao *corvées* were thus put to work largely on road construction, as well as on public building and other state projects (ibid. 39-40). Colonial officials interwove labour extraction with the taxation system in this endeavour. The Lao had to contribute both tax in cash form and *prestations* (labour dues). Ethnic Lao males aged 19-60 were to pay two piastres per year – compelling participation in the cash economy by, for instance, selling crops - and were also compelled to perform an annual twenty days of *corvée*. The obligations for ethnic minorities were set at one piaster and ten days of *corvée* (ibid. 48).

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<sup>1</sup> See Chapter 4.

*Prestations* were imposed during ‘dead times’ after the harvest season had ended (ibid. 49). The colony was thus to benefit twofold from the Lao performance of labour; once through the transmutation of work into money and again through the direct imposition of work. The preoccupation with generating tax revenue also meant that *prestations* could be commuted into cash payments (ibid. 50).

The imposition of *corvée* did not run smoothly and met with various forms of resistance. The majority ethnic Lao population evidenced highly mobile rejection of labour obligations. According to one report 600-800 families in Luang Prabang districts fled to Siam to avoid labour requisitions. 1935 saw the mass desertion of three successive shifts of *corvée* labourers from a public works programme on the RC13 highway. Ethnic Lao and minority labourers in Champasak ‘were notorious for late arrival, low productivity, desertions and “arrogance” towards the *cai* [labour supervisor]’ (ibid. 90). Opposition to taxation and labour obligations also played a role in fomenting revolts against colonial authority, especially among the highland minorities (ibid: 101 *passim*). While the historical conditions are significantly different continuities persist today in the extraction of labour from the Lao populace. Now as then Laos’ rulers must deal with mobilizing a relatively sparse labour force which proves recalcitrant for easy insertion into emerging labour regimes. An important form of agency for avoiding toil in colonial public works was mobility power - the act or threat of flight to improve conditions of life – which has contemporary echoes.

The colonial authorities chose to import Vietnamese workers to do the hard manual toil of the French *mise en valeur* in Laos. The Vietnamese had the virtues of being both more numerous than the Lao and, in the eyes of French officialdom, more industrious (Stuart-Fox 1997: 47). The French encouraged immigration to the extent that the Vietnamese population numbered 40,000 in 1943 and formed majorities in the main Mekong valley towns (ibid. 51). Vietnamese worked as labourers, traders and government officials (Gunn 1990: 35). Significant numbers – up to 6000 - worked in the mines of central Laos, one of the few highly capitalized investments the French successfully initiated during their rule (Gunn 1988: 32). Agitation by Vietnamese communists led in 1936 to perhaps the first strikes in Lao industrial history (ibid. 64).

### **6.3 Lao Labour through Independence and Revolution 1954-1975**

The independence of Laos in 1954 and the decades of political conflict and war which followed saw some limited diversification in the economy and labouring profile. A large proportion of the Lao population remained in agriculture (Halpern 1964). Rigg (2005: 46-47)

however cautions against imposing a model of bucolic autarky on rural communities in Lao history, highlighting a sustained integration into trade networks which exchanged goods such as cloth and salt in exchange for luxury forest products and other rural commodities. This was true for the decades following independence with rural communities rooted in subsistence agriculture but with a partial integration into the cash economy via petty commodity production (Halpern 1964: 102-103). Grant Evans (1995: 39) notes in the 1960s that the Vientiane plain area of Laos became a frontier zone for landless Isan<sup>2</sup> Thai migrants. Migrant villages were not wealthy enough to immediately start clearing paddy land entailing that 'a new phenomenon began to arise in some areas: the use of agricultural wage labour' (ibid. 39). In rural areas Lao villagers performed work for others in the village and were paid in cash or in kind. Circular and short-term migration from rural areas to the towns for the purpose of wage labour also featured as a livelihood strategy (Halpern 1964: 110-111). The main towns during this period functioned as administrative and commercial centres, the denizens comprised of Lao officials and government employees, crafts people, and Chinese and Vietnamese traders. Labour at the bottom of the urban employment hierarchy came largely from more itinerant and unstable flows of ethnic minority Khmu migrants in Luang Prabang or Isan Thai in Vientiane (ibid. 112). The lack of industry led Halpern to conclude in 1964 (ibid, 112) that a 'Lao proletariat based on emigration from rural areas may be some time in developing'.

The Lao communist revolution drew its strength from a social base comprised of the peasantry in Pathet Lao (PL) held areas (Phomvihane 1981; Brown and Zasloff 1986). The PL also resorted to compulsory measures to mobilize labour. In the zones under their administration corvée labour was an obligation (Gunn 1990: 54). Although small in number urban labour did have a role to play in the revolution of 1975. The ferment of a crumbling economy, American withdrawal and political turmoil provided opportunities for PL agitation and labour unrest in the towns (Brown and Zasloff 1986: 115). A strike wave involving various workers occurred in government-held areas in the Mekong valley, with strikers demanding both higher wages and the removal of corrupt officials. Labour unrest coalesced with student demonstrations and strikes to pressure the government in Vientiane and strengthen the PL's hand. In Vientiane a coalition of groups known as the 21 Organizations for Peace was comprised of the Lao Labour Federation, the Lao Student Federation and constituent organizations of those unions from schools, firms and government sections. In January 1975 the coalition successfully pressured the government to approve and

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<sup>2</sup> Northeast Thailand.

implement a reform programme advantageous to the PL. After the fall of Phnom Penh and Saigon to communists in April 1975 strengthened the position of the PL, protests by the 21 Organizations on May Day targeted prominent rightists in government and provided the backdrop for a national insurrection which hastened the right from power and ushered in the communist regime (ibid. 115-118).

#### ***6.4 Labour under Socialism 1975-1986***

The early period of socialism in Laos witnessed several events of importance for labour in the country. The first was the flight of a significant proportion of the population across the border to exile in Thailand or farther afield. The second was an attempted reorganization of the social relations of production in the agricultural cooperativization programme. The two events also intersected to a degree with some Lao moving to Thailand in response to the rigors of the new agricultural production regime.

Approximately 100,000 Lao left the country during the first year of the new socialist regime, among whom were many professionals, technicians and other educated individuals who had served under the Royal Lao government (Brown and Zasloff 1986: 197). Trained technicians and civil servants continued to seek refuge in Thailand throughout the early part of the 1980s in the hope of further resettlement (Stuart-Fox 1997: 185). Almost 10 percent of the country's pre-1975 population had left the country by the 1990s (G. Evans 1995: 70). This was to impact on later economic development efforts by depriving the country of both sheer numbers and also accumulated skills and knowledge (Evans 1991: 98).

The communist takeover in Laos did not result in a swift, enforced collectivization of agricultural production. Lao peasants were encouraged to be more collectively oriented and create 'solidarity and labour exchange units' in order to sensitize them to the benefits of collective production and institute this on a larger scale in the longer run (G. Evans 1995: 44). Economic and geopolitical concerns however prompted the collectivization campaign to be rolled out in 1978, in order to boost the productive forces and strengthen administration at the grassroots level to stabilize the country politically (ibid. 48-49). Laos, however, lacked the critical inputs of machinery and technology to boost yields. The policy therefore hinged on a fundamental reorganization of labour, attempting to replace a familial system of labour with a rational and formal organization of labour. The latter would operate at a larger scale and with a different system of labour allocation and supervision (ibid. 150).

Cooperatives were intended to incrementally develop more and more collective forms of labour relations in agrarian production (ibid. 94). At the height of the programme there were some 2800 purported cooperatives (Stuart-Fox 1997: 179). Cooperatives foundered however as peasants proved to be recalcitrant in the face of upheavals to traditional modes of organizing work. Traditional peasant organization of work in Laos was centred on the family with additional labour requirements being mobilized through kinship relations and location in the village social strata. Additional labour obligations were structured through loose reciprocity (G. Evans 1995: 140). The collectivization of 1978-79 ran counter to these traditional relations by attempting to create large-scale cooperatives that 'threw together people who felt no natural affinity for or commitment to working together' (ibid. 146). In addition, the mark point system used to record and reward work was overly complex, leading to disagreements and peasant defection (ibid. 156-158).

Other issues added to the dissatisfaction and undermined the policy. Peasants were supposed to join cooperatives voluntarily but were leant on by zealous cadre to participate. Confusion about the aims and implementation of the cooperatives combined with fear of force to impel significant numbers of peasants to abandon their land and cross the Mekong to Thailand (Evans 1988: 40-41). Eventually 'resistance to labour reorganization arising from the structure of the peasant economy was successful at spontaneously aborting the push towards collectivization' (G. Evans 1995: 178) and the programme was suspended in 1979 (Stuart-Fox 1997: 182). The party promoted cooperatives through the 1980s but they waned in importance as enthusiasm was tempered by experience and markets and private enterprises grew in importance for development strategy (G. Evans 1995: 60-64).

Cooperativization existed alongside other forms of production and labour. Villages farther from urban centres were characterised by a preponderance of peasants (80-90 percent) in a largely subsistence economy. Villages closer to urban centres displayed a more complex occupational structure which included commerce, petty commodity production, employment by the state and wage labour in the urban economy, although the latter was diminished after the shrinking of urban economic activity in the aftermath of the revolution (ibid. 67, 75).

The country's industrial and service enterprises were nationalized after 1975 (Bourdet 2000: 14). Wages and labour allocation were set by command (ibid. 16, 125). Industrial relations during the early period of the LPRP order were apparently relatively harmonious. The industrial sector was of little significance at that time, employing a mere 0.8 per cent of the

workforce. Between 1976-79, a period of unemployment and turbulence, no industrial unrest was observed. In the 1980s with continuing high inflation civil servants and state-owned enterprise (SOEs) employees expressed discontent over wage levels. The government, concerned to retain staffing levels for industry gave SOEs the right to set performance-based wages. Food and consumer subsidies were also added to provide enough income to stave off industrial discontent (Stuart-Fox 1986: 128-129).

The experience with cooperativization reveals that subaltern actors have previously influenced the trajectory of development policy in Laos, despite the efforts of a coercive state. Power seemingly lay with the LPRP but peasant contestation over the labour process, and the policy rethink this stimulated, suggest that this *power must be negotiated and adapt to other types of agency* rather than imposing its will crudely by force. Notably, the volte-face was, among other factors, prompted by peasants using one of the few forms of power open to them, *the ability to be mobile and deprive the country of the labour resources it needed for national development*. A process of negotiation and adaptation also appeared to be a factor in the case of the SOEs as the state responded to the social reproduction demands of its workforce, a theme that has continued in the era of foreign-invested manufacturing.

### ***6.5 Labour under Economic Liberalization: Evolving Labour Law and the Lao Federation of Trade Unions***

The drive towards diversified industry and modernization through liberalizing the economy involved the key element of establishing and transforming a labour market and the social relations of employment therein. Since reforms started in 1986 the government has created a legal and institutional framework which establishes, regulates and promotes capitalist labour relations. Such a framework structures the relationship between capital, especially foreign investors, and workers in Laos as a key part of effecting a capitalist economic structure. In doing so, it appears that the Lao state has assumed a historical form of the social relations which it regulates (Clarke 1991b).

The primary aim of the New Economic Mechanism concerning labour was the dismantling of a command system of labour allocation and wage setting and its replacement with one in which 'labour market outcome, in terms of employment, unemployment and wages, is primarily determined by the demand and supply of labour', thus swiftly reallocating labour 'in conformity with the structural transformation aims' (Bourdet 2000: 117). The privatization of SOEs contributed to this goal by helping to establish a labour market. Public

sector retrenchments resulted in a twenty percent reduction in civil servants by 1988 (ibid. 18-19). A law permitting foreign investment was introduced in 1989 but Laos stood little chance of attracting capital without the legal underpinning to facilitate and protect investments (Rigg 2005: 21). One of the first business regulations to be passed was the Labour Law of 1990 which guaranteed employers' authority over the internal administration of labour and the rules of work, thus offering reassurances to potential investors. The law set rules for 'the form of labour contracts, working hours, overtime, holidays, female and minor labour, form of payment of wages, health and safety, compensation for industrial accidents and diseases and retirement benefits' and additionally established a 'legal basis for a government agency to regulate and monitor labour' (Fry 2008: 789).

The Constitution of Lao PDR, promulgated in 1991, further enshrined the capitalist mode of production and indicated the role of labour. Article 14 of the Constitution states that the state protects all forms of state, collective and individual ownership, including private ownership of domestic and foreign investors (GoL 1991). Article 2 specifically highlights 'workers, farmers and intellectuals as key components' of the people's democratic state. Article 26 asserts that Lao citizens have the right to engage in legal work and the right to rest and receive medical treatment and benefits. These rights are matched with an obligation 'to observe labour discipline' (Article 34). Workers were thus rhetorically elevated and defined as possessing rights in relation to work but the injunction 'to observe labour discipline' coupled with the assuaging of private investors suggested a subordinate role contrary to the exalted position outlined. The government issued a revised Labour Law in 1994 (GoL 1994) which applied to only the private sector (Fry 2012: 45). The new law consolidated the 1990 code but also made changes to liberalize and clarify the hiring and termination of employment (Fry 2008: 790).

The new legislation also began to formally establish the role of trade unions. The Lao Federation of Trade Unions (LFTU) is enshrined in the Constitution as one of the Party's key mass organizations responsible for uniting and mobilizing citizens for 'the tasks of national defence and construction' (GoL 1991: Article 7). The LFTU is part of the party-state apparatus and the only legal trade union in the country, its appellation being a misnomer in that it is a single hierarchical organization rather than a horizontally linked federation. Initially for government employees, membership of the LFTU was extended to private employees in 2000 (Fry 2008: 791). The 1994 Labour Law defines the duties of trade unions or workers' representatives as 'to promote solidarity, educate, train and sensitize workers to have labour discipline, and to successfully perform work in accordance with production



plans established by the labour units' (GoL 1994: Article 11). In addition there are the more protective roles of dispute mediation and advocacy on workplace issues (Fry 2008: 790). Of particular import in the new law was the effective banning of strikes in all conceivable circumstances, subject to legal penalties (GoL 1994: Article 59; Fry 2008: 790). The role of the LFTU cannot be understood in terms of an independent, representative workers' organization. Its role is instead that of a 'transmission belt' similar to that found in other socialist countries such as China. As part of the party-state apparatus such a union role involves 'top-down' and 'bottom-up' responsibilities, transmitting 'political and production directives from the leadership of the party-state to the workers, as well as transmitting or representing specific worker interests within the forums of the party-state' (Fry 2008: 786). Fry (2012) thus describes the LFTU as a 'dualist' trade union, having both production and protection functions. The production function manifests in transmitting pressure to workers to become more efficient, obedient and diligent and in Laos appears to predominate over duties to protect employment rights (ibid. 49).



**Figure 5: LPRP Billboard Promoting Work.<sup>3</sup>**

As investment climbed and economic openness increased throughout the 1990s and early 2000s, the government extended the armature of regulations to manage and facilitate capital accumulation (Rigg 2005: 23). A new Labour Law was introduced in 2006 (GoL 2006a). This law provided clarifications of existing articles but also significant additions, including the definition of the labour administration agency. The labour administration agency is defined

<sup>3</sup> Source: author photo. The text reads 'Work protects peace. It is the duty of every citizen.'

as a multi-scalar organization - comprising at the central level the Ministry of Labour and Social Welfare, and then the labour and social welfare division of each province, and of each district and municipality (Articles 66-69). The new law further extended the state mediation of labour relations by setting provisions for labour inspections (Articles 71-72), strengthening to some extent labour protections but still however retaining the prohibitions on industrial action. The government enacted a Trade Union Law in 2007 (GoL 2007) in response to concerns aired in the National Assembly that the labour law was inadequate for promoting the union and protecting workers' interests. The Trade Union Law 'enhanced the capacity of the union in the private sector and reflected the changing balance between production and protection functions' (Fry 2012: 47).

The Labour Law underwent further revision into the more comprehensive 2013 Labour Law (GoL 2013a). This law extends regulations over multiple stages of labour force formation. The 2013 law sets out provisions clarifying elements of skills development including target groups for skills development, a level structure for labour skills standards, requirements for skills developers or trainers (which stipulates they must 'have knowledge of a foreign language (ibid. Article 15)), and skills evaluation. Sections addressing recruitment are another significant addition. Domestic recruitment is addressed with '[a]ll forms of investment' required to 'have a labour requirement plan at all times' which 'must be reported to the relevant labour administration authority in order for the planning of sufficient provision of labour to respond to demand' (ibid. Article 37). Measures for the establishment and dissolution of 'recruitment service enterprises' are codified. The recruitment of Lao labour for work abroad is also legally formalized and regulations for importing foreign labour clarified and extended (ibid. Articles 68-70). The 2013 Labour Law increases the number of foreign workers allowed in enterprises due to concerns over labour shortages (Vientiane Times 25/12/2013). Article 25 of the 2006 code (GoL 2006a) states that foreign workers are only to work in Laos for a limited period and in order to transfer expertise. Only 10 percent of manual workers and 20 percent of 'mental' or 'intellectual' workers are allowed to be foreign (ibid.). In the 2013 Law this was increased to 15 percent and 25 percent respectively (GoL 2013a: Article 68).

A new section on the 'creation of employment opportunities' behoves '[l]ocal authorities at all levels' to 'create conditions for employment and promote employment' (ibid. Article 34) in order to address 'unemployment, the migration of urban labour from rural areas to cities, and illegal trans-border labour', and so create 'conditions providing choice, revenue and poverty reduction for employees' (ibid. Article 32). Employment opportunity creation

involves the '[p]romotion of occupational freedom, working from home, and the hiring of disadvantaged persons, women, disabled persons, or the elderly' as well as employment promotion in rural areas and 'daily labour, contractors, temporary workers, [and] trainees' (ibid. Article 33). Local authorities are to establish career fairs 'to create opportunities for employers and employees to meet and receive or make applications' (ibid. Article 35).

Dispute resolution mechanisms are also overhauled with a corporatist tripartite mechanism reaffirmed and clarified through the definition of the rights and duties of employers, employees' representatives, and the state – including the responsibilities of different scales of governance down to the village level. The tripartite consultations reforms may be in response to the Lao government's 2010 ratification of the International Labour Organization's *Tripartite Consultation (International Labour Standards) Convention (No. 144)* (ILO 2016). The disciplinary role of employee representatives continues to be legally enshrined, with a responsibility to '[e]ducate, mobilize and encourage employees to comply with laws...the labour unit production plan and other obligations in relation to labour' (GoL 2013a: Article 165). A new article on dispute resolution with international characteristics (ibid. Article 153) appears to reflect the reality of rising foreign investment and international integration, although the law is vague on what constitutes 'international characteristics'. Perhaps surprisingly the article on the prohibition of strikes during disputes has been altered to allow for the possibility of a strike in certain situations. Work stoppages cannot take place during the resolution process - except in the event of very serious cases or if the tripartite consultation organization agrees to a temporary stoppage in order to avoid damage that may occur.<sup>4</sup> In the case that a labour dispute cannot be resolved the law allows that a strike 'may' (*aat ja*) occur but not contrary to laws and regulations<sup>5</sup> (GoL 2013b: Article 154).<sup>6</sup> The vagueness of the wording and the failure to clarify what exactly determines that a labour dispute cannot be resolved militates against the law as a guarantee of industrial action.

The new Labour and Trade Union Laws are supplemented by the 2013 Law on Social Security (GoL 2013c). The Law stipulates that the government, employers and employees should all pay in to the National Social Security Fund which is to finance various social security benefits (Article 6). Fund benefits include entitlements to healthcare, illness and employment injury

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<sup>4</sup> In the original: '*wen sia dtae geuht gawlanee thee haai haeng lae onggan sam faai hen dee hai yut sao wiak sua kaao pheua leek liang kwaam sia haai thee aat geuht keun*'.

<sup>5</sup> The original runs: '*nai gawlanee mee thee baw saamaat gae kai kaw katnyaeng thang daan haeng ngaan aat ja mee gaan nat yut ngaan dtae haak baw hai kat gap labiap gotmaai*'

<sup>6</sup> Lao language version of 2013 Labour Law. Previous references are to English version.

compensation, and pensions. Employers are to contribute six percent of the employee's monthly salary and employees 5.5 percent of their earnings (Articles 55-56).

Such legislative developments illustrate the key theme of the social construction of labour. It has become a statutory obligation of state authorities operating at different tiers of territorial jurisdiction to encourage wage labour and connect capital and labour. A key feature is to mobilize workers into various forms of wage employment – 'daily labour, contractors, temporary workers' – the exact mode of labour seemingly unimportant as long as it is gainfully employed in a capitalist enterprise. Moreover, the state aims to facilitate, promote and expand the cohort of skilled labour to meet the requirements of the more diverse labour processes now undertaken on Lao soil. It would appear that the Lao state is attempting to restrain 'illegal trans-border labour' by actively connecting it with enterprises within Laos. The 2013 Labour Law thus provides a framework through which to incorporate more and more people into the institution of wage labour and mould their capacities to the requirements of capital.

Moreover, the form of the capital-labour relations promoted by the labour laws places significant power with capital. The emphasis on the duty of the LFTU's and workers' representatives to 'train and sensitize workers to have labour discipline' indicates that the Lao state attempts to constitute labour throughout the country as productive, obedient and subordinate to private employers. The prohibition of industrial action and independent unions reinforces subordination to employers and furthermore it can also be interpreted as an attempt to sever at the root the possibility of industrial unrest spilling over into broader challenges to the political order. Capital-labour relations are thus processed through the state in a way that seeks to mould and discipline workers and establishes the rights of capital over those of labour. Another key role of the state I would suggest appears to be to reterritorialize Lao labour in a time of rapid economic development and concerns over labour market shortages.

## **6.6 The Lao Labour Market**

The 2010 Labour Force Survey<sup>7</sup> gives a labour force aged 15 and over of 3.07 million people, with a labour force participation rate at 79.24 (GoL 2010b: 68). World Bank figures (2016)

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<sup>7</sup> Lao statistical practice makes it somewhat hard to gauge the extent of wage labour and main occupation. The 2010 Labour Force Survey distinguishes between two types of employment, paid employment and self-employment. Those in paid employment are employees earning 'wages, salaries, commission, tips, etc.' (GoL 2010b: 11). Self-employment includes persons working on their own, 'in household enterprises for profit or family gain', and 'contributing family workers' (ibid. 11). It thus

indicate this rose to 3.29 million by 2013. Shifts in the sectoral shares of employment have been evident as the Lao economy has developed since the 1990s. In 1995, 85.4 percent of the workforce was in agriculture, 3.5 percent in industry and 11.1 percent in services. In 2005 this had shifted to 78.5 percent in agriculture, 4.8 in industry, and 16.7 in services. In 2011 it was 71.9 percent in agriculture, 8.2 in industry and 19.9 in services (Nolintha et al 2014: 101). 247,899 were reported to work in the manufacturing sector in 2013 (World Bank 2014b: 17). The discrepancy between the rising value added by industry to GDP<sup>8</sup> and the still low number of the workforce in industrial employment can be explained, in part, by the capital intensive nature of natural resource growth in Laos, with the natural resource extraction sector in 2013 adding some 18 percent to GDP with a labour force of only around 22,000 people (ibid. 11). We should be wary of assigning too much weight to employment data based on broad sectoral categories which rigidly divide and restrict workers to one type of employment because, as shown below, labour in Laos is characterized by occupational fluidity and multiplicity (Rigg 2001: 69). However, the statistical data does give a broad indication of changing deployment of workers and structural transformation.

According to Laos' national development strategy, more labour should be transferred out of low-productivity activity and to higher value-adding activities.<sup>9</sup> The World Bank (2014b: 10) in its *Lao Development Report 2014* promotes such sectoral shifts in Laos but notes that this has been a slow process, with manufacturing firms for example struggling to fill even unskilled vacancies in manufacturing. Thus there would appear to be a tight labour market. News reports confirm labour shortages, especially of skilled workers.<sup>10</sup> The World Bank report identifies *inter alia* low productivity growth and low levels of basic literacy and education as hindrances to the shift to industry. The World Bank contends that Laos does not have a labour shortage but that there is a large 'reservoir' of workers engaged in low-productivity agriculture that could move to other sectors, with a major issue being that there are not enough attractive non-farm jobs (ibid. 11-13). The Bank's solution to this is to

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appears that only workers in wage labour unmediated by household and family relations are included, thus excluding many who work in informal, family enterprises and activities. Only 15.6 percent of the 15 years plus labour force was classified as a paid employee in 2010, with 48.9 percent 'self employed' and 34.7 percent in 'unpaid work for family' (ibid. 87). Moreover, the Labour Force Survey suggests that labour is classified according to its economic activity in the reference period of the preceding week (ibid. 11). This may obscure the main occupation, if for example agricultural tasks were performed in the reference week, but more annual income is gained through off-farm wage employment.

<sup>8</sup> See Chapter 4.

<sup>9</sup> See Chapter 5.

<sup>10</sup> See: RFA 24/9/2013; Vientiane Times 21/2/2013; Vientiane Times 25/12/2013; Vientiane Times 4/3/2014; Vientiane Times 22/5/2014.

promote a good business environment and remove barriers to investment, rather than, say, promote living wages, labour rights, and health and safety standards. The report seems to ignore that a significant amount of migration to Thailand takes place which may be depleting this 'reservoir' of potential labour (see below). Ignoring migration appears to be symptomatic of the report's focus on broad sectoral cleavages which miss the occupational dynamism that occurs at the level of the household. The report's divisions between 'off-farm' (which seems to mean industry or services) and farming, which appears to be subsistence or petty-commodity production misses how household members may contribute to social reproduction in different ways, with a household sustaining itself through both waged off-farm work *and* farm work. Moreover, the Bank seems to ignore the very real transformations in livelihoods and uprooting of forms of territorial social reproduction that stem from existing foreign-invested projects.

The Lao labour market is undergoing a slow structural transformation towards industry and services. It also appears to be tight, with enterprises struggling to fill vacancies. The tightness of the labour market should be borne in mind as we proceed to the empirical data.

### ***6.7 Foreign Investment, Development and Transformations in Livelihoods***

Foreign investment, state territorialization projects and marketization have wrought transformations on labour and livelihoods in the era of economic liberalization. Laos may still have a large proportion of its population living in rural villages and engaged in agriculture but small-scale agriculture cannot be said to be the only or even primary means of survival. Rigg (2005: 150-151) highlights that in Laos, as elsewhere, modernization has entailed that 'rural livelihoods have diverged to the extent that farming, for many families, has become one activity among others', a phenomenon he terms 'occupational multiplicity and pluriactivity'. In this regard livelihood changes in Laos can be interpreted as part of a broad process of deagrarianization (Bryceson 1996). Deagrarianization can be understood as a process whereby people shift from purely agricultural livelihoods through parallel processes of occupational adjustment, livelihood reorientation, social re-identification, and spatial relocation (Bryceson 1997a: 4 in Rigg 2001: 119). Rigg (*ibid.* 135) adds another process, spatial interpenetration, whereby rural and urban, and agriculture and industry, become interwoven in transitional contexts 'as rural people...flit between peasant-based and worker-based activities as they juggle multiple livelihoods'. Improvements in roads and transport, government promotion of cash crops, commodification of natural resources, and rising investment has created the conditions for increasing market integration and wage

labour throughout the country (Rigg 2005; Rehbein 2007; Baird and Shoemaker 2008; McAllister 2015). Deagrarianization also implies more complex social differentiation and divisions of labour. Modernization of agriculture and its reorientation to the market generates more differentiated complexes of wage labour, petty commodity production, and subsistence activities in agricultural areas, recomposing their territorial coherence with variegated benefits to participants (Bernstein 2001; Lerche 2010; Harriss-White 2014).

As noted in the previous chapter Baird has identified 'turning people into labour' as the corollary of the government's policy of 'turning land into capital'. Baird (2011) views these as indicative of primitive accumulation, whereby agricultural and forest lands held by customary right and used as the basis for rural livelihoods have been enclosed and turned over to foreign investors for monoculture plantations of crops such as rubber and eucalyptus. People who have lost land to concessions have then been reincorporated into the plantations as informal, seasonal labour on low wages (ibid. 18; Laungaramsri 2012). Poor working conditions, low wages and lack of access to labour rights have been reported on foreign plantations (GAPE/JVC 2011; McAllister 2015). Plantation concessions to Vietnamese investors in Attapeu province, according to Kenney-Lazar (2012), have resulted in semi-proletarianization of some villagers as they retained enough land for some subsistence production but had to cover their income with plantation wage labour. Plantation concessions have also had knock-on effects in reconfiguring local livelihoods when wage labour opportunities on the plantations have been few, with pressures to migrate from the area following decreases in subsistence production (Suhardiman et al 2015; Friis et al 2016). Exploitative contract farming arrangements – arguably a form of 'disguised wage labour' (Harriss-White 2014) - have also been noted as a method through which foreign investors have changed the livelihoods of Lao villagers (Dwyer 2014; Phoumanivong et al 2015).

Economic development has also changed the gendered division of labour in Lao society, with women being incorporated into capitalist social relations in new ways. In lowland ethnic Lao communities<sup>11</sup> gendered divisions of labour are not rigid, with women not excluded in principle from any particular task, although tasks are gendered by custom (Ireson 1996: 61; Rehbein 2007: 37).<sup>12</sup> Gender inequalities vary by ethnic group, but Rigg observes of agriculture: 'that women work more for less return would seem to apply across the board' (Rigg 2005: 94). Ethnic Lao families have traditionally farmed their fields as a household unit,

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<sup>11</sup> The type which is the empirical focus of the present work.

<sup>12</sup> Rehbein (2007: 37) notes that an exception to this is village politics, where men are almost always male. The present author however did encounter a female village head during fieldwork.

drawing on every member's labour. Women and girls have been 'mainly responsible for cooking, household maintenance, water carrying, forest gathering, and care of small domestic animals' (Ireson 1996: 61). For Rigg (2005: 96) while there may be some positive gendered aspects of modernization there are negative aspects in, for example, increased risk of female and child exploitation in foreign-invested garments factories and the increased burden of women's work in the household as men migrate to employment elsewhere. The resettlement of villages has also occasioned extra burdens on women. Kusakabe et al (2015: 1097) found that for some villages moving from the uplands to the lowlands necessitated greater participation in the cash economy, and the responsibility for extra wage labour and forest collection was often delegated to women.

The state's reterritorialization projects have recomposed territorial coherence and the forms of social reproduction in important ways. Resettlement to focal sites and consolidated villages has put pressure on land, with resettled populations and original inhabitants competing for this limited resource. Competition has led to increased social differentiation and dependence on wage labour for poorer households with less access to land - often the resettled (Petit 2008; Lagerqvist et al 2014). State resettlement has also been met with spatial counter-strategies on the part of villagers to access a workable pattern of social reproduction – such as for instance moving from the resettlement site to a location considered more advantageous – so that 'mobility itself [is] an agency used to counter the state's control over mobility' (Kusakabe et al 2015: 1101).

Livelihoods have thus become more diverse as modernization has increased and Lao households, either willingly or unwillingly, have turned to other forms of employment incorporating more wage labour. Delocalization of livelihoods through migration and spatial interpenetration are two important factors that will be examined further. Capitalist transformation is also affecting the gendered division of labour by providing new jobs such as in manufacturing, but we would also do well to consider how this affects the gendered division of labour within the household. State reterritorialization has also emerged as a key way to manage mobility with associated effects on livelihoods. These important factors will be interwoven in unique ways across the country, including Savannakhet.

## **6.8 Migration**

International migration has increased in significance as part and parcel of Laos' modernization and regional integration. It is well-known that large numbers of Lao go to work in Thailand but Laos is also experiencing significant amounts of in-migration from China



and Vietnam, especially in relation to foreign investment from those countries. The patterns of territorial coherence within Laos have been composed at distances with migrant workers as a vital link constituting the coherence within Laos – through the important role of remittances - and integration between Laos and Thailand through a socio-spatial construction of labour that benefits low-wage, low-skill Thai industries. In some cases foreign investment in different areas may actually be driving migration to Thailand.

### **6.8.1 Out-Migration**

Migration to Thailand has a long history, whether through the forced removals during the 19<sup>th</sup> century or the flight of refugees or disgruntled peasants after the revolution. Thailand as an attractive work destination increased however as its economy expanded rapidly in the 1980s and 1990s and it began to experience labour shortages for its low-skill industries (Phongpaichit and Baker 2002; Huijsmans 2010: 100). Lao migrants in Thailand largely work as domestic workers, in agriculture, selling food, construction and light manufacturing, as well as in more clandestine occupations such as sex work (SADC 2014: 8; Molland 2010). Exact numbers of Lao migrants in Thailand are hard to ascertain<sup>13</sup> but estimates put their number at 306,624 in 2013, rising from 293,519 in 2011 (SADC 2014: 7). If numbers have increased in recent years, causes are likely complex with demographic changes increasing working age population, pressures on land and livelihoods, and development of transport infrastructure all potentially implicated (Barney 2012; World Bank 2014b; Khumya and Kusakabe 2015). Rigg (2007: 167-168) highlights the variability in migration patterns even between villages in close proximity to each other. He cautions against functionalist explanations which find the causes of this variability in ‘the availability of land, location and accessibility, and local employment opportunities and the ‘need’ for villagers to migrate’ and suggests migration flows ‘are more likely to relate to intangible factors such as awareness, migration links and contacts, and evolving cultures of mobility at the community level’ (ibid. 168). Rigg notes that material conditions do play a factor but seems to suggest that informational and cultural factors are of more importance in explaining variation. Barney (2012; see also Estudillo et al 2013) also notes the importance of the cultural and social milieu of migration but argues, persuasively I think, for natural resource extraction and associated enclosures contributing to youth out-migration. In his fieldwork comparing two nearby villages he found that enclosure of land for plantation concessions and knock-on

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<sup>13</sup> For example, the Labour Force Survey 2010, based on household surveys, does not clarify whether international migrants are included or excluded from the total labour force figures (GoL 2010).

effects from a foreign-invested hydropower project had undermined local agriculture-based livelihood systems in one. These livelihood changes had acted as a significant 'push' factor and led to higher levels of migration than the other village (ibid. 79). Notably, Barney observes the importance of poor regulation in allowing the extractive companies to gain resource rents and externalize risks onto populations (ibid. 80).

Labour flows are segmented according to gender and age. One estimate has 31 percent of Lao migrants to Thailand working in the domestic sector (SADC 2014: 8). Thai employers, for example, display a preference for hiring young Lao women as domestic workers over Burmese or Cambodian migrants (Barney 2012: 65). Evidence indicates as well that females and the less well-educated find it harder to access wage labour in local labour markets and resort to migration to Thailand (Estudillo 2013 et al; Khumya and Kusakabe 2015).<sup>14</sup>

The vast majority of Lao migrants to Thailand go through unofficial channels (SADC 2014: 4). Lao workers have reported difficulties and abuses, often related to their undocumented status (Barney 2012: 70). Migrants, for instance, have reported having their freedom of movement constrained by fear of arrest, as well as cases of poor working conditions and employer abuses (Huijsmans and Phouxay 2008: 42; SADC 2014: 17). Huijsmans (2010: 108) notes that the Lao state views migration with ambivalence. On the one hand migration is deemed to be a means through which Lao workers can gain access to new skills and knowledge and as long as it occurs through official channels is thus compatible with national development agendas. The state appears to be somewhat resigned to the realities of international migration and emphasizes regularization over complete prohibition, focusing prevention efforts on trafficking, especially of young migrants (ibid. 114-115). On the other hand, the government has previously passed decrees prohibiting migrants from working in jobs that are dangerous or without dignity such as low-paid cleaning and domestic work, even though Lao migrants are more likely to be employed in these occupations than any other. For Huijsmans, the 'various limitations that apply to the recruitment of Lao migrant workers illustrate that these apparent gains have not by-passed the lingering sensitivity intrinsic to Lao-Thai relations<sup>15</sup> (ibid. 108). The 7th NSEDP observes that labour supply needs to be balanced, advising limiting out-migration of labour (GoL 2011: 69, 121). Interestingly, Huijsmans (ibid. 110) observed in his fieldwork in a village on the Thai border that there was competition for Lao agricultural wage labour between the Thai side and wealthier land-

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<sup>14</sup> Sources cited are studies conducted in lowland ethnic Lao villages, and so different gender dynamics appear to be at play than the gendered resettlement divisions of labour mentioned above.

<sup>15</sup> See Chapter 5.

holding families on the Lao side, leading the latter to call for tighter enforcement of illegal border crossing. Their arguments were couched in the terms of national development.

The growth of migration has entailed that remittances have assumed great importance in the livelihoods of many households. Migration is part of diversified household livelihood strategies which use paddy rice production as the 'platform' on which other economic activities are based (Newby et al 2013: 5). Manivong et al (2014: 377) in their study in Champasak, southern Laos, found that farming households retained enough labour on the farm, usually the senior married couple, to meet subsistence production and allocated surplus labour - typically younger married couples or unmarried daughters and sons - to non-farm wage work, especially in Thailand. Different studies of remittances sent by Lao migrants in Thailand have indicated average annual amounts of 10,000-26,000 baht (USD 300-800) per year (Barney 2012: 73). Barney (ibid. 73-74) notes that while the exact role and importance to livelihoods can be hard to ascertain he encountered evidence of remittances used for household agricultural investments. Manivong et al (2014: 376) found that for households with rice deficits, remittances were used to cover food requirements and other household necessities. Households with sufficient or surplus rice on the other hand used remittances for working capital and investment in assets such as inorganic fertilizers and water pumps. Investment in house construction was also a common destination for remitted money (ibid. 376). Remittances therefore provided a means to turn mobility into fixity as they contributed to physically reproducing migrants' home villages through extending the housing infrastructure and potentially boosting agricultural productivity.

In some areas of rural Laos – especially the Mekong lowlands - the particular form of territorial coherence revolves around the axis of migration to Thailand – and the remittances therefrom – and agriculture for both subsistence and petty commodity production. Social reproduction is ensured through household's combination of delocalized wage labour and access to productive agricultural land. This form of territorial coherence within Laos was also certainly a form of regional integration constituting coherence between Laos and Thailand in favour of Thai capital as Thai enterprises and individuals benefited from cheap Lao labour. Migration is somewhat reluctantly facilitated by the state's emphasis on regularization rather than prohibition and punishment of illegal migrants. The state's ambivalent attitude to labour migration and the calls of more powerful villagers to retain Lao labour in the country point to an interesting theme; that of reterritorializing Lao labour within Laos for the purposes of modernization.

### 6.8.2 In-Migration

Laos' integration into the wider regional space has not only been secured through migration to Thailand, but also through Laos acting as an arena for neighbouring country labour's own spatial fixes. Foreign investment from China, Vietnam and Thailand has often been accompanied by labour, with workers from these countries reported as building projects such as hydropower, working in mines and on plantations (RFA 6/11/2013). Burmese migration has also occurred.<sup>16</sup> Again much of this labour comes through unofficial channels, with some 200,000 undocumented foreign workers in Laos according to local media (Vientiane Times 2012a in McAllister 2015: 826).

Chinese migration has been most significant in the north of Laos, in border provinces. Estimates from 2010 put the number of Chinese migrants in Laos at 80,000 (ADB 2013: 3). Chinese workers began arriving in the 1990s as part of road construction projects and cooperation between Yunnan province and northern Lao provinces (Tan 2012: 68). Some of these migrants stayed at the end of their contracts to engage in petty trade and business opportunities (ibid. 68).

Vietnamese workers have been reported as being brought in to work on construction projects in urban areas and also to work on plantations (RFA 6/11/2013). Vietnamese have also arrived to establish petty businesses (Hanh 2014). Vietnamese migrant numbers have been estimated at 20,000 (ADB 2013: 3) although exact figures are hard to ascertain within a fluid context of short-term and longer-term migration and ease of crossing the border (Hanh 2014: 202). The colonial view of Vietnamese workers as more industrious is mirrored in current day migratory flows. Vietnamese rubber companies have been reported preferring to import their compatriots for plantation work as they believe that Vietnamese work harder for lower wages (Baird 2011: 21). Cases have been reported of rubber tapping wages dropping in 2013-2014 on Vietnamese plantations leading to Lao citizens stopping tapping and seeking wage labour elsewhere, including migrating to Thailand. The plantation investors turned to importing Vietnamese labour to replace them (Baird and Fox 2015: 444).

In-migration is not a focus of the present study although increasing numbers of Chinese and Vietnamese are symptomatic of the complex rewavings of Lao and regional space that are a present concern. The reterritorialization of Lao space through investment projects is not only tying Laos to the region as a space of reproduction for regional capital but also extending networks of social reproduction into Laos. As much of this migration appears to

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<sup>16</sup> See Chapter 5.

be undocumented and therefore unprotected it seems that migration-linked valorization processes in Laos are dependent on the creation of informal labour regimes weighted towards capital.

### **6.9 Manufacturing Labour**

In keeping with the small size of the sector there is a paucity of information on labour in the Lao manufacturing sector. The few studies which exist have focused on the export-oriented garments sector in Vientiane. I thus address that sector to uncover some of the dynamics of labour in manufacturing in Laos. Exact numbers of garment workers in Laos are difficult to establish but estimates from 2012 report between 28,000 and 30,000 workers in the industry (Care 2012: 4). In 2012 the figure of 30,000 was said to represent 19.6 percent of the total manufacturing labour force in Laos (Nolintha and Jajri 2016: 110). The majority of these workers are young females and many are rural to urban migrants. Women constitute 85 percent of the total garment workforce (World Bank 2012: 18). The division of labour is gendered with men more likely to be employed as technical or professional staff. Women are employed mainly as sewing machine operators or cutters and also represent the majority of line supervisors in the industry (79 percent) (ibid.). 51 percent of female workers in 2011 were internal migrants – as opposed to Vientiane residents – and 37 percent of male workers were also migrants (ibid. 19). The majority of rural migrants in Vientiane appear to be from the northern provinces (Phouxay and Tollefsen 2011: 429; Sisaleumsak 2012: 2).

For young women migrants, participation in garment wage labour is apparently shaped by several considerations. On the one hand economic concerns are central with the requirement to provide remittances for their families' upkeep and younger siblings' educational advancement (Phouxay and Tollefsen 2011: 428; Care 2012: 25). On the other hand young rural women also appeared to be motivated by participating in the modernity of big city life and the social and consumption possibilities that urban employment presents (Sisaleumsak 2012; Khamphouvong 2014). Changing mores of desirable employment were reflected by some migrants rejecting agricultural production under the hot sun in favour of industrial employment performed indoors (Phouxay and Tollefsen 2011: 428).

Recruitment in Vientiane garment factories is reportedly most effective through informal methods rather than formal methods such as advertisements. Hiring is generally deemed to be swift and 'on the spot' with little explanation of contractual rights and obligations (World Bank 2012: 27). Word-of-mouth recruitment utilizes workers' kin and friendship networks to facilitate labour migration to the city (Care 2012: 8). Another key method used is the

recruitment drive, involving either factory management or private recruitment agents driving a bus to northern provinces and approaching village heads to ask for workers. Village heads then discuss with villagers and find young women for the manager or agent. The women get on the bus and the process is repeated at other villages until the bus is filled and the bus returns to Vientiane for the women to start work. Women may not have fully informed consent and the possibility for coercion is also heightened by the practice of giving village heads per head incentive payments to recruit (ibid. 8-9).

Recruitment is a persistent issue for garment factory managers as turnover in the industry is high. Larger firms have reported turnover rates of 3.5 percent a month and smaller firms of 6 percent a month, which managers deem high by regional industry standards (World Bank 2012: 21). The inability to attract and retain workers is a recurrent theme in discussion of the Lao garment industry with many, including factory managers and industry association officials, viewing the lack of labour as a significant restraint on the growth of the industry. Problems with recruitment have been attributed to variously workers having opportunities elsewhere in an expanding economy, higher wages in Thailand, and returning to home communities due to family responsibilities (ibid. 20; Vientiane Times 7/9/2015; Vientiane Times 28/3/2016; Nolintha 2016). The realities of factory employment may however provide an additional reason for high turnover.

Garment factory workers are subject to harsh factory discipline and an industrial relations system where rights are difficult to access or absent. Workers have reported struggling to adapt to the imposed discipline and scolding of supervisors, even when regarding factory work as preferable to farm work overall (Phouxay and Tollefsen 2011: 430). Excessive, compulsory overtime, low wages, and unjustified wage deductions have all been observed in Lao garment factories (ibid. 430; World Bank 2012: 29-30). Workers were often apparently happy to work high amounts of overtime to boost their income but many complained that it sapped energy and motivation and was a key reason for quitting (World Bank 2012: 29). Industrial relations in the garment sector appear to offer evidence for state and capital's attempts to construct Lao manufacturing labour as 'in-fact' informal. Workers have been observed as having little knowledge of their entitlements under the labour law and having ineffective dispute resolution mechanisms even when the LFTU is present in a factory. It has thus been suggested that workers have little recourse to problems apart from being 'patient' and quitting when they find the situation unbearable, leaving for work elsewhere or using the spatial safety valve of return to their home communities (ibid. 28, 30; Sisaleumsak 2012: 53).

In more general terms the case of garment manufacturing in Vientiane reflects key themes in the feminized export-oriented manufacturing literature of low wages, rights abuses, and strategic engagement by workers in search of better lives (Elson and Pearson 1981; Pangsapa 2007; Dominguez et al 2010). As a point of reference for the current case it indicates the importance for foreign capital and its state backers of enacting a gendered and spatial construction of labour that mobilizes labour from rural areas. A specific combination of capital accumulation, social reproduction and governance formulated a new pattern of territorial coherence *within* Laos which allowed an export-led territorial coherence *between* Laos and neighbouring countries. It is a point left unexplored in the extant literature, however, whether these communities had experienced land loss and livelihood changes due to foreign investment projects. At any rate, the mediation of state actors at both village and factory levels appears to have enabled a construction of labour beneficial to capital, first by providing recruits, and second by helping to make workers 'in-fact' informal labour. Worker retention issues remained however.

### **Conclusion**

Tracing the development of labour legislation in Laos is instructive for considering how the Lao state is developing forms and functions which respond to its historical specificity. At a time of rapid development and increasing investment, concerns over skills shortages and out-migration prompted the promulgation of a law which instructs state officials at all levels of the territorial hierarchy to promote skills and employment within Laos. The Lao state is to assume a central role in inducing Lao citizens into capital-labour relations within Lao territory. The laws on industrial relations would seem to reflect both Laos' authoritarian governing stance and also the need to project a stable environment to investors where industrial peace and harmony will reign. While the laws stipulate various entitlements it is less obvious that workers will be aware of them or, if they are aware, be able to access them. Consequently, there is a reasonably strong suggestion that 'in-fact' informal labour exists in Laos beside the more clearly informal and unprotected types of employment, as examples from the garments industry indicate.

The power of capital and state to mould workers as they wish should not be overestimated, however. As the historical examples show, subaltern actors including peasants and workers have at times been refractory in the face of unwanted policies and their actions have led to policy changes. In studies of labour in Laos it seems that it would pay to be aware of the possible autonomous actions which disrupt or contest the stratagems of the powerful. The

constant churning of garment factory workers as they seek out better opportunities or return to maintain distant home villages suggests the power of everyday forms of labour's agency in Laos to influence development trajectories. That the state is adapting to the realities of out-migration is also indicative of labour's everyday power. The Lao state it would seem is attempting to not only reterritorialize Lao space but reterritorialize Lao labour as a necessary part of this process.

Individuals and households in Laos appear to build their livelihoods by making use of multiple activities. It seems then that we should be sensitive to the many ways that a single person or household may have of surviving and prospering. An existing territorial coherence and form of regional integration involving migration to Thailand and agriculture appears as the context for increasing foreign manufacturing investment in the Lao lowlands. New foreign factories in the Savannakhet border manufacturing enclave would have to contend with these realities in order to construct labour forces for implanting new valorization processes and forms of regional integration.



## Chapter 7: Foreign Investment in Savannakhet

Foreign investment in Savannakhet province and the town of the same name has accelerated in the past decade. The town has emerged as a nodal point on the East-West Economic Corridor and as a locus for the new manufacturing operations of foreign companies. Significant manufacturing investments have concentrated in the Savan-Seno Special Economic Zone in the town. Zone companies, as well as those foreign factories located outside the zone, articulate Lao space with regional production networks, especially those based in Thailand. The location of the zone on the border and its orientation to Thailand has entailed that it and the foreign manufacturing investment outside it give the town an enclave quality. Foreign companies take advantage of cheaper labour and production costs as well as proximity to Thailand – important in order to move goods swiftly within production networks - while building few connections with the broader Lao economy beyond that of incorporating Lao labour. The zone thus provides a form of territorial coherence between Laos and Thailand, and thus the region, which privileges foreign actors. The Lao state has undertaken an administrative transformation in order to establish this form of territorial coherence and enact the territorialization of the zone. The creation of the Special Economic Zone Authority represents a rescaling of the Lao state to a highly local scale the better to articulate Lao space with the regional scale.

### 7.1 Savannakhet Province

The town of Savannakhet is situated on the Mekong river in Savannakhet province<sup>1</sup> in southern Laos. Officially known as Kaysone Phomvihane (KP) district (*meuang*) the town lies around 460 km<sup>2</sup> by road from the Lao capital Vientiane. The smaller town of Seno lies some 30 km to the northeast. Savannakhet lies opposite the Thai provincial centre of Mukdahan, some 650 km by road distant from Bangkok. Savannakhet province borders Khammouan province to the north, Salavan to the south, Thailand across the Mekong to the west, and Vietnam to the east. It occupies 21,774 km<sup>2</sup>, making it the largest province in Laos. The landscape is characterized by plains in the west which rise to hilly terrain in the east. The Mekong forms the entirety of the border with Thailand to the west. The province is divided administratively into 15 districts of which Kaysone Phomvihane is the capital and main

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<sup>1</sup> Savannakhet will henceforth refer to the town unless otherwise indicated.

<sup>2</sup> This distance is within the borders of Laos, roughly following the course of the Mekong. The distance is shortened to 350 km via Thailand.

administrative and commercial centre. The population of the province was 953, 511 in 2013, making it the most populous province (GoL 2014: 23). 1010 villages were recorded in 2013 with 153,487 households (ibid. 21). Population is concentrated in the west of the province, especially in the districts of Outhouphone, Champhone, and Kaysone Phomvihane (PRF 2012). The province's extensive plains in the west make it a key agricultural region and 'one of the most important rice-producing provinces in Laos' (Newby et al 2013: 3).

## **7.2 FDI in Savannakhet, 1992-2014**

The province has seen increasing amounts of foreign investment in the last decade.<sup>3</sup> Provincial data record foreign investments in the period from 1992-2005 as totalling registered capital of USD 26,759,779 (SPA 2014a).<sup>4</sup> Between 1992-2005 annual investments did not exceed USD 4.1 million in a year, apart from the anomaly of 1993 when they hit USD 12.48 million, due to a USD 5 million investment in mining exploration by an Australian company. The pioneer foreign investor in Savannakhet was the Hong Ta Good Luck Lao-China cigarette factory, with a USD 1.5 million investment in 1992. The other most important foreign investment in the 1990s came from Motolao, the South Korean motorcycle manufacturer, with an investment of USD 2.5 million in 1997. The company would come to establish itself as an important employer in KP district.

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<sup>3</sup> Provincial data provides details of the value of approved investment projects, i.e. not actually invested, and also registered capital amounts, i.e. capital declared at the time of the project's registration and which actually exists as assets in Lao PDR (GoL 2005: Article 20). Approved figures are significantly higher than the registered capital amounts listed for the same projects. Registered capital (RC) reflects initial levels of investment as it is used for operating costs in early stages of investment. Approved investments data thus appear substantially higher than data provided by the World Bank on net FDI inflows. Approved investment data should therefore be treated with caution (for a similar caveat see Freeman 2001: 103). Therefore in the following discussion amounts will refer to registered capital amounts, unless otherwise indicated. RC reflects initial investments, so will likely underestimate the value of investments to a certain extent in enterprises which are at a more advanced stage of development. Unfortunately the provincial data is not fine-grained enough to provide actually invested amounts, so the RC must be taken as an indicative minimum baseline of FDI in Savannakhet.

<sup>4</sup> This data does not record figures for the years 1994, 1998, 1999, and 2001, and it is not clear from the source why they have been omitted. World Bank figures state that total net FDI in Laos was USD 59.2 million (World Bank 2016). Freeman (2001: 104) notes that 1994 was actually a peak year for the approval of foreign investment projects with almost USD 2.6 billion worth of FDI pledges licensed. It is therefore unlikely that Savannakhet would not have been a destination for some of this investment. The effects of the Asian Financial Crisis – which heavily impacted Laos' main foreign investor, Thailand – and resulted in an estimated 41 percent contraction in actual FDI inflows and 97 percent reduction in FDI pledges (ibid. 104) may account for the lack of data on 1998 and 1999. World Bank figures report a mere USD 23.9 million FDI in 2001 (World Bank 2016). This low amount Freeman (2001: 114) notes may have its reasons in Laos' macroeconomic instability and poor business environment making it unattractive to investors in post-crash Asia. Reduced total amounts do not explain the total omission of provincial data for the year but the paucity of investment may indicate a lack of data to build statistics on.

Over the period 2006-2014<sup>5</sup> registered foreign investments ran at USD 553 million. In dollar terms 82.2 percent of approved investments and 95.3 percent of registered capital from 1992-2014 in Savannakhet province came in the eight and a half year period from 2006 to mid-2014. The 2006-2014 period thus saw over a twenty-fold increase in the value of registered capital.

Over the total period of 1992-2013 certain countries emerge as key sources of foreign investment. Chinese investors claimed first place in total amount of investment, initiating 36 projects with a total registered capital of USD 145.5 million. Thailand matched China in terms of projects, with 36, and had registered capital of USD 118.2 million. Vietnam trailed the top two with USD 58 million invested in 22 projects. Malaysia, Japan, South Korea, India, Australia and France were also all important contributors of investment. Out of 168 projects listed for 1992-2014 in the provincial data 116 projects (69 percent) were solely foreign investment and 48 (28.5 percent) were joint ventures,<sup>6</sup> although it is uncertain what percentages were contributed by each partner or how much joint ventures partnered with the state, private Lao capital, or a combination of the two. Joint ventures contributed 21.5 percent of the total foreign investment over the 1992-2014 period, and 27 percent between 2007-2014 (SPA 2014a).<sup>7</sup> While the contribution of joint ventures is lower than that of solely owned foreign capital, their presence indicates a not insignificant trend towards the integration of Lao and international capital. 50 percent of the joint venture projects came from just two countries: China (10 projects); and Thailand (14 projects). Vietnam, Malaysia and South Korea all had four joint venture projects each, Japan and Taiwan three, and Singapore one (ibid.).

This provides evidence that a Lao capitalist class is emerging through intertwining with regional East and Southeast Asian capital and that Savannakhet is a locus of regional class integration in Laos. The most prominent Lao capital in Savannakhet in 2013-2014 were companies forming part of the Bua Corporation Limited. The Bua Corporation's precursor business was originally founded in 1940 and imported and distributed consumer goods and construction materials. After the pro-market reforms in 1986 the family in charge reconstituted and expanded the company. It has interests in manufacturing, logistics, facility maintenance, construction, and labour recruitment within Laos (Bua Corporation 2016). In Savannakhet they are engaged in two manufacturing joint ventures. The Lao state and

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<sup>5</sup> Figure for 2014 is not for the whole year. The source does not indicate for how many months of 2014 the figure applies, although the source was obtained by the author in June 2014.

<sup>6</sup> Four projects were missing this data.

<sup>7</sup> Author's own calculations.

foreign capital are also intertwining. For example, the main industrial site developer, Lao Samudra,<sup>8</sup> is a joint venture between the government and a Malaysian company, with Dr. Soupanh Keomixay, the provincial governor in 2013-2014 acting as the company's chairman (Lao Samudra manager interview 13/1/2014). In addition another Lao company, the Namtha Road and Bridge Construction Company, is reported to be involved in the site development of part of the SASEZ (see below). A Lao capitalist class thus seems to be playing a role in facilitating the spatial fixes of regional capital and in doing so rescaling social relations within Laos and across the region.

### **7.2.1 Agriculture**

The agriculture and forestry sector has led the way in foreign investments in the province. Cumulative investments from 1992 to mid-2014 amounted to USD 341 million, or 58.8 percent of total investment (SPA 2014a). Cassava, rubber, eucalyptus and sugar have been the main cash crops targeted by investors. Chinese investors initiated 12 projects concentrating on cassava and rubber. Vietnam was responsible for nine projects, with a prominent focus on rubber production. Thai companies invested in six projects, with the vast majority of investment contributed by two large sugar projects (ibid.).

Agricultural investments were made in both producing crops and processing plants, thus tallying with the Lao government's attempts to retain a greater part of the commodity value chain within the country and boost industrial growth (Vientiane Times 20/3/2011). There was a spike in foreign investment in 2006 as Laos' investment frontier reputation began to build. Significant investments in that year came from large Asian multinational corporations. Mitr Lao, a subsidiary of Mitr Phol, a large Thai sugar company, invested USD 6.75 million for a sugar processing factory in Saybouli district. Mitr Lao made subsequent large investments in 2008 with USD 8.25 million (SPA 2014a; Mitr Phol 2011). Mitr Lao has entered into contract farming agreements with local villagers, which have reportedly led to high levels of indebtedness amongst the farmers (Phoumanivong et al 2015). Birla Lao, a subsidiary of the Aditya Birla Group from India, contributed USD 125 million to set up pulp wood plantations (SPA 2014a; Aditya Birla 2016).

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<sup>8</sup> Companies participating in the study have been anonymized under pseudonyms to protect identities. Companies anonymized are: Belgium Costumes Group; Bua Corporation; Bua Corporation Services; Bua Pagop Manufacturing; Flight Pro; Hokkaido Toys; Honshu Automotive; Lao Clothing Company; Lao Samudra; Motolao; Savan Toys; Tokyo Camera Inc; Visetec. All other company names are real.

### **7.2.2 Energy and Mining**

The energy and mining sector contributed according to provincial statistics USD 35.9 million or 6.2 percent to foreign investment in Savannakhet over 1992-2013 (SPA 2014a). The most prominent investment in this sector has been the Sepon mine in the east of the province. An open-pit copper and gold mine, it is the country's first large-scale mine and started gold production in 2003 (Hatcher 2014: 332; 342). Lane Xang Minerals Ltd (LXML), controlled by Mineral and Metals Group (90 percent) and the Lao government (10 percent), operates the mine. The mine was established by Rio Tinto, an Anglo-Australian multinational, in 1999 and bought by Oxiana, another Australian firm, one year later with Rio Tinto keeping a 20 percent share. Ownership was transferred to Minerals and Metals Group in 2009, which is majority controlled by Chinese shareholder China Minmetals Corporation (ibid. 327; 341). Gold production ceased in December 2013 due to depleted ore reserves and lower profits. The mine now focuses on the copper operation, producing 89,253 tonnes of copper cathode in 2015. The copper is exported to cable and wire manufacturers in the Southeast Asian region (MMG 2016). The closure of the gold operation in 2013 led to 400 of the 4000 strong workforce being laid off (RFA 28/1/2014).

### **7.2.3 Services**

The province reports cumulative investments in services of USD 96.9 million in 1992-2014 (SPA 2014a). Some infrastructure development projects are included within the category of services and make up the lion's share of the listed provincial total. Over a third of the approved total - USD 100 million – is intended for one project; the construction of a railway between Savannakhet and Lao Bao on the Vietnamese border. In 2012 the government signed an agreement with a Malaysian company, Giant Consolidated Ltd<sup>9</sup>, to construct and operate the rail line. The project is expected to cost some USD 5 billion. The 220 km stretch would link to the Vietnamese port city of Danang and is intended to reduce the cost of exporting and consumer goods (RFA 3/1/2014). The Savannakhet-Lao Bao railway is a component of the government's 'land-locked to land-linked' strategy (Vientiane Times 1/10/2015). The line is also to follow the route of the East-West Economic Corridor and connects with the Savan-Seno SEZ. Other key foreign 'services' investments in recent years are connected to the development of the zone. The developer of Site C – the main industrial site of the zone - is Lao Samudra Ltd., a private Malaysian and Lao government joint venture. The developer of Site A – the commercial site – is Savan City Co., a joint venture between a

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<sup>9</sup> Also referred to as Giant Rail Company Limited in press reports.

Thai investor, a Lao company and the Lao government (Savan City n.d). They invested registered capital of USD 2 million and USD 5 million respectively (SPA 2014a).

Another noticeable foreign services investment in Savannakhet is the Savan Vegas casino and hotel. Sanum Investments registered USD 7.5 million for the construction of the large complex which lies on the outskirts of the Savannakhet urban area (SPA 2014a). Sanum Investments is described as a Chinese-based or Macau-based company in some reports and provincial data (RFA 11/9/2012; Bangkok Post 29/9/2013; SPA 2014a) but Lao Holdings N.V. – the parent company of Sanum Investments - is described as being based in the Netherlands. The casino has become the object of a protracted dispute between the Lao government – which seized the casino - and the investors over unpaid taxes which the company claims not to owe (RFA 11/9/2012; PR Newswire 2016).

#### **7.2.4 Industry and Manufacturing**

Foreign investment in the industrial sector in Savannakhet province reached a cumulative total of USD 105.8 million over 1992-2014. The vast majority of this came in the period 2007-2014 with USD 88.6 million registered in 45 projects, or 83 percent of the 1992-2014 totals (SPA 2014a). These figures do not include agro-processing investment which is treated as agricultural investment in the provincial data. In the foreign investment wave from 2007-2014 the largest national investor was South Korea with USD 29.5 million – 33.3 percent of the industrial FDI total for that period. Korean investment in Savannakhet’s industry over the period is mainly attributable to one company – Motolao. Motolao made large investments to expand production in 2008 and 2013 (SPA 2014a). China was the next largest contributor with 10 projects totalling USD 13.9 million registered (15.7 percent of the period total). Japanese capital became prominent during the later years of the period with USD 15.5 million or 17.5 percent of the total. Of the Japanese investment over 2007-2014, 97.1 percent came in just two years, 2013 and 2014, in investments related to manufacturing in the SEZ. Thailand was also amongst the top contributors to industrial investment with USD 8.5 million (9.6 percent) in eight projects. Out of 45 projects recorded between 2007 and mid-2014, 29 were solely foreign-invested and 14 were joint ventures.<sup>10</sup> The sectors of investment varied but construction materials was most prominent with 10 projects. Sectors also included chemicals and plastics (6), electronic and electrical goods (5), automotive (4), wood products (3), garments (2), cigarettes (2), food and drink (2), rubber products (2), and miscellaneous others. The top year for industrial investment was 2013 with USD 45.3 million.

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<sup>10</sup> Data was missing for the others.

Already in mid-year 2014 USD 11.8 million (8.3 percent) had been approved (ibid.). The reason for such an upswing in industrial foreign investment is due to the Savan-Seno Special Economic Zone located in the provincial capital of Savannakhet.

### **7.3 Savannakhet: Kaysone Phomvihane District**

The modern town of Savannakhet is of recent provenance. The French founded Savannakhet in the early years of their rule (Toye 1968: 45-46) and it assumed importance as an administrative and commercial outpost on the frontier with Siam. In 1895, the French first ruled Laos as a single administrative entity with a Resident Superieure originally based at Savannakhet before relocation to Vientiane a year later (Stuart Fox 1997: 30). The province of Savannakhet was subsequently constituted as an administrative unit in 1899 as part of a French drive to reorganize their Indochinese colonies along provincial lines (Gunn 1990: 15). Savannakhet's commercial importance stemmed largely from its position on the river (Robequain 1944: 114-116) and the Thai border and then from its position 'at the end of the strategic Route 9' (Langer and Zasloff 1970: 28). This road, opened in 1930, runs from Savannakhet through Sepon and the pass over the Say Phu Luang cordillera at Lao Bao to Quang Tri province in Vietnam, and thus was a key artery of *debloquement* (Robequain 1944: 101; Stuart-Fox 1997: 49). Savannakhet province was thus a conduit for the extraction of natural resources such as metal ore to the Vietnamese coast (Robequain 1944: 261). Savannakhet also came to be a major locus for the import of goods (Gunn 1990: 40).

Savannakhet grew to be one of the major towns in the country. Vietnamese migration contributed to increasing the size of its population (Gunn 1988: 45; Vorapeth 2015: 10). By the later colonial period one estimate put the Vietnamese population of Savannakhet as 72 percent of the total (Hanh 2014: 194), and the town became a focus of Vietnamese communist activity (Gunn 1988: 44ff). Kaysone Phomvihane, one of the foremost leaders of the Lao revolution and former president of the Lao PDR was born in the town in 1920 (Phomvihane 1981: 5), and the town district was officially named for him in 2005 (Nolintha 2011: 189).

In 2013-2014 the district of Kaysone Phomvihane was divided administratively into 13 *gum baan* ('village clusters') of between four and seven *baan* ('village') numbering 67 in total. In 2013, according to local government statistics the total Lao citizen (*phonlameuang*) population of the district numbered 128,182, of whom 50.9 percent were women and 49.1 men. 123,455 (96.3 percent) were classified as ethnic (*son phao*) Lao. The next largest ethnic group was the Phu Tai minority, an ethnic Tai group, numbering 4,144 people (3.2 percent).

The remainder are small numbers of Katang and Makong minorities and 496 'other'. 18,124 households were recorded (SPA 2014b). It is not clear how well these figures actually capture the population of Savannakhet. The figures may not capture migration accurately, both to and from the town. Savannakhet province has a significant number of people who migrate to work in Thailand and the source does not clarify if the figures are actual residents or persons registered to the household but not resident. There is also a significant Vietnamese community in the town and it is uncertain if they are captured by the 496 'other'. Provincial statistics record that in 2013 there were 480 Vietnamese working in Savannakhet, the majority of whom were working in either construction or trading (SPA 2013a). Although these numbers are similar the 480 Vietnamese workers are classified as *dtaang pathet*, 'foreigners' rather than citizens. Hanh (2014: 194-195) indicates that although most Vietnamese living in Savannakhet were born in Laos only around 60 per cent have Lao citizenship and puts the total Vietnamese population at 2800 in 2007.

The population figures are for the whole district which is spatially extensive and includes both urban and rural areas. In 2013 79,408 people, or 61.9 percent, lived in urban villages (*baan dtua meuang*) and 48,774, 38.1 percent, in rural villages (*baan sonnabot*) (SPA 2014b). Ethnic minorities were concentrated in urban areas according to provincial statistics, and the town's rural hinterland is overwhelmingly ethnic Lao.

#### **7.4 Industry in Kaysone Phomvihane: Domestic and Foreign**

Industry in Kaysone Phomvihane is characterized by a plethora of small domestic ventures overlain by a small number of large foreign-invested factories, which have become increasingly significant in terms of employment and total investment. There were 301 domestic enterprises in the years 2013-14 (SPA 2013d). According to the provincial government's classification system<sup>11</sup> 24 were medium-sized enterprises, 48 were small, and the overwhelming majority, 229, were 'family' enterprises. These enterprises employed 1,311 people, 655 women and 656 men. 179 of these enterprises were in food processing. Most of these were small-scale rice milling enterprises, and in addition meat products, noodles, ice, bread, and snacks were being produced in 2013-2014. The production of construction materials also made a notable contribution to the district's industrial landscape, with 33 enterprises producing bricks and concrete blocks. Brick factories constituted the majority (21) of 'medium-sized' enterprises in the district and typically employed 10 or more

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<sup>11</sup> Information was not available on the criteria for the categories.



people (SPA 2013d). Small-scale industrial activities such as wood processing (worker interviews 4/5/2014; 25/5/2014) and salt production (fieldnotes) are also present.

Foreign investment's importance in the industrial development of KP district first emerged in light manufacturing in the 1990s. A clutch of foreign-invested factories, producing goods ranging from cigarettes to garments to motorcycles, established themselves in the district and continue to the present day. The pioneer in this regard was the Hong Ta Good Luck tobacco company, investing in 1992 (SPA 2014a). The company is still operating in Savannakhet to the present.

Laos Clothing Company Ltd. (LCC), a French-invested garments factory followed in 1993 (SPA 2014a). The French investors may have taken over the factory from a Thai company which went bankrupt (LCC manager interview 18/3/2014) although this could not be confirmed. The French owners also reportedly had a factory in Vientiane and subcontracted for a main factory in Thailand exporting women and men's garments to France. Belgium Costumes Group, a Belgium company, acquired the factory in 2008, and in 2014 was producing party costumes for European department stores. Belgium Costumes Group had previously produced in Thailand but moved to Laos due to concerns about poor quality and high costs at the Thai plant (LCC manager interview 18/3/2014).

Another foreign garment factory, Fuli Laos, was also established around 2011. In 2013-2014 their factory was located in Ban Nonsavath in the south of the town. Provincial statistics list their initial registered investment as USD 2.5 million in 2011, and the investors as from the People's Republic of China (SPA 2014a). The factory may have subsequently been run by Hong Kong investors rather than PRC nationals (LCC manager interview 18/3/2014).

Motolao was another notable foreign investor to launch production in Savannakhet in the 1990s. Motolao is one of the most prominent companies in Laos due to their ubiquitous, affordable motorcycles. Motolao was established by Korean investors in 1997 and has become one of the largest companies in Laos. Motolao initially started with the knock-down manufacture and sale of cars in Vientiane. It acquired a factory in Savannakhet in 1999 and launched the manufacture of a new in-house motorcycle brand there in 2003 (Motolao 2013: 4; Motolao 2016). In 2013 the company established an additional new production facility in Savannakhet, opposite the SASEZ's Zone C, the main manufacturing production site. The new site manufactures complete knock-down pick-up trucks, and employs approximately 300 assembly engineers (Motolao 2013: 20-23). The truck factory investment shows up in the provincial foreign investment statistics as the largest single investment - USD 23.1

million. (SPA 2014a). Motolao manufactures automobiles mainly for the domestic market. In 2013-2014 Motolao was also planning to export vehicles to Cambodia, Myanmar and Vietnam (Economist Intelligence Unit 2013; Motolao 2013: 32-33).

After the year 2000 several other foreign investors established production in Laos which bound Savannakhet's space to the circuits of regional Asian capital. Craft Industry Co. Ltd., a Japanese company established a sock manufacturing factory in 2004 (Craft Industry 2016). The company is geared towards manufacturing socks for clients in Thailand, with offices in Bangkok and Mukdahan, and marketing itself on both cheap labour costs and close proximity to the Thai border. Its website assuages clients' concerns about access to shipping with the remark: 'Normally, trucks leaving our factory can reach the port in Laem Chabang, Thailand, within 24 hours' (Craft Industry 2016). As we shall see workers in the study have passed through the Japanese sock factory in their engagement with the economic forces swirling around the banks of the Mekong.

Bua Pagop Manufacturing (BPM) has become another important player in the emergence of a light manufacturing base in Savannakhet. The company is a joint venture between Lao, Thai and Japanese investors. The Lao investors are the Bua Corporation discussed earlier. BPM is the Lao operations of the Pagop Manufacturing company which is based in Thailand and has Thai and Japanese investors. Tech Manufacturing is the majority shareholder. BPM established their factory in 2009, manufacturing camera components. Initially, they manufactured camera micro-motors but switched in 2012 to producing LDS single lens parts. BPM is part of Tokyo Camera Inc.'s regional production network. Materials are imported from Thailand, assembled into components, which are then exported back to Thailand for assembly into cameras (BPM interview 10/6/2014).

The motivations for BPM establishing production in Savannakhet are: cheap labour; a positioning as a node in regional transport infrastructure; and a pro-business institutional framework at a sub-national scale. The company takes advantage of the cheap labour costs on the Lao side of the border and articulates this with the benefit of operating along one of the GMS's main economic corridors: 'The East West Corridor is being promoted by Thai and Lao. Right now we don't use the Vietnam side yet because is not ready yet. But in the future, hopefully we can export it directly to Burma, which will go to Europe much easier' (BPM manager interview 10/6/2014). Furthermore, the provincial scale of governance is geared towards promoting investment. Even before the SEZ was established the province was

promoting investment, and furthermore is reportedly accommodating of the businesses requirements, more so than the central level:

*The province...gave us special breaks for investment at that time [when establishing the factory]...tax breaks and also the lease here was almost comparable to the special zone at that time...we have, based on the investment law...we got a tax break...They are pretty cooperative if we ask for their support. Certain issues like customs clearance. It seems like the provincial government is easier to work with than the central government because I think this province...really tries to draw more investment to the province (BPM manager interview 10/6/2014)*

It is clear then that the provincial scale of economic governance provided an important support for the firm's operations.

The CEO of Pagop Manufacturing is also the CEO of BPM (BPM manager interview 10/6/2014) indicating that Pagop Manufacturing may also be partly Lao capital. BPM's role in the development of light manufacturing in Savannakhet illustrates the way that an emergent Lao capitalist class is facilitating the grounding of transnational capital in the territory. BPM represents foreign capital through its Thai and Japanese investors but the Bua Corporation is an emerging Lao conglomerate. Bua Corporation also has another joint venture with Japanese capital in Savannakhet, Savan Toys (see below). Besides these ventures, Bua has facilitated the entry of foreign capital in two ways: introducing Tokyo Camera Inc., a large Japanese camera manufacturer, to Savannakhet as a production base; and creating the Bua Corporation Services (BCS) company to perform labour recruitment and provide dormitories for foreign factories. According to a manager at BPM (interview 10/6/2014):

*Our mother company in Bangkok has connections with [Tokyo Camera Inc.] in Thailand and then we introduced [them] to use the Lao factory due to labour and the cost of assembling here is much cheaper than Bangkok. Originally [Tokyo Camera Inc.] wanted to join with us, open the [Tokyo Camera Inc.] factory here but later they did it on their own. But...they will honour... provide us the work here since we already invested in the factory (interview 10/6/2014)*

In addition to introducing a key investor in the SEZ to Laos, BPM's status as an experienced Savannakhet company resulted in it educating potential investors. This role it performed in conjunction with the investment-boosting provincial government:

*It seems like our factory has become a visiting centre. Almost everyone who comes here [Savannakhet] has to come to this factory...sometimes I thought...I would have an initial fee to visit! Because the province always introduces...calls me up 'oh hi I have this guy who wants to come visit your factory. They visited our office'. I say 'no problem' (BPM manager interview 10/6/2014)*

Bua Corporation established Bua Corporation Services (BCS) in 2012 as a response to issues BPM was having with labour recruitment (Bua Corporation 2016). It also had the added benefit of being a good business opportunity in the context of an expanding industrial territory attempting to construct a workforce: 'we created BCS to support our factory plus to support all the surrounding factories here' (BPM manager interview 10/6/2014). The creation of BCS was one proposed solution to the labour force issues of foreign-invested companies springing up in the SEZ.

Savannakhet's specific, border territoriality and a previous wave of foreign investment laid the groundwork for the development of the special economic zone. Savannakhet's key strategic position on the border between Laos and Thailand and along a regional economic corridor has allowed foreign investors to engage in a form of territorial arbitrage which takes advantage of low labour costs in Laos while at the same time moving products swiftly to international markets through Thailand (or Vietnam) or further processing (in Thailand) so that turnover time is reduced and the circuit of accumulation can be completed and repeated. The positioning of Savannakhet manufacturing industry on the border and its form of integration into regional production networks suggests to me that it is an *enclave* which is primarily extractive of cheap labour (Sidaway 2007b). In the following I will thus refer to the Savannakhet border manufacturing enclave to discuss the ensemble of foreign-invested manufacturing plants within and outside the zone. Lao actors play crucial roles in this process by integrating domestic capital with foreign capital and facilitating and promoting foreign investment. In this case, the building of regional and global economic scales hinges on transnational capital entering into specific, grounded social relations in a bounded territory. Uneven development, that is the territorially constituted economic and institutional differentiation between Laos and Thailand, is the premise of this new scalar fix. The Savan-Seno Special Economic Zone, and the factories contained therein, represents the latest phase in the development of the enclave. The zone builds upon these dynamics of border territoriality and foreign investment.

## **7.5 Savan-Seno Special Economic Zone**

The Savan-Seno Special Economic Zone was founded in 2003 as part of the government's SEZ development strategy. It got off to a slow start but by 2013 had become one of the country's most well-advanced special zones, and by far the most well-developed manufacturing zone.

### **7.5.1 Legal and Institutional Framework**

Savan-Seno was formally established by three Prime Minister's Decrees: No. 2 2002, No.148 2003, and No. 177 2003 (Suzuki and Keola 2008: 112). Decree No. 148 established SASEZ as two sites, A and B, with respective areas of 305 ha and 20 ha, with the aim of 'attracting investment and high technology by being [sic] economic, industrial, trade, service and cooperation centre of the region' (GoL 2003a: Article 2). The decree also mandates the Savan-Seno Special Economic Zone Authority (SEZA) as the state organization responsible for the administration of the zone.<sup>12</sup> Provincial and district authorities are tasked to assist and cooperate with SEZA with acquiring and securing land, recruiting labour, and attracting investment to the SASEZ (ibid. Article 7). Provincial authorities thus retained a role despite the more direct governance from the zone authority.

Decree 177 (GoL 2003b) sets out the management policies and incentive policies for the zone. Within the zones investors are able to lease land for 75 years (Article 29). Investors who lease land for 30 or more years are given a rent-free discount of twelve years (Article 30), with the Lao government thus encouraging long-term investment in the zone. SASEZ offers a host of tax incentives to lure capital to the area. Turnover and consumption/utilization tax breaks are granted on imported goods or commodities for use, production, processing or sale in the SASEZ (Article 25.1 and 25.2). Profit tax breaks are applied differently to different activities, whether production, trade, or services. In the production category, which includes manufacturing, profit taxes are granted an exemption or a deduction rate based on the proportion of exports in the total quantity of a produced good. For a proportion of exports equal to or over 70 percent 'or for the manufacture or assembly of high-technology equipments [sic], instruments and products' a ten year exemption is available from the first profit making year, and an eight percent profit tax applies thereafter (Article 25.6). Smaller export proportions are granted shorter exemption periods of seven and five years (ibid.), indicating a clear attempt on the government's part to attract exporting producers. Production businesses also benefit from the exemption of

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<sup>12</sup> See Chapter 5 for SEZA's relation to the central administrative level.

customs duties on goods and commodities used in the production process, including plant construction materials and semi-finished products (Article 26), the latter being important for a number of factories operating assembly platforms in the zone (see below). Products exported from the zone to foreign countries are exempted from export customs duties (Article 26.6). The import and export of all categories of merchandise, equipment and means of production 'shall be granted reduced control or controlled according to the regulations' (Article 32). Business operations profits and personal income may be repatriated to another country on condition of transfer through a Lao bank and once customs duties and tax obligations are paid (Article 31).

In the aspect of suspension of tariffs and business taxes, the SASEZ, can be said to be neoliberal in character. It is part of a government policy to engage with and benefit from neoliberal globalization through deregulation and liberalization. The strategy is to create a bounded zone of exception, a territorial enclave within the wider territorial state boundaries, which is capable of fixing mobile capital in place by providing liberalized and competitive incentives. 'Competitive' here applies to both the state's competition for foreign investment and companies' search for low-cost production sites to enable better competition on world markets. The territorial constitution of new scales of accumulation and development are achieved through state regulation, but also crucially through the actions and practices of state administrators.

Article 52 of Decree 177 details the rights and duties of SEZA. Important rights include:

- the consideration and approval of investments;
- controlling the implementation of rules, regulations and laws issued by the government or SEZA;
- contacting and negotiating contracts and making joint-venture businesses with state-owned or private enterprises;
- mobilizing funds from the private sector, capital resources and other SASEZ revenues to enable land development, the construction of public facilities and housing inside the SASEZ

The duties of SEZA are more extensive and include:

- creating a comprehensive plan and a complete set of policies of the SASEZ;
- implementing regulations on business operation;
- mobilizing funds and investors for land development, and building infrastructure to serve as an investment support base;

- labour management and supply;
- training Lao workers;
- creating conditions where Lao people can benefit from job opportunities and business management knowledge transfer;
- monitoring the conditions of labour in the zone;
- work jointly with the provincial authorities to study the problem of land expropriation and resettlement for people displaced from the SASEZ development project area;
- identifying types of business activities to target for promotion and attracting to the zone;
- designing a plan for any necessary extension of land area;
- reporting on the progress of zone activities to the central government and provincial authorities

In addition, SEZA is required to establish a One-Stop Service unit in order to expedite the investment process (GoL 2003b: Article 55). The One-Stop Service will register businesses, issue investment licenses, import and export licenses, and other licenses, and speed up the collection of business charges. Such a concentration of activities would provide a large advantage to investors over working through the fragmented and slow bureaucratic system of Laos. The importance of SEZA as a centralized facilitating body was confirmed by a SEZA official:

*So our function here is to promote, attract and facilitate investment inside the zone. What we offer to the zone is to facilitate smooth entrance operations...it's just for the entrance of the business...license, business registration and related permits are also handled here so the investors that are coming here to establish the company, they don't need to look around different government organizations (interview 20/12/2013)*

Here the centrality of the state to enabling and mediating the development of capitalist social relations is clear. The territorial reconfiguration of Laos is accomplished through transformations in the state apparatus, whereby a highly localized administrative organization operates outside the usual scalar hierarchy of governance (district-province-central). The concentration of powers and responsibilities in this organization provides a direct channel linking the zone to regional and global investors, and so its operations and practices partly constitute the zone's specific form of scale-forming territorialization.



**Figure 6: Entrance of SASEZ Zone C.**<sup>13</sup>

SEZA is not however hived off from the scaled power structure within Laos and it and provincial authorities are tasked by the decrees to work together to promote investment in the zone. As noted above, the provincial authority is already strongly inclined to investment boosterism and so a territorially-based institutional complex seeking to ground capital flows is emerging. In SEZA's duties, labour is an important consideration, and this will be fully treated in Chapters 8 and 9.

### **7.5.2 Savan-Seno and Economic Development Strategy**

Savan-Seno SEZ is sited at a significant juncture in the regional and national spaces. In regional terms it is situated on the border with Thailand and on Route 9 which leads to the Vietnamese border. It is located at a key point on the ADB-supported East West Economic Corridor project. The opening of the Second Mekong International Bridge in 2008 and upgrading of Route 9 as part of this project ensured that Savannakhet is integrated into the transport infrastructure traversing Thailand, Laos and Vietnam. The ADB's typology of East West corridor towns identifies gateway (port cities), commercial, border, and interchange (intersection points) nodes. Savannakhet is a commercial, border and interchange node according to this schema (Lainé 2014: 341-342). The development of industry would thus benefit from the particular stretch of territorial infrastructure binding Savannakhet to the region and its position on the border facilitating easy international transport of goods.

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<sup>13</sup> Source: Author's photo.



Savannakhet's status as an interchange node is because in Seno Route 9 intersects with Route 13, the main north-south highway in the country. Nolintha (2011: 189) claims that the name 'Seno' was given to the place when the US army was using Savannakhet as a base in the Vietnam War: "'SENO" is an acronym for four French words: *Sud, Est, Nord* and *Ouest*, which means South, East, North and West in English' which 'signals the geographical importance of the province'.

The advantageous border location on the EWEC was one of the foremost reasons why the government established SASEZ in Savannakhet (SEZA official interview 20/12/2013). As the zone developer put it:

*Laos is a landlocked country, it doesn't have a seaport. So, in Savannakhet we have more choice. If we put it in Vientiane we can only go to Bangkok, only one road. If it's in Savannakhet we can go to Danang, we can go to Bangkok, in the future, we're working [on], Myanmar (Lao Samudra manager interview 13/1/2014)*

The zone developer also highlighted the advantages of Laos within the emerging scalar frame of the GMS. The complementarity between Laos and Thailand was highlighted in cultural terms and also those of Savannakhet's territorial differentiation from both Thailand and other places in the GMS:

*today I welcome a lot of entrepreneurs from Bangkok, especially those from overseas...like Europe...Japan. They already have factories in Thailand, so now they have to move out from Thailand, so Laos is the first choice for him, because of what. Because in Laos we have the same language... And then we are nearest to Thailand. Of course I was in this factory today, a lot of things they will do in Bangkok, they will try to reduce the production line in Bangkok...finish the product and R and D...processes will be implemented [outside of] Thailand but not far from Thailand, that's why Savannakhet is the right choice. Everything we have, we have good policies, we have good infrastructure, we have low tariff for electricity, we have stability, we have...quality compared with Phnom Penh and Rangoon (Lao Samudra manager interview 13/1/2014)*

The government hoped that the SASEZ would utilize these spatial advantages to build a brand name for itself to attract investors (SEZA interview 20/12/2013). The relocation of large multinational businesses to the zone was a significant boon to their plans for drawing in more foreign capital:

*so far up to now one of the key successes is we have successfully captured the world-reputable companies...one of anchor business or company is already located [here].. it's going to be one of the big magnet in order to attract support industries like [Tokyo Camera]. Once they come the [Tokyo Camera] supporting industries follow, like [Honshu] also because you know, [Honshu] cannot produce the whole things, they need the suppliers (SEZA official interview 20/12/2013)*

The government was aware also that backward and forward linkages needed to be made in order for the zone to act as a catalyst for broader economic development. The government was interested in the possibility of integrating Laos's existing agriculture and natural resources production base into the zone:

*So in Lao PDR, so even though we have low and stable electricity costs, at the same time we also have...locally available raw materials. So what we want to emphasize for promoting business related to the, you know, what we have so far in the country. For instance we have the largest copper mine in this province. So from the copper it can be inputs for other industries. In that sense we promote this sector. Like...food processing, like a copper-based products related to the electronic appliance and also automotive appliance... besides the raw materials available here, we also have to look at, what we have strengths in Lao PDR itself and also in Savannakhet province. So in terms of the agricultural products that are based on food industries, they're also potential for here... we can have...sufficient inputs for those industries and then it may have...downstream industries coming. So what we focus [on] is the private sectors, not just the foreign investors but local investors need to be involved to have...a cluster of industries (SEZA official interview 20/12/2013)*

The zone developer differed somewhat in conceptualizing how the zone would impact on local development, identifying improved incomes for local workers as the main channel through which development would unfold:

*Once the people reach the job, they have a stable job, stable income, so they will increase the buying power, once you increase the buying power the economy cycle will start, once you increase the buying power they need a lot of things...the manufacturing will start, the trading will start...once they start this country will have no more poor people, this province...other provinces will use the same model, they will start with an industrial park, they start with this, so it's a pilot project (Lao Samudra manager interview 13/1/2014)*

The multiplier effect of more stable jobs was deemed to have an important role in generating more local investment. The government was also concerned with encouraging local investment and furthermore articulating it to a wider Southeast Asian space. The SASEZ for the government is a means of utilizing foreign capital to boost domestic investment and create an industrial agglomeration within Lao territory. Foreign capital was to act as a bridgehead into industrial development, creating linkages with local suppliers of raw materials and encouraging domestic investment. The SASEZ would thus, through such links, reach out from its zone of exception deeper into the Lao territory and thus integrate that broader Lao space into a new scalar formation.

A key part of such scale building was the zone's logistics capacity and its role in creating Laos as a 'land-linked' territory within the wider GMS space:

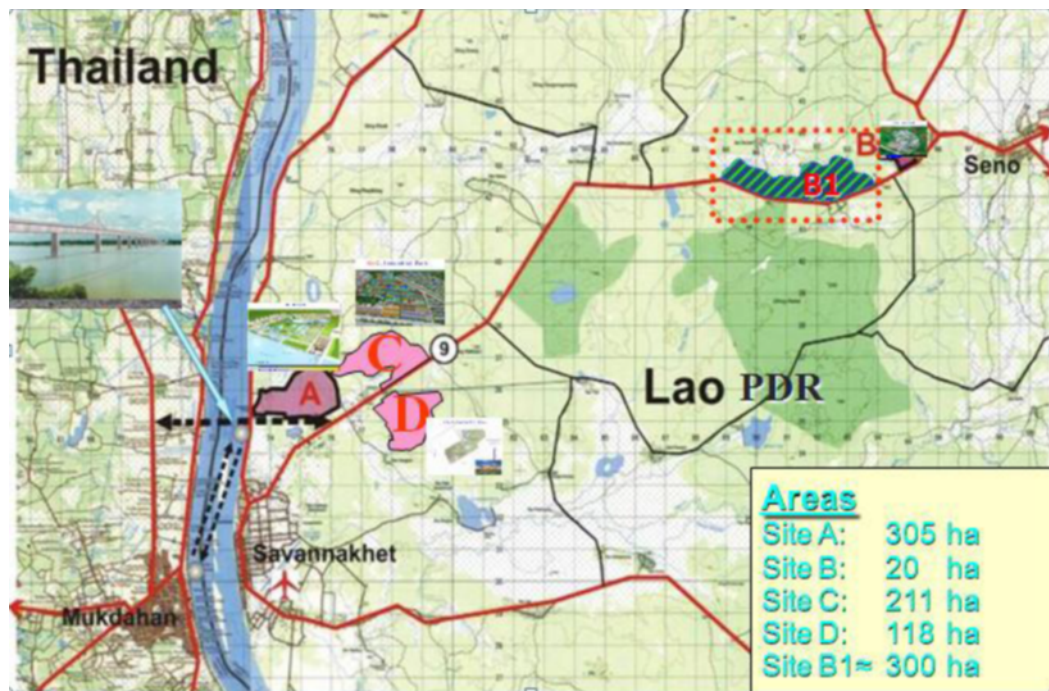
*But services of course, like logistics...this logic that once [there are] already industries, factories, companies coming, of course the supporting businessmen come automatically. But for trading I think at the same time...the fact that Lao PDR is located at the middle, the heart of Asia so we have five neighbouring countries with emerging economies, like China, Vietnam, Thailand. Total population size is...huge, so...trading is much more prominent because Lao PDR has its very strong ties and relationships with neighbouring countries, with Thailand, with Vietnam, with China. So we can do trading with them, why not? (SEZA official interview 20/12/2013)*

The official seemed to imply that the future of the zone as a manufacturing site was less certain than that as a logistics site ('but services of course'). The zone's location enabled it to fulfil a role as a logistical node within the emerging GMS system, but the expansion of manufacturing would depend on attracting foreign investors and mobilizing the requisite labour, something that was not altogether certain.

### **7.5.3 Zone Development**

JICA, the Japanese development agency, assisted the Lao government to do an exploratory study in 2002 and they advised the government to establish two sites, including an industrial zone near to the Mekong river in order to use it as a water supply for the industrial park (SEZA official interview 20/6/2014). Site A, the 305 hectare site, is established in Decree 177 as in Khantabouly district (the old name for Kaysone Phomvihane) and Site B in Outhoumphone district (GoL 2003b: Article 3). These sites are on the peripheries of the towns of Savannakhet and Seno respectively. Article 6 establishes that the SEZ should be

divided into three zones, each with a specific sectoral focus: an export processing zone; a free trade zone; and a services and logistics centre (ibid. Article 6). In 2013-2014 this zoning had expanded to four designated zones: Zone A, located next to the Mekong border crossing is the free trade zone; Zone B is the services and logistics zone (with B1 a planned extension); Zone C is the industrial park; and Zone D for residential purposes (Sayavongkhamdy 2011).



**Figure 7: Location of SASEZ zones in Savannakhet.<sup>14</sup>**

In 2014, a Zone E was also under consideration at Lak 21 (Kilometre 21), on the highway between Zones C and B. A Lao investor was reportedly interested in developing a golf course and hotel on the site but had not yet been approved (SEZA official interview 20/6/2014).

Development of the project after the initial establishment in 2003 was slow. The preparation phase including surveying, designing and human resource development lasted for five years. In 2008 implementation commenced with the development of infrastructure including roads and communications (SEZA official interview 20/12/2013). The development of the SASEZ is a joint venture, or rather cluster of joint ventures, between the government and private investors. Each joint venture is structured on a 30/70 percent contribution from respectively the government and the private investor. By 2009 all of the zones were constructing offices and other buildings (MMN 2013: 285).

<sup>14</sup> Source: Sayavongkhamdy 2011.

The development of the SASEZ entailed moving some local residents off the land designated for the zone's construction. The loss of land to government development projects and concessions, as well as related issues over compensation, have become contentious issues in recent years (Baird 2011; Lund 2011; Lestrelin et al 2012). Around 200 families had to move to accommodate the SASEZ (SEZA official interview 20/6/2014). Some locals felt they were forced to relocate and cases were also reported of local villagers putting household livelihood plans – such as expanding farming – on hold due to uncertainty. Others however reported gains from selling land at rising values (MMN 2013: 286-288). There have been issues regarding non-payment of compensation for affected villagers. A SEZA official claimed that compensation would be given – if the government did not give it they would not even start the project - *'baw hai baw kao pai'* (SEZA official interview 20/6/2014). However, in mid-2015 displaced villagers were complaining that compensation had not yet been paid with government officials unable to confirm exactly when this would occur (Vientiane Times 23/7/2015).

Zone C is officially known as Savan Park. It was developed by Lao Samudra. This is the name for the joint venture between the government and Samudra Development, a Malaysian company. Samudra Development signed a project development agreement with the Lao government in February 2008, undertaking to jointly research and develop the industrial zone (Savan Park 2016). Lao Samudra had a registered investment of USD 2 million and an approved total of USD 13.8 million in April 2008 (SEZA 2014). The project concession period is for 50 years, after which the government will take over activities. Construction of infrastructure began in 2008 after the agreement was signed and Lao Samudra spent around USD 24 million to provide roads, an electricity system, water, telecommunications, and water treatment systems (Vientiane Times 20/3/2011). Zone buildings were constructed by Vietnamese workers according to one source, as construction companies in Savannakhet apparently import labour from Vietnam (Motolao manager interview 24/3/2014). However, Lao workers were also reported as hired on a casual basis to clear land for the zone (MMN 2013: 286). The zone was officially opened for business in November 2011 (Vientiane Times 22/11/2011).

The developer of Zone B is the Savan-Japan Joint Development Company. This company comprises investment from the Phnom Penh Special Economic Zone Company – a Japanese firm with experience in SEZ development in Cambodia – and the Namtha Road and Bridge

Construction Company – a Lao company.<sup>15</sup> A tripartite joint venture agreement was signed in May 2013 (Vientiane Times 13/5/2013). According to SEZA the investment share was split 30/20/50 percent between the government, Namtha, and Phnom Penh SEZ respectively (SEZA official interview 20/6/2014). The Savan-Japan agreement resulted in a USD 5 million investment in August 2013. Phnom Penh SEZ had invested USD 260,000 by the end of 2014. The development of Zone B lagged behind that of Zone C and construction was not expected to be finished until the end of 2016 (Phnom Penh Post 22/4/2016). Two factories – Tokyo Cameras and Koyo – were built in the zone in 2013 and were opened during 2013-2014. Four companies were operating in Zone B in mid-2014, the aforementioned factories, plus Logitem, a Japanese company, and Double A Logistics, which has Thai investors (SEZA 2014). Both companies operate international logistics and their presence in Zone B is explained by that zone's location in Seno at the intersection of Route 9 and Route 13.

Zone A was the site which was least well-developed during fieldwork. It is designated as a free trading zone and is located at the border gate. The joint venture is Savan City Company. Savan City had USD 5 million registered capital in 2008 (SPA 2014a). Savan City's website states that Savan City is a venture between a Thai investor, a Lao enterprise, Khounlasy Trading Export Import Co., and the Lao government (Savan City n.d.). In 2013-2014 the site was vacant. The only constructions around the site were the soon to be opened new offices of SEZA and the border gate buildings (fieldnotes). Zone A's development had apparently not moved forward because the investors had had problems with raising the capital to proceed (SEZA official interview 20/6/2014).

#### **7.5.4 Zone Manufacturing Companies**

Manufacturing firms who have relocated to the zone include multinational firms, and also smaller firms which are in the supply chains of multinational firms. Significantly, most of the firms already had existing production networks in the region, especially in Thailand. The firms are typically producing components of larger assembled goods, for example camera lenses or car seats. Raw materials are imported, often from Thailand, assembled in Savan-Seno and then re-exported for final assembly at larger factories in Thailand, as noted in border enclave factories outside the zone. Factories were thus operating as branch plants, and the zone as an assembly export platform. Interviews with three zone companies were

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<sup>15</sup> Namtha has also been involved in road construction in Vientiane and is apparently closely linked to the former Vientiane mayor, suggesting evidence of a Lao capitalist class emerging around the Party. See Vientiane Times 21/8/2014 and RFA 22/6/2015.

conducted: Flight Pro, Visetec, and Savan Toys. This section also briefly profiles Tokyo Camera Inc. and Honshu Automotive because of their prominent position in the zone.

Flight Pro was founded in Europe in 2000. It has facilities in Europe and Thailand as well as Laos (Flight Pro 2016). Provincial data records a USD 500,000 investment in 2011 for the company (SPA 2014a). Flight Pro was the first manufacturer to open in the SASEZ. The factory makes internal parts for aircraft such as door locks, seats, washroom fittings, overhead lockers, and door and window fittings. The company's customers include Boeing and Airbus (Vientiane Times 8/9/2011). Construction of the factory began in early 2011 (Vientiane Times 20/4/2011). The Flight Pro factory opened in 2011. The factory started in the region in 2000 with a factory in Chonburi, Thailand. A key reason for the spatial fix was a risk management strategy due to political turmoil in Thailand at the time. If there were problems in Thailand disrupting production then they would still have the Lao facility for support. Advantages more specific to the SASEZ suggest why it was chosen as a production site. The location enabled the factory to connect with other countries easily to obtain parts. Every week a delivery of parts was sourced from Thailand. The equipment and parts came from Thailand and the firm did not have any relations with local suppliers. Exemption of import taxes also made the SASEZ attractive for Flight Pro. In addition, lower wages were also a consideration. The impending AEC was not a consideration for them, as at most it would enable greater cross-border mobility of Thai management staff. The factory made the same parts as those produced at the Thai facility, in order to learn from the manufacturing experience in Thailand. Parts were made using CNC<sup>16</sup> machinery and then polished by hand. The production was exported to markets in the US and Europe. In 2013-2014 the company employed 70 workers, with a greater number of females than males. Depending on orders the company planned to expand production at the plant that year to have a workforce of 300 (Flight Pro manager interview 10/1/2014).

Visetec is a European-based multinational specializing in the manufacture of spectacle lenses. It has production facilities worldwide. Visetec was founded in France in 1972. It now has facilities in 62 countries employing 55,000 people (Visetec 2016). Provincial statistics state that the company had USD 300,000 registered capital in 2013, although an approved investment of USD 25 million, indicating the intention for significant investment (SPA 2014a). Visetec's motivation for implementing a spatial fix to Savannakhet was because it is a low-cost production location or as a manager put it:

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<sup>16</sup> 'Computer numerical control' – computer-controlled machinery.

*The target is to make profits...We have factories in Thailand, Philippines, in India, Vietnam, in China. All those factories are high cost because of the labour costs, and we saw that the Lao government has good policies to attract, not just for us but for other companies as well. And [Visetec] is one company that is interested to invest here...so first they need to [have] low tax (Visetec manager interview 27/2/2014).*

In addition to low wages and tax breaks, a manager also suggested that the Lao labour law and its effective prohibition on strikes was a consideration in moving to Laos: *'In Laos the government do not have a policy to let people strike so it is different [to] Thailand'*. More broadly the calm political situation in Laos was also valued when compared to Thailand. Laos' differences from Thailand were emphasized but crucially so were their similarities: *'Lao and Thai have similar language and can understand each other. Thai people can work in Laos and Lao people can speak Thai so it is easy. Investing in Vietnam would be difficult for communication. This...reason is important'* (Visetec manager interview 27/2/2014). Furthermore, the SASEZ's position on the EWEC was deemed to be a good location for exporting to Thailand (ibid; Vientiane Times 23/6/2012). Laos' territorial differentiation from, and cultural similarity to, Thailand were significant attributes in the investors' eyes in the creation of the GMS scale.

Lenses were produced in the Lao facility and then exported through Thailand to the US and Europe without further processing. Raw materials for the lenses were imported from Europe through Thailand. The Thai facility processes these raw materials before sending them on. The Lao plant did not at that time have a purchasing department and had only established a few links with local companies for consumable goods and construction materials. There were 81 workers at the factory at the time of interview with approximately 70 percent women. Visetec also had plans for expansion. It was possible that they would produce more types of lenses at the plant and start to market goods in Thailand and Laos. There were also plans to increase the quantity of production with an associated workforce rise: *'We have plans to hire about 250 [including existing staff] in the near future. The maximum for our company if we expand our factory here would be around 800-1000 employees. This will take up to 5 years'* (Visetec manager interview 27/2/2014).

Savan Toys is a joint venture between Lao, Thai and Japanese investors. Hokkaido Toys Ltd. hold 65 percent of the investment, Bua Corporation 30 percent and Bua Pagop Manufacturing 5 percent. Registered capital was USD 1 million in 2012 (Vientiane Times 14/12/2012). Savan Toys (ST) had similar reasons as the previous companies for relocating



to the SASEZ. The zone was suitable for them logistically, with a manager noting that they are linked to the Da Nang port in Vietnam via the EWEC. The zone's tax exemptions were also important: *'Here is the free trade zone, free of tax so that [was] one of our considerations in investment, import and export, just only in the zone'* (ST manager interview 16/5/2014). Low labour costs also entered the calculation. It can be inferred that the access to Da Nang was important for the company as they operated within a Northeast Asian production network. The company's mother facility was located in China, from where they imported raw materials and packaging. Savan Toys were manufacturing a single product; a novelty toy (doll-like figure) with a soap component. The product was produced for the Bandai toy manufacturer and exported to Japan. The company was the only one interviewed which was seriously considering sourcing materials locally. Savan Toys had sourced materials from a local Lao company and were investigating the possibility of buying salt from a salt factory in the rural part of Kaysone Phomvihane district. Could it be that Savan Toys' greater share of Lao capital caused it to align itself more closely with the government's hopes of zone companies building more integrated links with local companies? It is possible but it should be borne in mind that its sister company BPM was not sourcing locally, although it may have been limited by the sheer lack of any Lao suppliers in the electronics sector. Nevertheless, Savan Toys had advanced most in the direction of forming part of an integrated territorial production complex (Storper and Walker 1989). The sourcing of materials was the major way in which the company hoped to benefit from the AEC. Although they sourced cheap goods from China, transport increased the costs, and so they thought they may be able to source competitively from Thailand or Vietnam when the AEC was in place. Savan Toys had 130 assembly line workers in May 2014, of whom 111 were female (ST manager interview 16/5/2014).

Honshu Automotive is a subsidiary of the Honshu Group, a group of companies with supplier and investment relations to Honshu, a major automotive manufacturer. The forerunner of Honshu Automotive was founded in 1918 in Tokyo and entered the manufacture of automotive components, including car seat fabrics, in 1972. After a merger in 2004 the company changed its name to Honshu Automotive Corporation and in the following decade established itself as a multinational automotive component manufacturer. In 2013, Honshu Automotive Lao Co. Ltd was established in Savannakhet for the manufacture of seat covers (Honshu Automotive 2014). Honshu opened up in the SASEZ because of the 'convenient' location of the zone and attractions of the zone's investment promotion policies (Vientiane Times 13/11/2012). The location is convenient as the Lao facility is intended to *'serve as a*

*satellite complementing the [Honshu Automotive] group production base in Thailand. It will start producing interior components such as vehicle seat covers...and supply them to production bases for seats in Thailand'* (Honshu Automotive 2014). In addition, low-cost labour, Laos's 'political stability', and good infrastructure were motivations for investing in the SASEZ. The firm commenced production in May 2014 with a workforce of 180 people (Vientiane Times 23/5/2014).

Tokyo Camera Inc. commenced building of their factory, located in Zone B in Seno, in March 2013 (Tokyo Camera 2013). The factory started operations in September of that year, manufacturing parts for digital single-lens reflex cameras. The company may have been aware of Savannakhet as a production facility due to their links with BPM (BPM manager interview 10/6/2014). The low cost of labour in Laos was a central consideration according to a Tokyo Camera Inc. executive: *'We wanted a supply of workers for our new manufacturing plants and Savannakhet can serve our needs...The minimum wage is the issue for us'* (Bangkok Post 23/9/2013). Tokyo Camera was also seriously affected by the floods in Thailand in 2011 and the Lao facility could assist them to maintain production. The factory in Thailand was still operational and the Lao factory was integrated into the Thai production chain. The parts produced in Laos were exported to the Thai facility in Ayutthaya province where they were assembled into final cameras. In addition Tokyo Camera's suppliers were also relocating to Laos to be near their factory (ibid). Koyo, a Tokyo Camera supplier, established a factory in July 2013, also at Zone B (Koyo 2016).

### **Conclusion**

The Savannakhet border manufacturing enclave is the latest manifestation of the increasing importance of foreign investment in Savannakhet province. Rising investment levels have occurred as foreign companies have sought to exploit Savannakhet province's natural resources, abundant agricultural land, and a large provincial population which can be used as cheap labour. The majority of foreign investment comes from Laos's immediate neighbours, China, Thailand and Vietnam, but increasingly from further afield in Asia, with Japan of growing significance. Savannakhet province emerges as a key destination for regional capital escaping the pressures of overaccumulation. Recent investments in industry are not on a terrain innocent of foreign industrial development. A previous wave of foreign-invested industry has prepared the ground for the SASEZ's manufacturing investments. Recent foreign investors have benefitted from having previous investors to advise them. Also, provincial authorities would have built experience with dealing with foreign investors.

Last but not least, as we will see the previous wave of foreign factories has sensitized Lao workers to factory employment. There are also hints that an emerging Lao capitalist class is playing a role in integrating foreign capital into the territory, as most clearly illustrated by the operations of the Bua Corporation and their joint ventures with Thai and Japanese capital.

The SASEZ represents a key rescaling of the state and national territory. On the one hand the state is rescaled to the level of SEZA to provide a highly localized and specialized state administrative entity, operating outside of usual administrative hierarchies and mandated to serve the needs of foreign capital. This state rescaling is thus an internationalization of the Lao state. The Lao state is rescaled downwards precisely to process a global set of social relations between foreign capital and Lao labour. This downwards rescaling is crucial for the incorporation of the local territory and the wider Lao national space into a broader GMS economic scale. The SASEZ's strategy of territorial differentiation at once abrogates and reaffirms state power. The suspension of trade taxes and the position of the zone on the Thai border creates an overlap of territory between the Thai and Lao sides (Mezzadra and Neilson 2013) creating the conditions where foreign-invested production networks can extend into Laos to benefit from lower production costs and cultural similarities between the two countries. Foreign investors engage in a form of territorial arbitrage which takes advantage of low labour costs in Laos while at the same time moving products swiftly to international markets through Thailand (and Vietnam in one case). This suggests that the 'strategic coupling' (Coe et al 2004) and territorial coherence of the enclave *favours foreign capital over local actors*. The lack of firm connections to the wider economy and the focus on low labour costs suggest that *local value capture would be limited* (Henderson 2002 et al). The surrender of sovereign rights to taxation allows capital to circulate on an expanded scale through the circulation of capital, commodities, and also skilled labour.<sup>17</sup> However, as we shall see in regard to labour, the rescaling of the Lao state also provides another layer of governmental mediation between local people and foreign capital, creating forms of governance which attempt to mould local people as productive labour. The moulding of people into labour is beset with difficulties because of the diverse agency of workers themselves, which includes spatial fixes of their own.

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<sup>17</sup> See Chapter 8.

## Chapter 8: Workers' Agency in Lao Border Manufacturing

Foreign capital and their Lao state backers were carving out a border manufacturing enclave in Savannakhet oriented towards a functional integration into Thai space to take advantage of proximity and low labour costs. New factories thus required increasing amounts of workers. Lao workers had their own orientations for their social reproduction. Workers' agency affected the establishment of the Savan-Seno SEZ and the dynamics of the border enclave. Workers' agency was expressed spatially, both through mobility and fixity – the strong ties to a place and associated activities to reproduce that place (Harvey 2006; Smith 2006; Kelly 2009). Workers' thus enacted their own spatial fixes. It is important to remember in the following that fixity and mobility involves contradiction and the interpenetration of opposites – what was fixity from the perspective of labour may have been mobility from the perspective of capital. Workers' agency was constrained by capital, state, and household relations (Coe and Jordhus-Lier 2011), although following Knafo (2010) these constraints for workers are interpreted as one side of a social relation. Workers' mobility and their simultaneous fixity within local Savannakhet communities thus also constrained and enabled the agencies of other developmental actors. The focus on everyday practices of resilience highlighted how the territorial differentiation of the SEZ and wider enclave depended on a wider territorial division of labour which mobilized household and agricultural work into the 'social factory' supporting accumulation in foreign-invested manufacturing in Savannakhet (Dyer-Witheford 2002). Workers thus participated in their own social construction, securing a particular position within the local social relations of production from which benefits could be derived and a limited set of demands made. Workers' practices and participation in their own social construction were a key part of the territorial formation of the emerging GMS scale, and ensured that this scale-making was a contested and uneven process. This chapter focuses on mobilities, fixities - especially the reproduction of place - and workplace relations to highlight workers' agency. It opens with an assessment of the local labour market in order to understand the context of increasing employment in foreign-invested factories.<sup>1</sup>

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<sup>1</sup> In the following company names, and worker names have been anonymized in order to protect identities. 'Factory' refers to the factory of a single company each – those referred to in the previous chapter - and will be referenced by a number e.g. 'Factory 2'.

## **8.1 The Border Manufacturing Labour Market**

### **8.1.1 Provincial Labour Market**

Savannakhet province has the largest population of any province in Lao PDR and Kaysone Phomvihane district one of the largest populations of any Lao district. On the face of it these demographic facts should ensure an adequate supply of labour for new industries but the reality is more complex. The exact sizes of provincial and district labour markets are difficult to ascertain given the paucity of available and up-to-date statistics. Estimates can be constructed through extrapolating from available surveys and censuses. The 2010 Labour Force Survey records that Savannakhet province had a total population aged 15 and over as 549,906. Out of this population there was a provincial labour force of 460,574 with a labour force participation rate of 83.7 percent (GoL 2010b: 69). The population of the province was recorded as 953, 511 in 2013 (GoL 2014: 23). Assuming a steady labour force participation rate this gives an estimated 2013 labour force of 506,945.<sup>2</sup> Provincial level statistics on sectoral employment were not available. World Bank estimates for 2013 put the national sectoral division of labour at 66 percent in agriculture, 26 percent in construction and services, manufacturing at 7 percent and energy and mining 0.62 percent (WB 2014). Applying these percentages to Savannakhet province's employed total of 502,991 for 2013 would put the agricultural labour force at 331,974 people, construction and services 130,778, manufacturing 35,209 and energy and mining at 3119.<sup>3</sup> Savannakhet province's employment structure is likely to differ in some respects from these national level percentages however. For instance, the Sepon mine alone was employing some 4000 people in 2013, reducing to around 3600 in 2014 (RFA 28/1/2014; MMG 2016). It is also possible that a greater number of Savannakhet province's population than the national average is engaged in manufacturing due its emerging status as a manufacturing and processing hub (Vientiane Times 20/3/2011; Vientiane Times 15/8/2014). Furthermore, the issue of international migration makes the labour market picture more complex.

Provincial statistics show that 35,607 of the population were recorded working abroad in 2013. Of these recorded only 88 people had gone to work abroad through official channels (SPA 2013b). The provincial figures do not give a breakdown of destination countries for Savannakhet's migrants but it is likely that the vast majority went to Thailand. The number

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<sup>2</sup> In 2013 the percentage of the Lao population aged 15 and over was 63.52 (GoL 2014: 24). Assuming that Savannakhet has a country-average age distribution this gives a population of 605,670 who are 15 years and over. Applying the 2010 provincial labour force participation rate of 83.7 to this figure gives 506,945 (author's own calculations).

<sup>3</sup> Author's own calculations.

of international migrants in 2011 was around 59,000 according to Phothirhath (2012: 13). The decrease does not appear to be related to a general decrease in Lao workers in Thailand (SADC 2014: 7). It is unlikely that the Savan-Seno SEZ would have had a significant impact on drawing labour back to Laos for 2013 because most major employers there only started operations in late 2013 and 2014. The provincial figures should therefore be treated with some caution as they seem anomalous when compared with broader trends and previous figures. Furthermore, other estimates have put the number of migrants as much higher than 35,000. BCS, the local labour recruitment agency, estimated that 75,000 people from Savannakhet province were working in Thailand (BPM manager interview 10/6/2014).

2323 international migrants came from Kaysone Phomvihane district. Other significant numbers came from Champhone (10,543), Outoumphone (7131), Songkhone (5707), and Sonbuli (3991) districts (SPA 2013b). All of these districts are in the more densely populated west of the province. Greater migration from the west of the province suggests that there is more surplus labour available to be released from subsistence production (Newby et al 2013). Andriessse and Phommalath (2012: 21), in their 2011 study of Ban Gngang Pho Sy, a village in the north of Kaysone Phomvihane, found that most workers were young, aged 18-30 years, and that 55 per cent were female.

The provincial statistics for 2013 indicate that 18,932 women (53 percent) and 16,675 men (47 percent) were migrants abroad (SPA 2013b). The greater share of women migrating can be attributed to gendered access to local employment opportunities and changing social attitudes to, and scope for, female migration. Khumya and Kusakabe (2015) highlight the importance of cross-border infrastructure for international mobility and women's migration. The improved infrastructure such as the Second Mekong International Bridge facilitated migration to Thailand in distinct gendered patterns. Women were more likely to migrate, both because men had more access to decent employment opportunities around their villages and also because new transport possibilities existed. The new infrastructure both made travel to Bangkok, the major destination for women migrants in the study, more convenient and also psychologically reordered villagers' sense of place. Bangkok became a more accessible and desirable destination for young women to migrate to rather than a prohibited one (ibid. 1021). A greater share of female out-migration would also complicate the social construction of a light manufacturing labour force, as we shall see.

Migration networks have been established in western Savannakhet province. Phouxay (2008: 288-289), in her study of two villages in Champhone district, found that villagers worked

only in Bangkok and that they were persuaded to go by fellow villagers who had previously migrated. The single destination in Thailand for the migrants suggests a strong network connecting the two distant places. Phouxay (ibid. 288-289) notes that migrants from Savannakhet work in construction, domestic work, and manufacturing. Phothirhath (2012: 55), in her study of eight villages in Kaysone Phomvihane, similarly found that migration networks were a crucial mechanism for the circulation of labour from Laos to Thailand. Phothirhath (ibid. 55) also reports that the main destination for Kaysone Phomvihane workers was Bangkok with 54 percent of the total surveyed, and a further 24 percent going to neighbouring provinces within the Bangkok Metropolitan Region.

Cross-border migration also occurs at a smaller transnational scale than travelling to work in distant Thai cities. Migrants from Savannakhet province also cross the river to work as agricultural wage labour in paddy fields on the Thai side in Mukdahan province. Due to cultivating season labour shortages in Thai villages seasonal labour is absorbed from villages on the Lao side from June to August and from November to December (Rungmanee 2014: 345). Fieldwork findings confirmed Savannakhet workers' participation in both near and far Thai labour markets.

### **8.1.2 Kaysone Phomvihane Labour Market**

Exact figures for the size of the labour force in Kaysone Phomvihane or their employment sector are not available but estimates can be made with population data from 2013 and labour force participation rates from the 2010 Labour Force Survey. Applying the provincial LFPR of 83.7 (GoL 2010b: 69) percent to the district's population of 128,182 brings an estimate of 107,365. Kaysone Phomvihane's population however consists of a substantial urban population – 61.9 percent. Urban and rural LFPRs differ (72 and 82 percent respectively). Following these LFPRs the size of the urban district's labour market is 57,174 people and the rural district 39,970, a combined total of 97,144.<sup>4</sup> A proportion of this total migrates to Thailand. Statistics from the provincial administration recorded 2,323 international migrants (SPA 2013b). 480 foreign workers were recorded in KP for 2013. All of these were Vietnamese and recorded as having work permits (SPA 2013a). As noted above these statistics may be inaccurate and not capture the full extent of those working abroad or undocumented migrants in Savannakhet (Phothirhath 2012: 20-23). On the available data

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<sup>4</sup> Author's own calculations.

however a rather high estimate of a potential labour market of 95,000 for the district can be made.<sup>5</sup>

The provincial migration data does highlight several other important issues which have a bearing on the social construction of a labour force for foreign-invested manufacturing in Savannakhet. Regarding gender, figures indicate that 1,310 migrants from KP were women (56 percent) and 1013 men (44 percent) (SPA 2013b). A higher share of females in migrant flows is corroborated by Andriesse and Phommalath for KP district (2012) and Khumya and Kusakabe (2015) for the province. As will be shown below female out-migration arguably affected the creation of a Savannakhet labour force due to the specific gendered tilt of firms' hiring practices. The provincial data also highlights that four other districts in western Savannakhet province sent higher numbers of migrants abroad than KP district (SPA 2013b). Even bearing in mind the caveats of underestimated number of migrants from KP, this possibly indicates that in 2013 there were more well-remunerated job opportunities in KP than in more rural districts nearby, thus affecting the surplus labour available for absorption into foreign manufacturing. Phothirhath (2012) provides some support for this line of reasoning, noting that even within KP district migrants were more likely to come from villages further away from the main urban area on the Mekong, having less employment opportunities than people in the town.

Sectoral employment figures for the district are only available for those categorized as *haeng ngaan*, the common word for 'labour'. In available statistics only 4947 workers, *haeng ngaan*, are listed (SPA 2013c). This equates to 5.2 percent of a 95,000 strong labour market. A possible explanation for this discrepancy is found in how 'labour' is defined in Lao statistical practice, whereby only workers in wage labour unmediated by household and family relations are included.<sup>6</sup> However, if the Labour Force Survey is taken as a guide there is still a large discrepancy between the 15 percent at national level in paid employment and the five percent from the local statistics (GoL 2010b: 89). Another possible part of the explanation is that the local statistics only list paid employees in private enterprises (*tulagit*) in the industrial, agricultural, and services sectors. Savannakhet town is the main administrative and educational centre of the province and so houses significant numbers of government employees. This may account for some of the discrepancy although exact figures on government employment were unavailable. Of the 4947 workers listed as *haeng ngaan* in the district in 2013, 1465 were working in industry, 520 in agriculture, and 2962 in

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<sup>5</sup> Author's own calculations.

<sup>6</sup> See Chapter 6.



services (SPA 2013c). Details from companies give a clearer indication of the manufacturing workforce in KP district however, as shown in Table 3.

**Table 3: Savannakhet Manufacturing Workforce: 2014 and Projected**

<b>Company</b>	<b>Number of Employees in 2014</b>	<b>Projected Demand</b>
Flight Pro	70	200
Visetec	81	2000
Honshu Automotive	180*	700
Motolao	920*	2000
Tokyo Camera	500*	1000
BPM	363	800
Savan Toys	130	800
Lao Clothing Company	120*	Not available
<b>Total</b>	<b>2364</b>	<b>7500</b>

\*Approximate numbers. Sources: Manager interviews 1/2014-6/2014; Honshu Automotive 2014; company brochures; personal communication (5/2014).

The prospective numbers come from a slide the author was shown in a Motolao manager interview (24/3/2014). The slide came from a presentation on projected labour needs, apparently compiled by the government. These projected numbers are supported by press reports which state that projected labour needs for the zone would be 5000 in 2015 and 10,000 in 2018 (Bangkok Post 23/9/2013). Zone officials have been even more optimistic in terms of the possible jobs that the zone may generate, saying that if the SEZ 'is fully developed there will be between 500 and 800 factories and it will create between 50,000 and 100,000 jobs' (Vientiane Times 11/8/2014). However, a Factory 1 manager suggested that it would be perhaps unrealistic to have such high numbers working at Savannakhet factories (interview 10/6/2014). The relatively large population of Savannakhet province and Kaysone Phomvihane district combined with an agrarian employment transition to off-farm wage labour would suggest that factories would have little trouble in recruiting workers. That this was not so in 2013-2014 was in large part due to the multiple practices of mobility which workers used to reproduce their lives and households.

## 8.2 Mobilities

### 8.2.1 International Migration

International migration was a key strategy of social reproduction for many in Savannakhet, with remittance flows sustaining households. It also posed an obstacle for new foreign manufacturers seeking Lao labour. Out of 33 Savannakhet workers interviewed, 15 either worked in or had worked in Thailand. Three were currently working in Thailand and 12 had previously worked in Thailand, eleven of whom were now working in local factories. The most common reasons for migrating to Thailand were low wages within Laos and a lack of job opportunities in the local area (worker interviews 3/2014-6/2014).<sup>7</sup> Ae, a 37 year old woman who migrated in her twenties and had returned from working in Thailand, related some of the decision-making processes:

*At that time it was common for people from the village to go there. Our town didn't have many factories then and many people thought it was good to go there, so I wanted to go like my friends. If I went I could save money for my father and mother so I went to try it out. I went along with my friends. Mostly people...get money to buy a vehicle, buy this, buy that. I saw my friends get money...If you go you're able to buy things (interview 3/2014).*

The theme of providing for the family was confirmed by Tip, a 32 year woman, who had previously worked in Thailand but was now working at Factory 4: *'Before, the family had many children and couldn't find enough income. We wanted to have a house but didn't have any savings. So I went [to Thailand] and got a monthly wage of over 6000 baht [USD170] and saved it so that a house could be built for my children'* (interview 3/2014). Fah, aged 25 and another female employee of Factory 4, had gone to work in Thailand around ten years previously and also highlighted the lack of opportunities: *'At that time our town didn't have factories so I went to look for work there'* (interview 6/2014).

Khong, a 23 year old male migrant currently working in Bangkok, said that he dropped out of school when his friends did and he came under pressure from his family to find work: *'I did not want to study and my mother told me to earn money'*. He decided to go to Thailand - without being encouraged to migrate by his family - because in Laos *'the wages aren't much'* (interview 5/2014). Lin was 25 years old and also working at Factory 4. She had worked in

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<sup>7</sup> Only the month of the interview is given in order to protect identities.

Thailand for seven years and been back in Laos for a year when interviewed in early 2014. She highlighted the background of poverty which framed the decision to migrate:

*[If] they paid a decent monthly wage, you went because at that time monthly wages in Laos were very little, 400,000 [kip per month, USD 49] at the most. My family was very poor and in difficulty. We didn't have enough to live, enough to eat. Whatever place had decent wages, I had to go (interview 3/2014)*

Wages in Thailand varied, mostly within a reported range of 3000-10,000 baht (USD 85-285) per month. The highest wage reported was up to 15,000 baht (USD 428) per month, for working in a shrimp factory in southern Thailand, and the lowest was 2200 baht (USD 63) per month for working in a restaurant in Mukdahan. Migrants reported working in low-paying jobs in services and the industrial sector such as domestic work, waiting in restaurants, working in a beauty shop, and working in garments and food processing factories.<sup>8</sup> Some migrants reported holding a number of jobs at different times. Work in Thailand appeared to vary by gender with three out of the four men working in factories, with the other helping to trade illegal petrol. Seven out of the nine female migrants reported working in a restaurant, either serving or preparing food. Two had worked as domestic workers and one had worked as a nanny. Most workers reported working in the Bangkok Metropolitan Region but some worked in the south of Thailand (Phuket, Trang) and some across the river in Mukdahan (worker interviews 3/2014-6/2014). These examples appear to maintain other studies' findings of strong migration networks between Savannakhet and the Bangkok conurbation (Phouxay 2008; Khumya and Kusakabe 2015). Migrants typically obtained work in Thailand through contacts with friends and family from Savannakhet. Most workers went through informal channels and worked without legal documentation (worker interviews 3/2014-6/2014).

Joi, aged 20, worked for one year in the BMR as a domestic worker in a private home. She did not have a job and her mother had no money to send her to school. Her cousins worked at Factory 8, where she subsequently got a job when she returned. They had previously asked her to work there but at that time it was not recruiting women. She decided to go to work in Thailand because higher wages were available there. She heard about the Thai job through friends in her village and subsequently obtained a passport and travelled to work

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<sup>8</sup> There is of course the possibility that Lao workers were engaged in more illicit occupations but were understandably not forthcoming during interviews.

there without a work permit. When she arrived in the BMR her Lao friends arranged the job for her.

Fah went to Thailand with the help of her cousin. She went when she was very young – around 15 years old – and was unable to get a work permit. She worked in Trang in southern Thailand. Her employers took her to register for a card which allowed her to work in Trang province – this appears to be a reference to the Thai government’s temporary registration scheme for undocumented migrants<sup>9</sup> - and when she needed to go back to Laos she merely went to the Lao embassy and requested documents to return (interview 6/2014).

Migrant workers were responsible for remitting money and supporting their families from a distance. Of the ten migrants who gave amounts for the money they remitted, only three reported sending it back every month. It was more common to save up and send money back every two to four months. Workers reported sending back between 2000 and 10,000 baht (USD 57-285) per time. Money was used to improve the material circumstances of families and also to support education, as Ae noted:

*I transferred money to my parents so that they could buy rice fields, buy vehicles [seu lot]...and save money...build a house. My younger sibling could go to study and my older brother could study (song nawng hian song aai hian). I could buy motorcycles for them (seu lot hai) (interview 3/2014)*

Phone, a female returned migrant in her twenties, also contributed to her family’s education: *I sent back 10,000 or 20,000 baht (USD 285-570) per time. If there was an amount needed (kan tawng gaan taw dai) I would send it.... [the money] was used for my siblings to study (aai euay nawng hian) [I would send] once every one or two months (interview 4/2014).* Dee, a 23 year old male who was working in a shrimp processing factory in southern Thailand highlighted the importance of remittances being used to physically fix Lao households more securely in place. He reported remitting 4000 baht (USD 114) a month with the money used to cover living expenses of his family in Laos, and also to extend the family’s house (*sang pheum, dtaw lang*). Remittances appeared to play an important role in the area’s social reproduction (cf. Manivong et al 2014).

Migrant workers from Savannakhet thus performed their own spatial fix of moving to labour in Thailand in order to reproduce their own lives and households within in Laos. Low wages and lack of opportunities in Savannakhet were cited as key reasons to move. Remittances

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<sup>9</sup> For a review of Thai migrant registration policy see MAP Foundation 2010, pp.43-62.

were an important theme, with migrants undertaking their long-distance travails in order to support families in Savannakhet. Mobility for delocalized work thus produced its opposite, fixity within villages. Villages were reproduced as fixed complexes of social relations and material infrastructure by people leaving them and remitting. Mobility both reduced the population of the villages, in a sense making them smaller, but simultaneously expanded the village transnationally. Migration to Thailand, often operating on an informal and clandestine basis, thus acted as a subterranean counterpart to the integration projects of the GMS and the Lao state. In a Thompsonian vein, this might be deemed an example of *'geography from below'* in which subaltern actors construct their own lives and with it the larger socio-spatial relations of Southeast Asian capitalism (Thompson 2013; Sturgeon 2013; Laungaramsri 2014). Lao migrants integrated into the wider economy of the region by moving into the Thai labour market at their own behest, an action which would complicate the border manufacturing territorial scheme. The mobility of international migrants created a tight labour market for the zone which presented a problem for the state and foreign capital, an issue to be explored in Chapter 9.

### **8.2.2 Labour Market Mobility**

Mobility also operated internally to the territory, within the local labour market, as workers shifted jobs in search of better wages and conditions. A manager at Factory 1 confirmed that workers were often on the lookout for better wages: *'They think for more wages they can sell barbecue...They compare this company with other companies'* (interview 10/6/2014). The atmosphere in a factory and the harshness of factory labour regimes were assessed by workers as an important factor in choosing whether to stay working at a given factory. Daeng, an 18 year old women, was working at Factory 4 and had previously worked at Factory 1. She decided to move to Factory 4 when she talked with friends:

*When my friends started working at [Factory 4] they called me and told me [Factory 4] was better [than Factory 1]. The wages were better and it was more comfortable there. When there is no work to do they let you sit in the air-conditioned room. There are holidays, you can have time to rest, they let you out to eat on time. The morning watchman lets you eat before you go to start work* (interview 6/2014)

Oy was a 17 year old female who also worked at Factory 4, having previously worked at Factory 1. Factory 1 and Factory 4 have ownership links and so she was moved to Factory 4 because they needed workers and there was less work available at the original factory. She disliked the many rules and working with chemicals at Factory 1 but stated that she much

preferred to work at the new factory because the workers there are friendly and they have time to relax during work. She planned to stay at this factory and not return to the old (interview 5/2014).

La, a 21 year old woman, used to work at Factory 9, earning between 600,000-800,000 kip (USD 74-98) depending on whether she worked the day or night shift. She was frustrated that her wages had not increased in a long time and heard from her sister that she could earn around 1.2 million kip (USD148) per month at Factory 6 and that working conditions were better:

*My sister went to work there and got better wages and also there are fans, it is cool. The work isn't too hard...suppose I work there for a long time and I am well-behaved (mee malanyat) and there is OT. I can do it, I can go there (dai khao)...and each year they will increase the wages (interview 5/2014)*

Goong, 18 and the youngest daughter in her household, used to earn 400,000-500,000 kip (USD 50-61) per month at Factory 5, one of the companies outside the zone. For Goong the job was unsatisfactory because the wages were low and because the factory was hot without air conditioning. She left the factory because of these low wages and sought employment at Factory 7, a new SEZ factory. Here she reported being paid 400,000 kip (USD 49) every two weeks. There were other benefits as well: *'They give you food to eat...there is breakfast, there is lunch...the supervisor is kind (jai dee), there is air-conditioning, a car comes to pick you up for work (mee lot hap song), they give you a uniform to wear (mee keuang hai sai)'*.

Workers used their mobility between jobs to access greater wages and better conditions. This finding assumes greater relevance when we examine the effects it had on wages, benefits and the labour regime in the local area. In the context of a tight labour market with increasing competition between new factories for labour, factories took measures to fix their workers in place by holding out better wages and benefits, and arguably influenced the creation of more paternalistic and consensual labour regimes. By moving it is possible that workers were putting pressure on factories to improve working conditions. Beyond workers' frustrations with low wages, there appeared to be dissatisfaction with material conditions and social relations of power and control, which would lead them to prefer one factory over another (see Chapter 9). Workers' 'mobility power' (Smith 2006) – the ability to leave or threaten to leave a job - was a key channel through which they would derive greater benefits from the increasing foreign investment in Savannakhet, mobility thus representing

‘a material critique’ of the social relations in certain factories (Mezzadra 2004: 270). Labour market ‘mobility power’ is thus one factor which counters a ‘race to the bottom’ argument predicated on low wages or poor labour conditions. It also implies that for any project of economic territorialization which requires a stable local labour regime, the management of mobility is a key issue for labour and capital as their spatial fixes butt against each other.

### 8.2.3 Agrarian-Industrial Mobility

Some workers would also leave factory employment to return to subsistence-oriented rice production, providing another important source of resilience through which they could reproduce their lives. Managers from Factory 1 and Factory 2 stated that they noticed many workers leaving in order to farm during the rice season (interviews 10/6/2014 and 10/1/2014). Given these high levels of mobility it may seem something of a puzzle that foreign companies persisted in coming to Savannakhet. It must be recalled however that companies benefited from significant tax breaks and reduced production costs *and* the border location which created a sort of territorial overlap between Savannakhet and the Thai-based production networks. The prospect of an informal and politically weak labour force also appeared to be enticing for some,<sup>10</sup> even though the reality on the ground was somewhat different due to mobility power. Subsistence agriculture in the area also may have benefited companies in some ways.<sup>11</sup>

Workers often stated that rice gave them a guaranteed supply of food and saved them money because buying rice would be expensive. Workers would leave for quite short periods or sometimes quit their jobs completely in order to farm. For instance, Tip would make arrangements with the factory to enable her to farm rice: *‘I ask for time off. I ask the factory to leave beforehand. I go to work [in the fields] for about a week and then return [to work at the factory]...they let me take time off’* (interview 3/2014). Ek, a 32 year old male at Factory 8, stated that he was given a short time off by the factory - three days - in order to farm rice (interview 5/2014). Mee on the other hand decided to quit her factory job. She was a 29 year old woman who was married and living with her husband, mother and young son. She used to work in a restaurant across the river in Mukdahan, Thailand earning about 5000 baht (USD 143) per month. She came back to live in Laos when she had enough money to get married. She got a job on the assembly line at Factory 7, working there for around 5 months. She left the job because *‘there was no one to look after my child and mother’* (*baw*

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<sup>10</sup> See Chapter 9.

<sup>11</sup> See *Industrial Wage Labour and Diverse Livelihoods* below

*mee kon beung luuk mae*) and also because the rice season was coming and she needed to work in the fields to grow rice. The factory had arranged to allow workers seven days off but Mee considered this insufficient time for the rice-growing work to be done. When the rice season was over she planned to return to work in one of the factories again (interview 5/2014). Sing's story had a number of similarities. Sing was 28 and married. Her story



**Figure 8: Kaysone Phomvihane Rice Production.**<sup>12</sup>

echoed Mee's in that she had also worked in Mukdahan before, until returning and seeking what would be temporary industrial employment in Savannakhet. She had also worked at Factory 7 for five months and then left in order to prepare the paddy fields for the rice growing season (interview 5/2014). In addition to leaving work, some workers continued to be partly responsible for farm work while they were still employed at the factory. For example Jit, a 21 year old male working at Factory 1, reported helping out his parents in the rice fields at the weekends (interview 5/2014).

Seasonal mobility which cycled workers between agrarian livelihoods and industrial employment signified another important means of reproducing workers' lives. Seasonal mobility was another practice of local workers which foreign capital had to adapt to, entailing changes in the labour process.<sup>13</sup> Seasonal mobility is also an example of what Rigg (2001) has termed 'spatial interpenetration' whereby agrarian and industrial spaces become interpolated. The territorial project of the Savan-Seno SEZ attempts to establish industrial

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<sup>12</sup> Source: Author's Photo.

<sup>13</sup> See Chapter 9.



modernity in Laos by creating a bounded space of global accumulation. Following workers' agency demonstrates that the bounded space cannot operate on its own neoliberal terms but its functioning is inextricably linked with the broader national territory and its existing division of labour and livelihood systems. Spaces of neoliberal globalization carved out of national territories for accommodating the 'race to the bottom' cannot necessarily be insulated from the existing economic geography, especially due to the trajectories of labour mobility which criss-cross them. Rice farming was used for food security and factory employment as just one means to a livelihood, the implications of which are returned to below. The image of a proletariat divorced completely from the means of production was thus inaccurate for some workers in Savannakhet (Marx 2013). Taken together these mobilities also suggest that companies will find it hard to meet projected labour demands, with implications for future factory expansion.

### **8.3 Fixity: Reproducing Places**

Workers' agency also operated through their fixity – their strong social ties to certain places, such as home villages, and the associated material resources and activities they utilize to reproduce social relations within those places *and* the material existence of those places. With 'fixity' as a spatial practice, something was often literally fixed in place, whether this was the physical body of a worker, a rice crop, remitted money, or infrastructure such as new or extended houses.

#### **8.3.1 Gender and Care**

Gendered care roles within household relations placed limits on mobility, drawing back migrants, young women especially, from work in Thailand (Coe and Jordhus-Lier 2011). There was thus a contradictory tension between some workers' mobility and fixity. Some workers themselves expressed a strong sense of place, viewing their returns as positive moves which allowed them to reconnect and reproduce their household relations. There were also contradictory consequences for foreign capital from gendered care responsibilities. On the one hand they helped to reterritorialize Lao labour and dovetailed with fixing a potential workforce in place. On the other hand, they sometimes appeared as mobility to labour as women left factory employment to perform care work for their families. Female workers could be fixed in the country through their responsibilities, but those same responsibilities may have made it difficult to fix them within factories.

Phone had worked in Thailand for around ten years before returning. She returned because her mother had died. Her father did not want her to go back and expected her to be within the household in order to perform gendered care responsibilities (interview 4/2014). Tip had been working in Thailand at a recycling factory for three years. She worked in the same factory as her Lao husband. Changes in her family situation in Laos prompted her to return:

*My grandfather was ill and then he died so it was difficult for the family. There was no one living with my mother [Tip's parents had divorced]. My mother was already old. I came back first and not long afterwards my husband returned as well because there was no one to do the farming (interview 3/2014)*

Returning to care for her mother entailed going to work in a local factory. In turn factory work was enabled by her mother looking after Tip's children while she was at work (ibid.), an example of the reciprocal relations of care which build resilience and bring forth social reproduction (Katz 2004: 246). Caring for children in Laos was also an important reason for returning. Lin, for example, returned to Laos because her son, who was being cared for by her parents while she was in Thailand, was getting older and she wanted to be present for him (interview 3/2014). Fah returned from Thailand because she became pregnant and was unable to work. She came back so that she could be cared for by her family during her pregnancy and childbirth, after which she did not want to return to Thailand but instead valued being able to stay within her own village:

*I didn't like it [in Thailand]. If I can choose, if there are factories in Laos, it's more comfortable to stay in Laos because over there I have a heavy heart (lambaak jai) that it's not my country. So I can stay in my village and work and I can just get a bit of money but I came back, I can see my mother and father. Staying in my own village I am contented (sabaai jai) (interview 6/2014)*

Dao, a 26 year old women who had been working at Factory 2 in the SEZ, had followed her husband to work in Thailand. He worked at a shrimp farm in Phuket and she found work for a year at a restaurant close by. She had a child with her husband and ended up staying permanently in Laos when she made a return trip to make merit (*het bun*) for her father.<sup>14</sup> 'My husband didn't let me [return to Thailand]. He had me stay with my mother. I had a child already so he didn't let me go back'. She had no plans to return to Thailand at any point because there would be 'no one to care for my child' (*baw mee pai yoo nam luuk*) (interview 5/2014).

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<sup>14</sup> This more than likely indicates that her father had died.

Family relations also acted as a constraint on mobility for women who had never gone to work in Thailand. Nat, a 26 year old woman working at Factory 6 in the SEZ, stated that she had wanted to go to Thailand in the past but her husband didn't allow her (interview 6/2014). Nang, a 19 year old female worker at Factory 8 had never thought of going to Thailand, because she would worry about her family (interview 6/2014). Maeo, 18 years old and working at Factory 6, perhaps signalled some families' attitudes to their daughters going to work in Thailand, when she responded to the question of whether she would ever migrate there: 'No, my mother wouldn't let me go (*baw, mae baw hai bpai*)' (interview 6/2016).

Some Savannakhet workers enabled foreign companies to enact their spatial fix of relocation by choosing to reproduce the social relations of households and communities in their villages. Workers were thus available for work in Savannakhet factories and incorporation into global social relations. The territorial project of the border enclave, and the scale making process of which it is a part, were thus enabled by a gendered construction of care work amongst other factors. The bounded space of global capital accumulation drew value-producing sustenance from the relations of social reproduction in the local area by employing female workers. The return of young women was significant because of the gendered construction of the local industrial workforce, as we will see.

### **8.3.2 Factory Labour and Socially Reproductive Labour**

Tasks of social reproduction usually fell to either the worker herself or female members of the household. Workers were facilitated into factory employment by this socially reproductive labour. Factory employment appeared to lead to re-divisions of the household division of labour and so reorient social labour towards the ends of capital accumulation, incorporating more people's work indirectly into capitalist social relations and so increasing the 'radius of exploitation' (Dyer-Witheford 2002: 4) in the 'social factory' (Dalla Costa and James 1975). The gendered construction of labour on which the enclave was based extracted both direct and indirect female labour.

Nat lived with her husband and two young children. She typically got up at 5am in order to cook and clean before she went to work at Factory 6. She chose to work at Factory 6 specifically because it started work at 8.30am rather than the start time an hour earlier typical at other Savannakhet factories. This gave her enough time to do her household tasks before starting work. She spent two-three hours a day on household tasks in addition to the nine-eleven (depending on overtime) hours she spent at the factory. She cooked, cleaned

and cared for her children (although in the hours she was at work there was likely someone else caring for the children). She said emphatically that the only time she had to relax was at night when she was sleeping (interview 6/2014). Fah told a similar tale. She rose at 4.30am and worked for three hours at home to prepare food and clean. Fah's mother looked after her child while she was at work and did housework if Fah had to do overtime and arrived home late (interview 6/2014).

Female household members young and old were expected to do household work. When she was working at the factory Sing depended on her mother, who lived with Sing and her husband, to help with care responsibilities. Her mother looked after the children and cleaned the house. Her husband helped around the house but it was her mother who was the main domestic worker. At the weekends when Sing was home from the factory, she instead of her mother would be responsible for household tasks (interview 5/2014). Joi, whose mother had died, was too tired to do the housework when she returned from work. It thus fell to her younger sisters to do the housework and tend to the family's animals. At village festivals, where households are typically expected to make gendered labour contributions in preparing food etc., either Joi or her younger sisters would go as the household's representative and cook and wash dishes (6/2014). Noi reported that when she was employed her mother, who worked primarily as a farmer, was responsible for all the household tasks. However, if Noi was unemployed then she herself would be responsible for household tasks (interview 4/2014).

### **8.3.3 Industrial Wage Labour and Diverse Livelihoods**

Factory wage labour often provided but one part of a broader livelihood system for Savannakhet workers. There were only a few informants who were solely dependent on wage labour for their survival. This gave workers on the one hand a basis for their social reproduction which complicated the efforts of factories to incorporate them into globalized manufacturing, and on the other was likely providing a hidden subsidy to companies which alleviated the social cost of labour in border factories. Many workers came from rural parts of KP district and the province. Often the daughters and sons of rice-farming households, workers' wages supplemented a subsistence basis of household rice production and animal rearing for consumption. Allocation of surplus household labour to factory employment enabled households to diversify livelihoods, become more resilient, and provide more opportunities for enhanced lives, for example in the building of better accommodation or funding of children's education.

22 out of 29 Savannakhet factory workers who were interviewed still lived in the parental household, or that of their spouse. Of the other seven, some still lived with a parent but they and their spouses were the effective heads and main economic decision makers in the household. 17 of the 22 living in parental households reported contributing wages to the household budget. The amounts given ranged from occasionally giving 100,000 kip (USD 12), to giving half of the wages to the household, up to giving all wages to parents (worker interviews 3/2014-6/2014). Several young women were the main wage earners in their families. For example, Nou was 19 years old and the only daughter left living with her parents. She reported earning around 1.5 million kip (USD 185) per month at Factory 3, keeping around 200,000-300,000 kip (USD 24-37) per month and giving the rest to her parents, who worked as rice farmers (interview 5/2014).

Workers reported using income for covering daily expenses, and also for larger consumer goods such as motorcycles (worker interviews 3/2014-6/2014). Several workers highlighted that their income was used to support the education of younger siblings, mirroring the use of migrants' remittances (worker interviews 5/2014 and 6/2014). Another important use of wages was house construction. Maeo, for example, reported giving wages for house building as one way in which she supported her family. The family currently lived in a single-room wooden house. They were building a concrete house with three rooms (interview 6/2014). Nat also reported living in a cramped dwelling she described as a *dtoop* ('hut'). She planned to use wages to build a two room concrete house (interview 6/2014). Ek was building a house for his young family because they had previously lived with his parents and desired their own home (interview 5/14). Jit reported that it was good that the family grew rice because his wages could then be used for other things, including the house which they were constructing (interview 5/14). Foreign investment was thus not only changing the economic landscape by establishing new workplaces and creating a new territorial divisions of labour but it also appeared to be changing the physical landscape of Lao villages through house construction. Following the agency of labour again allows us to see *how places are being reproduced and transformed through the formation of global social relations*.

Subsistence rice production and animal rearing provided a basis for many workers' families. The seasonal planting and growing of the rice crop represented a form of fixity which secured workers' livelihoods in their villages. A factory manager noted the importance of rice growing for many workers and the implications for recruitment<sup>15</sup>:

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<sup>15</sup> Addressed in Chapter 9.

*Right now [there is] seasonal labour. Because in Laos, the majority of the workers here are the sons or daughters of rice farmers... if you look for...just entry-level [workers]...it depends on the time of the year...sometimes they are reluctant to come [to work in the factory until] the rice season is done...the harvest season is done (Factory 1 manager interview 10/6/2014)*

The vast majority of workers' families grew rice and/or raised animals. 21 out of 33 (18 out of 29 local factory workers excluding international migrants) interviewed workers stated that they or members of their households farmed. Out of 29 local factory workers 18 workers' families had access to some land and grew rice. Land holdings were typically small. From the seven workers who estimated the size of the family's land in hectares, the average size of holding was 1.9 hectares (worker interviews 3/2014-6/2014). Small holding sizes in Kaysone Phomvihane district appeared to be confirmed by the results of a small survey of farming households conducted in Ban Phonsim village and not including households of interviewed workers. For 41 households the median holding size was between 1-2 hectares (22 responses). 15 more households had below one hectare, while only four households had between 2-5 hectares (author survey 14/6/2014).

The majority of farmers in Savannakhet appeared to be growing just one annual crop of rainfed rice (*naa seng*) only for household consumption (worker interviews 3/2014-6/2014). Rice was viewed by the household as an economic foundation of food security and as a way to save on food expenses (worker interviews 3/2014-6/2014; see also Manivong et al 2014). Only two workers reported selling rice, but only if there was some small surplus after household consumption needs had been met (workers interviews 3/2014 and 6/2014). Because household labour did not need to be allocated to it the whole year rainfed rice agriculture could form part of a package of livelihood activities. Fah stated that she had a good opinion of agriculture because if she was ever unemployed then she would still have rice to eat. *'Rice growing isn't an all-year round activity and doesn't take up a lot of time'* (*naa het baw bpajam, baw dai sai waylaa laai*) and so she prefers to work in a factory most of the time (interview 6/2014). Tip also viewed agriculture as a positive but limited activity: *'Farming is good but, you know, it's only seasonal'* (*het naa ga dee dtae wa man pen suang naw*) (interview 3/2014). Fah could help her parents with the planting and harvest work when necessary but they also hired people to help with the harvest. She also suggested a way that industrial wage labour would support agriculture: wages could be used to buy fertilizers (interview 6/2014). Mee continued to farm because she did not consider the wages enough to feed the family: *'It is better to work in the fields because there [at the*

*factory] the wages are quite low so you can't buy rice with that money'* (interview 5/2014). Bpet, a 24 year old woman at Factory 2, didn't have any land but also had a positive opinion of agriculture, because it meant that one did not have to buy rice. She performed some agricultural labour for other households and was paid in kind in rice (interview 5/2014). Labour was hired in by some workers' households. The going agricultural wage rate in KP district in 2014 was 50,000 kip (USD 6) per day (author survey 5/2014; worker interview 6/2014).

The growing of rice was thus a central part of many workers' livelihoods. Rice provided food security and meant that wages could be used for other needs. In 2014 a kilogram of rice cost around 3000 kip (USD 0.37). The national criterion for rice self-sufficiency is 350kg per household member<sup>16</sup> per year (Newby et al 2013: 7). If this figure is taken as a guideline for consumption then it would cost 1.05 million kip (USD 110) to keep a household member in rice for the year, or around one month's factory wages. This could indicate a significant cash saving and would mean that rice growing was providing a subsidy for foreign-invested factories. Some workers considered the wages too low to give up growing rice. Without recourse to rice it is possible that factories would have faced increased calls to raise wages. This is important to note because it means that the social cost of labour *would have been reduced as companies avoided the full cost of social reproduction*. Subsistence rice production emerged as a territorial effect from which capital appeared to benefit once workers were in production.

Animals were also a prominent source of food and financial security. Chickens and ducks were typically raised for household consumption (worker interviews 3/2014-6/2014). Larger animals tended to be kept to generate income or as an insurance policy during times of emergency. For example, Ying was an 18 year old female worker at Factory 6. Her family had no rice fields but raised cows to sell. They had 'three or four' cows and they received around 6000-7000 baht<sup>17</sup> (USD 170-200) for each one they sold (interview 5/2014). Joi's family kept pigs as an insurance policy against economic uncertainty, selling them for between 700,000-2 million kip (USD 86-247) in emergencies (interview 6/2014). Animal rearing thus played an important part in the economic background of workers. It not only provided an income stream for households - thus providing economic resilience - but also provided consumption goods which did not have to be bought with wages. Arguably the practice of raising animals also provided a subsidy to capital.

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<sup>16</sup> The source does not differentiate between adult and children.

<sup>17</sup> Thai baht is sometimes used as currency in Laos.

Continuing norms of subsistence rice production in Savannakhet reproduced peri-urban and rural villages in Kaysone Phomvihane district as agrarian spaces. Rice production and animal rearing were two distinct practices which built resilience for workers. It implied that workers were not fully dependent on wages for their survival, a fact which, as shall be demonstrated, had consequences for the stability and social construction of the workforce and so the stability of the territorial economic project and the emerging GMS scale. The incorporation of factory wage labour into household livelihood strategies provided extra income and also helped to reproduce families and places. Indeed it not only reproduced but also transformed places, for example in the building of new houses. Agrarian labour was arguably mobilized into subsidizing industry through lowering the cost of labour – a benefit to capital which was itself counteracted by also facilitating easier exit from work, as we shall see in Chapter 9. On the other hand industrial wage labour could also pay for inputs (e.g. fertilizer) and the hiring of harvest labour so feeding back into agrarian production.

#### **8.4 Factory Employment**

Workers' agency was apparent throughout the cycle of factory employment, as they made decisions about where to work, what working conditions were acceptable, how they should get better wages and benefits, and when and why to leave, all of which would have implications for the functioning of the border enclave factories.

##### **8.4.1 Entering Factory Employment**

The majority of interviewed Savannakhet factory workers stated that they applied for their job because they had a relative, friend or neighbour already working at the factory or who had told them that the factory was hiring (worker interviews 3/2014-6/2014). Managers confirmed that recruiting through workers' existing social networks was effective. The manager of Factory 5, a non-zone factory, had had several years' experience of recruiting and recounted:

*We announce in the factory...they have sisters, brothers at home who even previously worked with us and we encourage them, ok for example, we need 3-4 boys for the packing department, someone who has in their family please invite to join our company...we will say please don't forget we want to recruit...We will also ask the supervisors. OK you need 3-4 people in the packing department, if you know someone in your village please invite (interview 18/3/2014)*



The Factory 5 manager added that potential workers made decisions to enter work based on their friends:

*It's so funny, if in this house they have a girl and in that house they have a girl, they will talk together, do you want to try, and if the other one doesn't want to try this one won't come by themselves because they are so shy...if they know someone is working there, yeah ok I will go with her (interview 18/3/2014)*

A manager from Factory 2 stated that at first they had signs to announce vacancies but subsequently the company found it more effective to get workers to bring their friends and families to the factory. Indeed, workers at Factory 2 actively sought to find work for their friends as a manager noted: *'My workers come to ask 'Do you want to employ people or not? If you want I will tell my friends' like this. They come to ask me every day'* (interview 10/1/2014). A Factory 3 Manager estimated that around 60 percent of the workforce had been recruited through friend and family networks (interview 27/2/2014). Workers themselves also stated that they valued working in a place with many friends and this was one reason they preferred working in local factories over agricultural work. Maeo for instance asserted: *'at the factory I have lots of friends...but in the fields I don't have friends, I'm alone'*. Sing stated that she found working in the factory decent enough and she had many friends (*mak yoo, mee moo laai*) (interview 5/2014).



**Figure 9: Workers Outside Savannakhet Factory.<sup>18</sup>**

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<sup>18</sup> Source: Author's photo.

More comfortable working conditions in air-conditioned factories were also reported as an important reason for working in factories. Daeng appreciated that the conditions in her factory job were not hot and expressed her dislike of agriculture and refusal to go back to it as an occupation: *'It's hot, it hurts your back (buat lang) and I won't do it again...I can't do it'* (interview 5/2014). Bpet stated that the good thing about working in a factory was that *'you are out of the sun all the time'* (*yoo hom talawt*) (interview 5/2014). Jit heard about the job from his sister who also worked at Factory 1 and chose to work there because the work was not hard and there was air-conditioning which he compared favourably to his friend's job working at a hot and physically demanding wood factory (interview 5/2014). Higher wages were also another key reason workers entered factories (see *Labour Market Mobility* above).

Workers initial engagement with the new factories opening in Savannakhet was motivated by a hope that they could work for higher wages in decent (and cool) conditions. Higher wages operated as part of the households' livelihood strategies and enabled greater economic resilience as we have seen. Some workers expressed disdain for agricultural work indicating a cultural and psychological shift away from agriculture for the younger generation in Laos (see Rigg 2001). Factory work stood in tension with agricultural employment however as although there was a move away from it for some workers, it was still a key part of families' livelihoods. Workers typically entered work through their social networks, indicating how workers' agency was 'leveraged' through the informal community structures of the village (Konings 2010). The agency of capital can also be said to be 'leveraged' through its use of pre-existing community- and household-level social relations, as word of mouth recruitment fed a steady supply of workers into the maw of global production, communal structures thus mediating the capital-labour relation (Knafo 2010). Foreign capital thus came to depend on accessing community structures in the area in order to effectively implant itself in the border territory.

#### **8.4.2 Adapting to Factory Employment**

Workers engaged in different ways with factory employment. Some workers were prepared to enter and stay in factory employment for higher wages; a kind of negotiated incorporation mediated by their mobility. Other workers refused to adapt to factory discipline, a refusal that was again enacted through their command over space. The refusal of factory discipline was a recurrent theme among company managers and government officials, one which problematized the spatial fixes of foreign companies. Many workers only stayed for a short time in foreign-invested factory employment, reportedly chafing at the

imposed discipline which controlled the labour process and the time of workers. Workers in employment also displayed evidence of prioritizing the social reproduction of their families over the reproduction of the capital relation. Other workers however made efforts to become obedient workers and internalize the lessons of factory discipline.

Informants highlighted that Savannakhet workers were prone to leaving employment easily due to a dislike of the industrial discipline and the availability of other means of survival. The manager of the Zone C site developer stated:

*The turnover is high, first because the worker is not suitable for the job. ...they want to leave the company because it's not suitable. And then the second thing is because of salary or income. They feel...they better go outside for a better job, because... the two main aspects are salary [and the job is not suitable] (Lao Samudra interview 13/1/2014)*

The manager clarified that he meant 'not suitable' in that some workers simply could not adapt themselves to working in factories. The Lao Samudra manager estimated staff turnover rates at '*below 10 percent*' which he still considered to be quite high (interview 13/1/2014). Estimates of turnover varied between factories with the mean average of turnover at four factories who provided estimates of monthly turnover standing at 10.2 percent<sup>19</sup> (factory manager interviews 1/2014-6/2014). Factory 5 estimated a turnover rate of between '20-30 percent' a year (manager interview 18/3/2014). A SEZA official highlighted the difficulties some workers had with industrial employment:

*Maybe also one factor is you know, the factor is they are used to freedom. When they shift to the factories they have to work in the team, they have to obey regulations including eating, drinking, dressing, working. Some people are not comfortable...is Lao PDR different from other countries, like in other advanced countries? No job, no life, you cannot survive [in other countries], but over here because of the abundance of natural resources if there is no work they still have rice...they still have fish ponds, they can go back to [their] families, they still survive, much easier, very comfortable...why should they come for this pressure environment? Some people do believe like this...in other countries if you are unemployed it's a very big, big problem but over here it's normal, normal [laughs] (SEZA official interview 20/12/2014)*

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<sup>19</sup> Author's own calculations.

This assessment of the agrarian substrate of workers' interaction with industrial employment was shared by a manager from Factory 8:

*They work hard in the fields but they can rest when they feel like it but in a factory they have to work even if they are tired. They are not used to working in a factory...The workers don't care [about having a job], they can still survive. They think 'If I have no job, I can stay at home and my family will feed me'. If they have nothing they can still survive (interview 24/3/2014)*

Absenteeism was also a significant phenomenon in Savannakhet factories. The Factory 5 manager stated:

*We analyzed last month, the attendance records, we found out that we had 60 days of non-attendance, absence...in one month. If we have let's say 100 people, it means there were two people who were absent for the whole month...it's a significant amount because we calculate how many [units] they can produce, two people, how many [units] how many hours these are, and maybe these are the hours we can pay our...telephone line or internet line, monthly or something you know...and trying to explain to them but it's quite difficult (interview 18/3/2014)*

The Factory 8 manager estimated that every day 50 workers from around 900 at the factory would be absent and complained that workers only call up on the day and never inform beforehand (interview 24/3/2014). Several managers highlighted that workers preferred to prioritize their family responsibilities over work, leading to absence from work. A Factory 2 manager noted the difficulty of employing people from rural areas as workers wanted to return to the rice fields in the rainy season and that *'they take care of their family more than their work'* (interview 10/1/2014). The manager from Factory 8 asserted that there were not real problems with lateness but that workers did not turn up sometimes as they had other matters to attend to: *'If they have to take their daughter to the hospital then they will just go. They care more for their family than work'* (interview 24/3/2014). A Factory 4 manager stated that common reasons given for absences were that *'I need to look after children, my mother was unwell'* (*aang wa beung luuk, mae baw sabai*) (interview 16/5/2014).

Some workers also internalized the factory discipline and reported attempting to become better and more productive. Ying, an 18 years old women at Factory 6, stated that the hardest part of her job was sewing at the required pace: *'I have to sew fast enough to keep up with the other people on the line (tawng nyip hai man tan moo)...If you don't keep up the*

*supervisor will force you to...I have to sew faster to adapt myself to the supervisor'* (interview 5/2014). She went on to describe how she adapted to management by listening to them, not having any disagreements with them, and following the rules and their suggestions. Daeng complained that a supervisor accused her of not caring about the work, which she denied:

*If we had done the work already the supervisor (khao<sup>20</sup>) would say the work was no good. The supervisor would be angry (haai). The supervisor would tell us I don't care about the work (baw sonjai nam wiak). We did care about the work really but it didn't come out well. So we didn't know what to do* (interview 6/2014)

Workers caused problems for foreign capital through refusing to submit to factory discipline and leaving factories completely, and by high levels of absenteeism. Factories would take measures to rectify these issues and fix workers in production more securely, as shown in Chapter 9. The flipside of this however was a process of acculturation to factory discipline. Other workers were acquiescent in their construction as productive workers.

#### **8.4.3 Improving Wages**

Workers' agency appeared to improve wages in two key – and arguably interrelated - ways. *Workers' mobility* in choosing to migrate internationally and leave in search of better wages appeared to increase pressure for higher wages in order for companies to retain workers. There was also evidence as well that higher wages at several factories stemmed from *workers applying collective pressure* to increase them. The tight labour market may have allowed workers to pressure more successively.

Reported wages at Savannakhet foreign-invested factories were mainly in the range of 800,000-1.2 million kip (USD 98-147). Wages rates were thus significantly above the national minimum wage of 626,000 kip (USD 77) per month. Higher wages may be attributed to upward pressure from the tight labour market. However, it seems that the minimum wage was set at a level below the cost of reproduction of labour power, implying that wages would have to be higher than the minimum even without such a tight local labour market (Vientiane Times 5/5/2014). Wages could be increased with overtime. Reported overtime rates ranged between 4,500-7,500 kip (USD 0.55-0.92) per hour. Workers reported being able to increase their wages through overtime by between 200,000-400,000 kip (USD 24-49) per month, depending on the factory (worker interviews 3/2014-6/2014). Overtime was generally reported as compulsory across factories and added two hours to the working day

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<sup>20</sup> 'Khao' is a gender neutral third person pronoun, so it is unclear if the supervisor was male or female.

(ibid.). Workers varied in their attitudes to overtime. At Factory 4, where overtime was not always compulsory, Daeng reported that she prefers to work overtime when it is available so she can increase her wages (interview 5/2014). At other factories overtime was unpopular. Mee explained:

*Overtime is compulsory because there are not enough people [in the factory]. There aren't many people who want to do overtime...many people are forced to [it is because] for most people the money is low...4,500 [kip per hour of overtime]...people don't want to do it because a lot is deducted, social security is deducted, tax...is deducted (interview 5/2014)*

There was some suggestion of overtime not being paid at one factory. Noi alleged that she did not receive any money for the overtime she did, being forced to work until 6pm almost every day and then sent home without money (interview 4/2014). Deductions from wages were made for social insurance (*pagan sangkom*) payments and tax (*akon*). Workers reported various amounts deducted, ranging from 100,000 kip (USD 12) for social insurance and tax combined to 23,000 kip (USD 2.8) for the two combined, and it was not clear what was the basis for the variation (worker interviews 3/2014-6/2014).

Many workers did not feel that their wages were enough. 15 out of 20 responses who offered an answer on whether they felt they were paid enough stated that they did not. Of the five who answered their wages were enough, all had some land and grew rice for consumption. Of the 15 who replied that wages were not enough six had no land and grew no rice. Of those six without land, three explicitly noted that food costs had been a factor in increases in expenses (workers interviews 3/2014-6/2014). This could be interpreted as evidence for the argument that rice growing provided a subsidy for foreign-invested factories.

Workers also reportedly took various steps to push for increased wages. At Factory 2 workers were reported to have successfully pushed for an increase in wages of around 30 percent. Factory 2 was one of the first factories to start operations in the zone and initially began paying 650,000 kip (USD 79) per month, barely above the national minimum wage of 626,000 kip (USD 77) per month, according to the manager of Factory 1 (interview 10/6/2014). According to Bpet, who had worked at the factory since it started, the wages were increased to 900,000 kip (USD 110) per month in December 2013. Bpet said that many workers asked together as a group (interview 5/2014). Xay, a 26 year old male at Factory 2, confirmed that workers had asked collectively for the increase (interview 5/2014). It is

noteworthy that this increase was given when other factories were beginning to open in the Savan-Seno SEZ and competition for a scarce labour force would have been increasing. It is possible that the 'mobility power' of workers at Factory 2 and the potential lure of higher wages elsewhere prompted a rapid wage increase. If this were the case the tight labour market would have provided the conditions for a successful collective push by the Factory 2 workers.

Another case of worker pressure for higher wages occurred at Factory 3. A manager described workers pressing for wages:

*They talk to their supervisor, they say the pay rate is quite low, can the company increase and then suppose they talk to their manager and manager talks with HR, we consult with the director, he approves, so we do an increase. [Workers stopping work] has happened one time. They just stopped work for one or two hours and they came to see me and ask them [me?] to help...one by one. And then talk to them. They were asking for more salary (interview 27/2/2014)*

When asked if the workers were successful in their action, the manager responded 'yes' but did not offer more details. Nou, a worker at Factory 3 seemed to confirm that this event had occurred but painted a different picture which highlighted the power differences between capital and labour and suggested a different outcome:

*I asked for higher wages before...but they didn't increase the wages...Many workers went to ask but they [the company] gave a warning. They thought it was some kind of strike (patuang nyang sak yang) so they warned us. So the workers didn't dare (baw gaa) to [ask]...They warned us not to do like that again. They gave a warning. There's a first warning and then for a second warning you'll be fired. The workers didn't dare to ask (interview 5/2014)*

Whether a wage increase was actually effected by worker action in this case is perhaps less significant than what the action indicates about Lao workers' potential. Zone workers indicated, first, a recognition of their collective interests and, second, a willingness to act in concert in pursuit of those interests. The first can be read as an indication of a developing class consciousness among Lao industrial workers, even at a nascent stage of industrial development, which can reasonably be expected to increase as industrial workforces grow and workers become more familiar with the conflicting interests at play in capitalist production. The case at Factory 2 adds weight to the thesis of the development of class

consciousness in new Lao factories. The second factor, the willingness to pursue interests collectively, indicates that some level of spontaneous worker organization, operating outside any formal trade union structures, occurred at the Savan-Seno SEZ. The LFTU was not present in the zone.<sup>21</sup> An action which could be interpreted as a wildcat strike – and was possibly interpreted as such by management - took place even within the repressive political context of Laos. Indeed, the Factory 3 was not without precedent in industry in Savannakhet, as according to an interview with the provincial LFTU a work stoppage had occurred at a service sector company in Savannakhet:

*[there was a strike (patuang)] one time three years [ago?] the workers didn't go anywhere. They just stayed in the factory and did not work. They stayed there and refused to work until we [LFTU] went there to mediate (gai gia kaojai gan)...We went down there and mediated so that the company didn't fire the workers and work continued according to the framework of the labour law (het wiak dtaam gawp labiap gotmaai haeng ngaan dtaw) (provincial LFTU official interview 10/2/2014)*

Labour unrest and collective action in pursuit of interests within foreign-owned factories is reportedly not confined to Savannakhet province (RFA 26/3/2015), indicating a wider pattern of class conflict as foreign investment increases.

Wages in Savannakhet foreign-invested factories were significantly above the national minimum wage. Partly this may have been because the minimum wage was set unrealistically low compared to the cost of living, but it also stemmed from the tight labour market, the potential mobility of workers to leave factories, and in some cases workers applying collective pressure to demand more. Analyzing the actions of workers around wages brings out how these actions emerged as a constraint on the options and strategies open to capital (i.e. on determining wages unilaterally). Moreover, focusing on agency shows that labour markets are not naturally occurring, with the wage being determined by an abstract notion of what the market will bear, but rather that markets are constructed through a complex process of social action and strategies.

#### **8.4.4 Reasons for Leaving**

Spatial strategies of mobility and fixity were intertwined when workers left employment. Labour market mobility in search of higher wages, not adapting to factory discipline, the fixity of family care responsibilities and returning to work in the fields emerged as important

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<sup>21</sup> See Chapter 9.



reasons for leaving factory employment (see above). There was also some suggestion that workers who encountered conflict with managers saw no recourse apart from leaving, as has been observed before in Lao factories (World Bank 2012).

Nat stated that if she ever had a disagreement with a manager then she would simply leave rather than try to resolve it. In her experience every person who had had a problem with a manager had been fired, so she understood that if she had a problem she would be fired too, so therefore it would be better just to leave (interview 6/2014). Maeo suggested that her response to a conflict with managers would be similar. She stated that she would talk with managers and if the solution was not clear she *'would just leave'* (*mee dtae awk*) and that everyone would do the same (interview 6/2014). While Som did not explicitly state unresolvable conflict would make her leave, she appeared to see no alternative to leaving given a bad environment. She complained that the managers were not kind and always angry. They did not explain about how to work but were just angry. She thus declared that she soon intended to leave work (interview 4/2014). Workers were sensitive to conditions within the factories and without systems of effective grievance resolution were wont to simply leave. This issue will be addressed in more detail in Chapter 9.

Some factories were open for 24 hours and working the night shift was problematic for some workers, prompting them to leave. A manager from Factory 3 stated that 'four or five' people (the factory had only been open for several months) had already left from working the night shift. Adapting routines to the night shift may have been an issue for some but family concerns also played a role as the manager elaborated: *'People have difficulties with their families. They may have problems with their families to work. When they travel at night it is not safe for them. And their family does not allow them to work and asks them to stop'* (interview 27/2/2014).

Some workers also indicated that they may return to Thailand. Khone, a male working at Factory 8, had previously worked in Thailand and considered going back there, although was currently held back by family obligations (interview 4/2014). Daeng also suggested that she wished to return to Thailand at some point as she found village life boring and still had many friends in Thailand. She had returned because she was concerned by the protest and political turmoil in 2013-2014 near where she worked in Bangkok (interview 5/2014). This indicates that Lao workers may have still seen Thailand as an attractive option despite the new jobs available in Savannakhet. The existing territorial coherence of Lao labour's

integration into the regional scale was a challenge with which foreign factories would have to contend.

### **Conclusion**

Workers enacted their own spatial fixes to sustain and improve their lives. Their spatial practices operated through the dialectic of mobility and fixity. International migration, labour market mobility, and seasonal mobility between industry and agriculture were all important practices which were used to ensure survival and improvements of workers' and their families' lives. Practices which I have termed as *fixity* typically sought to reproduce places materially and socially by fixing something in place, whether that was the physical body of a worker, infrastructure such as housing, or material resources such as rice crops. These spatial practices were also interpenetrating – for example seasonal mobility allowing food security to be fixed as a rice crop – and contradictory – reproducing the next generation in place would limit international mobility. The territorialization project of foreign-invested manufacturing in the Savan-Seno SEZ and more broadly in Kaysone Phomvihane district seeks to capitalize on lower production costs in Laos and functional integration into the Thai economic space. The Savannakhet enclave was a differentiated territorial space which was seemingly not integrated into the broader national territory at the level of production network but was nevertheless tightly integrated at the level of production itself and dependent on the relations and conditions of production and social reproduction prevalent within Kaysone Phomvihane. Following workers' agency in analyzing the zone highlights the simultaneously social, economic and spatial practices which on the one hand allowed the zone to function as a low-cost platform but on the other hand destabilized and constrained production. Clearer insights into the fine-grained developmental effects of the Savannakhet enclave are enabled than would be allowed by identifying its contribution to macroeconomic variables such as GDP or trade balances.

There was a multi-tiered gendered construction of labour, as female migrants returned to villages to perform care responsibilities in households, and were then incorporated as local factory labour. Entry of female workers into enclave factories also entailed gendered reallocations of household labour to mothers and younger sisters. The rescaling of class relations to incorporate Lao workers into globalized manufacturing was thus enacted through processes operating at scales ranging from the international to the household. Capital appeared to appropriate and extract labour from a sphere far beyond the factory walls.

Agrarian labour was also incorporated into the emerging territorial division of labour which linked the territory to global currents. The fact that factory wage labour formed only a part of a workers' livelihood had several effects for foreign-invested companies. First, subsistence rice production appeared to provide a subsidy to foreign investors as it meant that the wages they paid did not have to bear the full cost of the social reproduction of the workers. If this is correct surplus value was extracted from workers not only at the point of the production but also from workers and family members in the rice fields. This may have allowed companies to escape pressures from workers to pay higher wages. Income was generated by jobs at the zone but the amount of labour needed to generate that income lay hidden within fields and households. The transformation of labour into value in this case would indicate a rate of exploitation that was quite high; a high amount of social labour with limited income and developmental benefits. Some income generation was evident, which was transforming local places to an extent, for example in the building of new houses. Industrial wage labour could also feed back into agriculture, for example by paying for inputs (e.g. fertilizer) and the hiring of harvest labour. Reproduction was reconfigured for the benefit of capital but apparently without large gains based on this particular territorial effect.

Capital was able to appropriate the powers of space through this subsidy. However, that workers were able to wrench back a greater proportion of the surplus they produced also appeared to stem from *their command of space*. International mobility, seasonal mobility, labour market 'mobility power', and related livelihood bases in the subsistence economy appeared to create the conditions enabling successful pushes for wage increases and better benefits. The intended and unintended effects of Savannakhet workers' actions and practices put them in a position to make demands on employers and foreclosed certain options and strategies for capital and the Lao state, and presented others as suitable responses to the need to fix workers in place and control them. *Spatial practices thus emerged as an important constitutive part of a local class composition, in this case which provided labour with the power to make some demands* (Clever 1992). This suggests that even in the context of multinational production networks and a poor, developing country seeking to capitalize on cheap labour, the race to the bottom is not a one-way process of exploitation of the powerless. The case suggests that *understanding how workers command and control productive and socially reproductive space* in the target area for capital seeking weak, informal labour will be a determining factor in to what extent capital is able to construct that labour.

Overall, workers' agency and practices appeared to facilitate some capital accumulation but the difficulties that companies had in retaining these workers suggested that *expansion of enclave factories would be limited and projected demand difficult to meet*. The creation of a space of global accumulation was both enabled and undermined by workers' mobility and fixity, with a pre-existing territorial division of labour being transformed by and transforming the territorial project. The differentiated, liberalized space of the Savannakhet enclave was made unstable and uncertain by the agency of labour, and in order to firmly establish foreign-invested capital's spatial fix - and in doing so constitute the emerging GMS scale - capital and state had to respond, as will be the subject of the next chapter.

## Chapter 9: Workers' Agency, Territorial Coherence, and the Social Construction of Labour

Workers' agency in Savannakhet, as manifested through spatial practices of fixity and mobility, actively shaped their incorporation into global manufacturing, and moreover contributed to forming a particular territorial and scalar configuration of Southeast Asian capitalism. This chapter seeks to demonstrate how workers' agency was an integral part of the socio-spatial construction of a labour force for foreign-invested manufacturing, and so how workers' agency is constitutive of contested race to the bottom processes. Workers' agency constrained the range of options available to capital and state in forging a suitable workforce. Here the relevance of space, and the spatial reacting back on the social in the socio-spatial dialectic, is most clear. The existing territorial-labour configuration between Laos and Thailand acted as a barrier which capital and the Lao state had to overcome. The increasing foreign investment in manufacturing from 2009 had to re-assemble a configuration of territorial social reproduction based on migration to Thailand and subsistence agricultural production. The new socio-spatial construction of Lao labour now required workers *to be fixed in place in Lao territory* to be incorporated into the emerging GMS scale of capital accumulation. *Struggle over workers' fixity and mobility became a key object of capital and state strategy.* Capital had to 'fix' their workers in employment for stable production. The state participated in this endeavour but also enacted strategies to reterritorialize Lao labour by attracting migrants back and blocking potential migration. Capital and the state enacted various strategies to construct labour, including hiring primarily young women as unskilled labour, recruiting skilled and managerial labour from Thailand, and sourcing labour largely from the rural hinterland of Kaysone Phomvihane district. Once in factory employment capital and state engaged in practices to informalize and discipline labour, but workers' tendency to leave jobs easily meant that seemingly too coercive control tactics were risky. Labour control regimes were thus established which tended to paternalism. Workers' tendency to absenteeism or flight from factory discipline generated capital strategies to offer workers benefits and incentives to reduce absences and turnover, and increase effort. Seasonal migration necessitated capital's accommodation to the farming livelihoods of their workers. Accumulation was eventually able to proceed, seemingly ultimately facilitated by labour's agency in their use of wage labour as part of wider livelihoods, but in a slow and attenuated way which posed challenges for capital and

allowed labour to capture some extra surplus value. Questions were thus raised over the longer-term stability of the zone.

This chapter focuses on the socio-spatial construction of Savannakhet labour as a contested process manifested through the confluence of labour, capital and the state's agency. Three main sections will deal with the mobilization of labour for Savannakhet industry through: recruitment practices and the state's efforts to reterritorialize Lao labour; the construction of labour as informal and disciplined within the factory walls; and capital's strategies to respond to a mobile labour force able to command and use alternative spaces of social reproduction, strategies which included a range of wage increases, bonuses, and incentives.

## **9.1 Mobilizing Labour: Recruitment Practices and Blocking Migration**

### **9.1.1 The State and Migration**

Lao workers' international migration prompted the Lao state to control and manage migrants for the benefit of capital. The Lao state was concerned about the tight labour market for the new industries in Savannakhet and part of its planning for the construction of the labour force focused on the one hand on blocking migration and on the other hand encouraging migrants to return to Laos. The Department of Labour claimed to have reduced the number of people from Savannakhet province working in Thailand by around 10,000 and used a discourse of close family relations to persuade workers to stay in Savannakhet. The state thus sought to fix workers in place for foreign manufacturing by emphasizing the need for close family relations:

*We try to educate and raise awareness (feuk op hom lae bpuuk jit samneuk) of the young women and men (saao num) because our town has opened to investment and has many more factories. We encourage (hai paa gan) them to seek various kinds of work in our town. They can stay near to their parents and they will have warm family relations (het hai khawp khua mee khwaam opun). We have the village heads of each village report about the impacts (pon gatop) of going to work in Thailand. After we educated and disseminated (feuk op hom lae peuy pae) [migration] decreased. Before [in 2013] the number going to Thailand was about 46,000. Presently it is somewhat over 36,000 (Department of Labour official interview 9/1/2014)*

As noted in Chapter 8, the claim of a 10,000 reduction in a single year must be treated with caution, but equally for some workers interviewed in the preceding chapter, the importance of reproducing family relations and communities in local villages was an important motivation for returning. The Department of Labour interview also highlighted the importance of the existing government hierarchies which reach down to village level administration being adapted for the benefit of foreign capital. Foreign firms were able to access the local level governance network of village heads to dissuade people from migrating and promote factory work in Savannakhet. The economic territorialization process thus incorporated new relations between foreign capital and local state actors in search of the new territorial coherence that an immobilized labour force could provide. The transformation of the Lao state apparatus to mobilize labour into the capital relation can be interpreted as a historically significant development transforming the state into a social form of capital-labour relations (Clarke 1991b). The Special Economic Zone Authority highlighted how a wider set of state institutions were to be involved in forming capital-labour relations by making Lao labour and territory cohere:

*how to prevent labour migration and how to attract it back. Of course in the past because there was no job availability offered to them...because the SEZ was just newly established, that's why maybe they still don't have information about it. But to attract them back, yes we have got to include it [in] our planning. So what we are going to do is first discuss with stakeholders, educational institutions, the government administrative bodies to disseminate this information that [job] availability is already here with working environment with incentives (SEZA official interview 20/12/2013)*

The Lao state attempted to not only work internally within Laos to restrict the mobility of migrants but also pursued the repatriation of labour through its embassies. The management of Lao citizens' mobility for the purposes of industrial development in Laos was again couched in a discourse of community bonds (Coe and Jordhus-Lier 2011), a *gemeinschaft* which all Lao naturally wanted to return to:

*we're going to work with the Lao embassies overseas, because people are going to work overseas, they need travel passports, travel documentation. So we also provide information to them. 'So in Laos we also have got business job offers, so why not you here?' So you can have, do some kind of comparison that the cost and benefits over*

*here also have a salary like this, you work with these benefits. Of course I believe that if information is already provided to them, if they are, the benefits, the salaries comparison is not a very big difference, I don't think any Lao people are willing to work outside the country far away from their home town. Yes, I really do believe that once we already set up this kind of mechanism, so we work together with the stakeholders, we can help them to come back home...[There is] human trafficking, you know many crimes, many accidents happen, and you know they have...big problems. Like illegal migration, like working unpaid. But working in the home town, very safe...why not?*  
(SEZA official interview 20/12/2013)

Lao labour's spatial organization became the object of state transformation. Workers' command of space provoked state efforts to *decompose labour's mobility power* by fixing them as sedentary and re-bound to local community relations. The actions of the Lao state here illustrate not only that the state 'internalizes in its historic development the preservation of the substance of value (living labour)' (Bonefeld 1992: 119) but also that this 'preservation' has an inherent spatial element. The class struggle which generates a state's particular institutional forms and various functions is conducted spatially leading to a concomitant spatial rendering of those forms and functions. This includes the ideological refraction of concrete forms of social life, namely the state management of workers' mobility through the discourse of 'warm family relations' in the 'home town' (Clarke 1991a; Roberts 2002). The Lao state's important role in containing and mediating the process of the class struggle was also evident in its role in companies' recruitment practices and its social construction of labour as informal within Savannakhet factories, as discussed below (Clarke 1991b; Chang 2009).

### **9.1.2 Recruitment Practices**

Recruitment practices of firms were a key part of the social construction of Savannakhet manufacturing labour. Gender, ethnicity and geographic location were the main lines along which factories assembled their workforces. Companies' recruitment was conducted through many methods including advertising through billboards, posters and radio, going directly to villages with the aid of government officials, and especially through the social networks of workers themselves.<sup>1</sup>

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<sup>1</sup> See Chapter 8 for social network recruitment.



The tight labour market generated by out-migration to Thailand and seasonal returns to agriculture presented problems for capital in incorporating factory labour. Factory 1 had surveyed the labour situation in the 2000s before moving to Savannakhet, and they had information that Savannakhet had plenty of labour, and a lot of people were looking for employment. *'That's why we chose that [to move to Savannakhet]...but it's not true! [laughs]'* (Factory 1 manager interview 10/6/2014). A Factory 8 manager noted the irony that although Savannakhet was the most populous province 'no one' lives in Savannakhet and 'most' people go to Thailand to work (interview 24/3/2014). Workers' agency was also evident in that their social networks were reported by managers as the most effective means of gathering labour. This section focuses on capital and state recruitment strategies beyond that of relying on labour itself, but which were also affected by workers' everyday practices. The tight local labour market prompted companies to reach far into rural areas to mop up labour surpluses.

The construction of labour for light export manufacturing followed a typically gendered pattern in Laos. The findings thus fit with the perhaps almost universal idea within the literature on female labour in manufacturing of it being constructed as diligent and good at detailed work (Elson and Pearson 1981; Theobald 2002; Caraway 2005; Dominguez et al 2010).

**Table 4: Number of Workers by Gender at Selected Enclave Factories in 2014**

Company	Total Number	Female	Male
Visetec	81	55	26
Tokyo Camera*	500	485	15
BPM	363	293	70
Savan Toys	130	111	19
<b>Total</b>	<b>1074</b>	<b>944</b>	<b>130</b>

Sources: Manager interviews (1/2014-6/2014); company brochures; personal communication (5/2014)

\*Approximate numbers

A manager from BCS, a local recruitment agency estimated that '99 percent' of the workers they recruited were female, a recruitment practice which was at the specific request of their client factories. Managers contended that Lao women were more hard-working than men and better at detailed work (BCS manager interview 24/5/2014). The site developer manager put it bluntly: *'Generally Laotians are hard-working. Especially females. Males are more lazy'* (Lao Samudra manager interview 13/1/2014). Factory managers also claimed that Lao women were 'stronger' which made them better suited for working in factories: 'Lao

women...they're stronger than men' (Factory 2 manager interview 10/1/2014). The strength in question was specifically the concerted application to tasks that female workers displayed: *'They have [a lot of] concentration, they are stronger, stronger for trying to work'* (Factory 4 manager interview 16/5/2014). Managers deemed women workers to be better at the fine, detailed work of component manufacturing and quality control: *'This kind of job men cannot do, it requires patience and coordinated with the hands, it's like sewing'* (Factory 1 Manager interview 10/6/2014). One manager framed the employment of women in a paternalistic way, claiming that the factory was 'supporting' women by using their fine-grained skills:

*We would like to support women and in our work women can work more effectively. [They work in] quality control, because women...look at details...I don't mean that men are not good but this work women can do, [it is] the role or duty women can do so we support women workers* (Factory 3 manager interview 27/2/2014)

One manager suggested that the factory made specific efforts to enable the migration of female workers from other districts through the provision of dormitory accommodation due to their importance for production: *'we have dormitories for only females, but males we don't support them. And our production needs females. We have...more skills. [They are] better at quality and detail'* (Factory 4 manager 16/5/2014)

Another familiar trope, female docility, was also present in managerial discourse. Males were construed by the site developer manager (Lao Samudra interview 13/1/2014) as lazy and undisciplined because he believed Lao women were the main financial controllers of the household, and thus more hardworking and compliant than the men: *'I can say here [the Savan-Seno SEZ] 70 or 80 percent are female...even my workers are 90 percent female...males because of the culture...males have a very easy life'*. Cultural explanations of Lao women's compliance were reiterated by a Factory 1 manager: *'I think [it is easier to manage women] because culture wise...Lao women...they're not forceful'* (interview 10/6/2014). The latter quote especially illustrates how the Lao case resonated with the feminization of light manufacturing workforces in other contexts as supposedly easier to control (Theobald 2002). The issue of labour control will be returned to below. Other aspects of workers such as age are relevant to the issue.

Workers were generally young. Interviews and observations of factories and their environs suggested a clear managerial preference for hiring young women. A manager from BCS, the local recruitment agency, reported they recruited workers primarily between the ages of 15 and 30 years for local factories (BCS manager interview 24/5/2014). Oy, a Factory 4 employee, confirmed that most new employees in her factory were female teenagers (interview 5/2014). Older women it appeared were only employed by the factories as cleaners (Factory 7 worker interview 3/2014; fieldnotes). Workers often reported being supervised by older supervisors (both male and female), aged over 30 years old. Lao culture tends to encourage respect and deference to elders and this may have additionally reinforced the labour control possibilities created by the construction of young, female workforces.



**Figure 10: Recruitment Difficulties – Recruitment Sign, Savannakhet Factory.<sup>2</sup>**

Seemingly, one effect of the gendered construction of the Savannakhet enclave workforce was that factories were chasing a segment of the labour market more given to migrate to Thailand. A higher proportion of international migrants in 2013 were women (53 percent).<sup>3</sup> It was thus especially pressing for foreign capital in Savannakhet to break down the barrier of the previous gendered socio-spatial construction of labour in order to construct their own female workforce. The return of female migrants to work in Savannakhet appeared to be happening to a certain extent, as women workers swapped migration for staying in their villages.

<sup>2</sup> Source: Author’s photo. The text reads ‘Hiring sewing staff. High salary’.

<sup>3</sup> See Chapter 8.

Rural villages were key sites of recruitment for assembly operators. Factory managers reported that the majority of their workers were recruited from rural areas, mainly in Kaysone Phomvihane district but also from farther afield. Kaysone Phomvihane district appeared to have a territorial division of labour with distinct urban/rural segmentation with workers from urban areas more likely to work in offices, shops or restaurants in the city and labour surpluses from the rural areas more likely to migrate to Thailand, work in agriculture or work in local factories. The development of enterprises in the town appeared to increase factories' reliance on rural labour, as one manager of a more longstanding factory noted the changing geographical origin of workers in 2010:

*Previously there were lots of [workers] from Savannakhet city and those [workers] we lost because in Savannakhet they opened quite a lot of shops, small restaurants, or they just sell outside or in the market. They can get the same or even more income and we are thinking now of a strategy to go even further and recruit people from the villages that don't have any exit to the main road and places where they can get money...that's why we went to Ban Huay which is about 20 km in the direction of Pakse from Savannakhet (Factory 5 manager interview 18/3/2014)*

The need to access a more spatially extensive labour market was an important theme emerging from interviews, and is returned to below. The above quote however illustrates that factories were ill-equipped to compete for urban labour. A Factory 4 manager stated that more labour came from rural villages 'because in the towns they have many companies' (interview 16/5/2014) while a Factory 2 manager (interview 10/1/2014) claimed that people from the town did not want to do manual labour but instead wanted to work as 'officers', accountants and secretaries. Moreover, the state emerged as a desired employer due to the relatively high wages it paid and the security it could offer (cf. High 2014). It is likely that this factor was especially pertinent in the urban area of Savannakhet due to it being the main administrative and educational centre of the province and Laos' upper south. A manager from Factory 1 explained how the state was a competitor for labour:

*We have had many meetings with the government and the government says that they need people to go and work in the factories but meanwhile the government has set up very high pay. For example, janitorial work for the government pays 900,000 [kip per*

*month] so people want to work in those jobs. We start off lower and then add to it in order to get closer to the government pay (interview 10/6/2014)*

A Factory 2 manager also raised this issue, claiming that people want to work for the government because there are many types of welfare available (interview 10/1/2014). State employees are entitled to all categories of benefits under the 2013 Social Security Law (GoL 2013c: Article 10). If it is indeed true that the government was a competitor for Savannakhet labour then the government appeared to be in contradiction with its own efforts to mobilize labour for private capital. One conjecture for this contradiction concerns the extent of state transformation in rapid economic development. The Lao state is becoming more complex with more government bodies and institutions founded as it develops the governance infrastructure to deal with its capitalist transformation. This entails increases in the number of government employees (Vientiane Times 6/1/2014). This would mean the very process of state transformation in relation to capitalist development was undermining that development in one respect.

Due to problems with recruiting sufficient labour in Kaysone Phomvihane district, companies were looking further afield. A Factory 3 manager stated that assembly operators came from villages in Savannakhet but that some came from 40 km away in 'Seno' (Outhoumphone) district (interview 27/2/2014). This may have represented a significant commute for some workers in the Lao context of very few public transport links – necessitating motorcycle use – and poor road infrastructure in places. At another factory the extent of the labour market was extended even farther: *'We had to go out all the way to Sepon and Meuang Phin [in the east of Savannakhet province], even go to another province, Khammouan and Salavan'* (Factory 1 manager interview 10/6/2014).

A manager from BCS, the local labour recruitment company, expanded on the problematic issue of recruiting in other areas of the province and other provinces. The agency travelled to villages in the least developed areas of the province in order to recruit workers. The agency would go for a single day to a village but found that this was not enough time to persuade villagers to come. Villagers from these areas tended to be suspicious and suspected that the agency was trying to deceive them (BCS manager interview 23/5/2014). The manager's colleague confirmed this and suggested that villagers had been deceived by migration brokers before and so were wary (BCS manager interview 24/5/2014). Some

parents were protective of their children and didn't want them to go to Kaysone Phomvihane to work – a difficulty that may have been exacerbated if families were more protective of female children. Recruitment in the least developed areas took place in ethnic minority villages where the basic issue of communication became a problem: *'The language. There are many ethnic minorities (son phao), Lao theung, Lao sung, Lao loun,<sup>4</sup> it is hard to talk with them, the language, communication, there are problems with comprehension'*. The company recruited workers for several study factories including Factory 1, Factory 4, and Factory 7. The manager estimated that 30-40 percent of the total number of workers they recruited for these factories were ethnic minorities from the distant hinterland and who stayed in the dormitories, although the manager did not provide a total number of workers recruited monthly or annually. This segment of the workforce the manager reported was especially hard to fix in place with an estimated monthly turnover of 50 percent for ethnic minorities from the less developed districts. A key reason for this high rate was that ethnic minority workers were 'homesick' and returned to their villages. When asked about the effects of this on the production process, the recruitment manager responded that it was difficult to replace workers quickly with the result that in production *'development is slow, not continuous'* (BCS manager interview 24/5/2014). Ironically, the Lao government discourse of the attractiveness of migrants working in the home town for 'warm family relations' had quite a different meaning for another set of workers, internal migrants, and these workers' fixity in their communities appeared to limit capital's ability to fix them in production.

State agencies played an important role in the mobilization of rural labour. The state's mediation operated through the internationalized administrative entity of SEZA and the established village level governance structures. SEZA facilitated companies to go to villages to promote themselves and announce vacancies. The site developer highlighted SEZA's role:

*We go to SEZA as the governmental agency, it's easier to go to the village. If I go with the private company there's no way we can reach so we have to go using SEZA. SEZA is in direct touch with the government so they have...the power to (unclear) the head of the village working on this* (Lao Samudra manager interview 13/1/2014)

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<sup>4</sup> This is the tripartite classification of ethnicity promoted by the LPRP in the early years after the revolution to promote all ethnic groups in Laos as 'Lao'. *Lao loun* ('lowland Lao'), *Lao theung* ('mountain slope Lao'), and *Lao sung* ('mountain-top Lao') refer to the elevations that different ethnic groups live at and roughly correspond to respectively Tai-Lao, Mon-Khmer, and Hmong-Mien ethnic groups.

A Factory 2 manager confirmed that SEZA had assisted them to go to villages to speak to locals and noted that this strategy had some success: *'After that we also had more people come'* (interview 10/1/2014). The site developer manager was perhaps mistaken with the claim that it was necessary for SEZA to go with companies to the village as a non-zone factory manager reported going to villagers without the intercession of SEZA (Factory 5 manager interview 18/3/2014) and a Factory 3 manager, a zone factory, also stated that the company was presenting itself in villages without SEZA (interview 27/2/2014). Not all companies wanted to use the service that SEZA provided as there was a charge for SEZA's aid, the Factory 3 manager asserting that the company would prefer to try recruiting by themselves. However if Factory 3 went to the village with SEZA then they would be able to hire workers immediately, and bring them straight from the village (interview 27/2/2014). Factory 3 preferred instead to present the company and motivate people to apply at a later time and so declared they would only use SEZA when necessary (ibid.). The point remains however that SEZA was actively engaged into turning local villagers into wage labour for foreign capital, and moreover could facilitate more rapid hiring of labour.

Village heads also emerged as crucial local level intermediaries helping to funnel villagers into global production. The site developer elaborated on how local scales of governance assisted monitoring of the labour market and access to potential workers:

*[In] Laos we have a very good concept to monitor people. Because they have the family book ok? Every family has a family book. The family book is controlled by the head of the village. So the head of village can provide it to the head of the district, so we assess. How we assess, we go to the head of the district and the head of the district goes to the head of the village. The head of the village, they can know everyone in the village...they still implement the family book, so they can control the people....today our concept is to go to the village, directly to the worker (Lao Samudra manager interview 13/1/2014)*

A BCS manager confirmed that in their recruitment efforts working with the village heads and village governing committees was useful. Making announcements through village officials brought some success in mobilizing labour to come to Savannakhet factories (interview 24/5/2014).

It should be emphasized however that the cooperation between the Lao state and foreign capital was not always smooth. In addition for competition over labour outlined above, foreign investors had been dissatisfied with government agencies in providing adequate labour supplies. One factory manager was of the opinion that the government had planned to create an SEZ but had not given sufficient attention to how the country's educational system could support it. The government's priority was to attract investment, leading to many companies in the zone but a lack of workers, especially with adequate skills for industry. The manager recalled attending a meeting between state officials and foreign investors in another town, where investors were complaining to the government and asking them to resolve the labour question (Factory 8 manager interview 24/3/2014). Other firm managers reported lack of follow up by the government, weak communication even within government departments, and an ineffective response when attempting to recruit via the Department of Labour (Lao Samudra manager interview 13/1/2014; Factory 5 manager interview 18/3/2014). However, the state appeared to be taking its responsibility to capital seriously. Government officials were aware of the need to gear vocational and university education towards providing forms of labour power suitable for use by foreign industrial capital (SEZA official interview 20/12/2013). Reportedly study tours from the National University of Laos in Vientiane had been arranged to promote the zone as a desirable employment destination and presumably inculcate a spirit of industry among Lao youth (Lao Samudra interview 13/1/2014). State transformation is of course a contested and uneven process but the direction of travel in favour of international capital was clear.

International migration was also targeted as a key method to compose economic coherence, in addition to the spatial extension of the labour market within Laos. Far from Laos being merely a source of cheap migrant labour, the possibility was raised of increased labour inflows (cf. Tan 2012; Hanh 2014). A Factory 8 manager voiced frustrations at recruiting enough workers from within Laos and suggested that it was possible that they would recruit from Cambodia and Vietnam in the future, noting that a factory associated to their company in Vientiane had already recruited from Cambodia (interview 24/3/2014). One manager suggested that integration into the AEC may allow the factory to cast the net for labour internationally:



*of course we will employ foreigners, especially in those positions where we need the skills... for accounting for example I'm sure most of the companies here will employ Philippine staff, and even in the [assembly] line we were discussing building the dormitories and employing foreigners, like Vietnamese, or Indonesians or Cambodians in the future. So we see [the AEC] as an opportunity to grow, we are happy...we will be able to have foreigners inside Laos, we are very sorry for the local people because we will have a bigger choice and we will select. And only the best one will really stay and have a good job (Factory 5 manager interview, 18/3/2014)*

The possibility that this company would opt for foreign labour to the detriment of Lao labour raises questions about the border enclave's main intended developmental benefit, that of providing local people with jobs. In-migration would provide a possible means to decompose the local spatialized class composition. This quote also raises another key aspect of Savannakhet enclave labour. Staff with managerial skills and experience tended to be foreign nationals. The highest management positions appeared to be occupied by nationals of the home countries – European and Japan - of the transnational corporations. Intermediate management staff tended to be Thai. Workers from four factories reported Thai supervisors (worker interviews 4/2014 and 5/2014).<sup>5</sup> On the one hand this reflected a perceived lack of managerial skills in Laos as the site developer manager explained:

*the white collar [workers] are very few in Laos. Now the white collar supply, supply is short...So I have an idea for recruitment of the white collar. I try to get from Thailand, like Mukdahan province, Ubon [Ratchathani] or...Nakhon Phanom....these people like from Mukdahan [if] they work here they can get a good salary. About 1000 US or 1500 [USD], it's better than to work [in] Bangkok (Lao Samudra interview 13/1/2014)*

On the other hand the import of Thai staff was an expression of Savannakhet factories as an extension of Thailand-based transnational production networks. The manager interviewed from Factory 2 was a Thai national who had worked for the company in Thailand for several years, before transferring to Laos (Factory 2 manager 10/1/2014). Factory 1 also had Thai managers transferred from their Thai facilities because of a lack of managerial skills among Lao staff, although employing Thai staff involved problems related to the social cost of their labour as a manager explained:

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<sup>5</sup> Factories 1, 2, 4, and 7

*Right now we promote a lot of Lao staff to the manager level....because hiring Thai staff is really expensive [laughs] because they come from our mother company and so they take the salary and when they come here we have to pay them the cost of living and provide them with housing (Factory 1 interview 10/6/2014)*

In sum, workers' international and seasonal mobility constrained the ability of capital to recruit labour easily, provoking capital strategies to access a spatially more extensive labour market and facilitate internal migration through the construction of dormitories. International migration of managerial staff was also encouraged but also came at a cost. Capital recruited with the intercession of the state in the form of SEZA and village heads. The limited effectiveness of these strategies entailed reliance on recruiting through workers' relational networks. Companies' preferences for young women may have been hindered by chasing a segment of the labour market more likely to be internationally mobile and reinforced the state's need to prevent migration and attract back existing women migrants. Sourcing of labour in rural areas was necessary for capital but also posed problems, as will be shown below. The mobilization of labour into factories was but the first step in workers incorporation into foreign-invested manufacturing, and capital and the state had to adapt their strategies of training, discipline and control to form stable labour forces.

## ***9.2 The Construction of Savannakhet Factory Labour Regimes: Informality, Paternalism, and Labour Process***

### **9.2.1 Informality**

Savannakhet enclave workers lacked access to basic labour rights such as the right to industrial action, effective grievance resolution procedures, and collective wage bargaining. Capital and state colluded to construct workers as 'in-fact' informal despite working in high profile transnational, 'formal' enterprises. It appeared that it was not common practice to give written contracts to many workers, workers had limited knowledge of the labour law, the LFTU was not present in factories, and there was limited evidence of in-company mechanisms where workers could have grievances effectively addressed.

Representatives of state and enclave capital suggested that labour contracts were used. Speaking in the context of worker involvement in training a SEZA official stated:

*People already signed the contract to join the companies....that means at least 90 percent are willing to work in the companies and of course we also mention in the labour contract, once after the training programme is over...you have to work for the company how many years, one year or two years, it depends on the contract signed (interview 20/12/2013)*

The official thus suggested that labour contracts stipulated not only length of service but also training provisions. The site developer manager also suggested that contracts were used which stipulated tasks and duties: *'We had to tell them exactly what to do and state very clearly. If they don't have step five in the contract then they will never do it. [They follow the regulations well] they are quite honest to the contract'*. Most workers however reported that they did not have contracts and contracts were only provided to certain staff who were being trained in specific skills. Kit, a Factory 6 worker, stated: *'I didn't get a contract, they are only for the group who go to train in Vietnam (baw dai het mee dtae phuak pai feuk op hom yoo Viet Nam)'* (interview 3/2014). Maeo confirmed this saying that only workers who go to train in Thailand or Vietnam would be awarded with a one year contract. Maeo expanded by saying only higher skilled staff were given contracts and not normal assembly operators like her (interview 6/2014). Workers generally described their recruitment procedure as straightforward, with a cursory interview, asking for example if they would be comfortable to work certain shifts, as well as needing to provide documents such as the family book (*bpeum sammanno khua*) and a letter proving residence in their village (worker interviews 3/2014-6/2014). Employment contracts in Lao law may be either written or verbal but if at least one of the parties is a 'legal entity or organization' then the contract must be written (GoL 2013a: Article 77). From the workers' testimony it would appear that companies were not applying the law and so workers may have been unaware of their legal rights and entitlements. Workers' status as lacking knowledge of labour rights was supported by their responses when asked if they had received any training on labour law or health and safety issues. Workers generally answered that they had received no or little training on these aspects and knew little about the labour law (worker interviews 3/2014-6/2014). For the majority of workers it thus seemed that companies were excluding workers from knowledge which would make them more secure.

The state also colluded in the informalization of Lao workers. In Chapter 6 I outlined the labour legislation which placed strict constraints on industrial action. There was also

evidence that some investors saw the authoritarian nature of the Lao government as a boon to maintenance of labour control, as one manager explained:

*We comply with the [labour] law and regulations. It's [industrial conflict] not a very [big] issue...because here they don't have the politicians involved, we just have a single party in the country, so already we reduce third parties becoming involved. Like in the last two weeks, Cambodia,<sup>6</sup> because of an opposition party, they come and support the workers...it became a big issue. But Laos, I think no, because we have a single party so no problem (Lao Samudra manager interview 1/2014)*

Both managers and workers responded that there was no LFTU presence in zone factories and only limited presence in a non-zone enclave factory. Managers from two zone factories said that they were considering it but had no plan as such (Factory 2 interview 10/1/2014; Factory 3 interview 27/2/2014). A Factory 1 manager reported that the LFTU had attempted to come to the factory and the company was open to the union coming in. However the manager claimed 'but so far none of my employees want to join. They say 'what would I gain'' (interview 10/6/2014). A Factory 1 worker, Jit, confirmed that the LFTU had entered the factory to give training about the labour law, but Jit perhaps contradicted the manager on having nothing to gain when he reported that he had missed the labour training because the LFTU had gone to another department, and he would have liked to participate so that he could learn about the labour law and moreover educate his colleagues about it (interview 5/2014). Workers generally knew little about the LFTU or even what a trade union was or did. Fah, for example, asked what a trade union was when she was asked if there was the LFTU in her factory (interview 6/2014).

Savan-Seno SEZ legislation does make provisions for the management of industrial relations. Article 56 of the Savan-Seno SEZ Decree 177 (GoL 2003b) states that the zone should have a committee to promote 'harmonious working relations' and is to be comprised of representatives from the Ministry of Labour or SEZA, two labour force representatives and three business representatives. When asked about this a SEZA official's reply was instructive about the zone's priorities, and illustrated what could be termed an ambivalent attitude to the question of the LFTU:

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<sup>6</sup> The interviewee was referring to the Cambodian garment workers' strike and protests in December 2013-January 2014. See AMRC 2014.

*We have not yet established this committee because this committee still you know still provided, the services that investors require but for the next stage when we have certain numbers of employees working inside the zone of course we're going to think about labour unions, we're going to think about the social welfare and social security and medical centre...Then at the time, ok we might think about establishing by including representatives from the public sector (interview 20/12/2013)*

The first priority for SEZA was to cater to the needs of the foreign investors before guaranteeing decent and secure employment for local workers. One of the purported aims of the SEZ project was to provide jobs for local people, but this was to be done on foreign capital's terms. Given that the Savan-Seno SEZ was a flagship project for attracting investment from prominent global firms and a 'stable political environment' was touted as a reason to invest in Laos it was perhaps inevitable that the labour for these firms would be 'in-fact' informal despite limited provisions for protection in the labour law. When pressed on the issue of trade unions in the zone, a SEZA official presented the government as a neutral mediator of capital-labour relations and protector of labour while simultaneously denying the right of labour to challenge the power relation with capital:

*according to the labour law, a trade union is to be established under [the] enterprise...on behalf of their benefits, for their interests, and of course I believe that we don't encourage to have strong labour unions otherwise they are going to go on strike or something like this, because we want to protect not just labour itself but...the company also...we are the neutral. But of course they have the right to establish the trade union legally (interview 20/12/2013)*

The site developer was rather less equivocal about the possibility of labour organizing and industrial action in the zone and suggested that some attempts at spontaneous worker organization were rapidly clamped down on:

*we have to control, if someone tries to become a leader, otherwise [we] have to kick first, kick out first. Because they will bring people to strike...We had one person who tried to become a leader to the group so they were the one we had to kick out first (Lao Samudra manager interview 13/1/2014)*

When pressed the manager was not forthcoming on which factory or factories ‘leaders’ had emerged in but reiterated that they got rid of ‘him’ and asserted that there were not many of such ‘leaders’. Managers suggested that it was easy to fire workers. Managers asserted that they followed the labour law in labour procedures, including dismissing workers. This however begs the question of how closely the law was adhered to when workers appeared to lack written contracts and knowledge of the rights under the labour law. The very lack of written contracts was in contravention of the labour law. It appears workers were fired easily if they experienced problems with management or suggested they would just leave the factory as they believed they would have no effective remedy in this system of ‘harmonious working relations’.<sup>7</sup> It thus seemed that even within the terms of restrictive labour legislation, improvements to treatment of workers could be made by fully adhering to the law.

Companies and the state constructed Lao factory labour as informal, lacking knowledge of and access to labour rights and the ability to remedy grievances even through the attenuated corporatist union form of the LFTU. It appeared then that foreign capital’s relocation to Savannakhet was undertaken in part to take advantage of a labour force easily constituted as unprotected and precarious. The informalization of workers and the level of control it could afford over workers might have suggested a labour control regime based on strict discipline and coercion, but elements of workers’ agency – particularly their mobility power in the local labour market context - seemed to promote more consensual and paternalistic relations between capital and labour.

### **9.2.2 Paternalist Management**

Managers and worker interviews indicated that overly strict and coercive labour control methods would be counter-productive in the Savannakhet context and prompt workers to leave. This would have exacerbated the factories’ existing problems with recruitment, and so more paternalistic methods appeared to be present, with some managers emphasizing a discourse of family relations in the workplace, as well as invoking Lao culture as something which capital needed to adapt to. Notably, it was factories which had been operating for several years in Savannakhet which described their need for paternalistic industrial relations most clearly. This indicated that more established factories had already adapted to the

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<sup>7</sup> See Chapter 8.

realities of a mobile workforce from rural backgrounds which was unused to factory discipline.

The site developer manager, a foreign national from an Asian country, insisted that companies had to adapt to the necessity of maintaining 'face' – social standing and dignity in front of others – when incorporating workers into factories and also soften the management style to suit Lao expectations about social relations:

*The culture of Laos...the Laotian ego...is very high. In public you cannot scold them, they have to ...save their face....motivation costs...you have to let the workers feel they are one of the family of the company. You have to absorb this kind of culture. You cannot use 'I am boss, you are my staff'...it cannot work in Laos. Laos has the different culture. They work something like the family, like a family concept. You work for this company, then this company can get more income and you can get more rewards (Lao Samudra manager interview 13/1/2014)*

The site developer's opinion was supported by the account of a Factory 5 manager, a European national with several years' experience in Savannakhet. The manager described how strict attempts to discipline workers had resulted in them simply leaving in response, prompting a change in tactics to retain workers and also convince those who had left to return:

*You cannot confront Lao people directly, you have to find a way of nicely talking to them. Maybe also sometimes [it's] my mistake. As a foreigner I am too direct. I will say...you don't give me enough. That's normal if my boss is calling me...I don't take it as personal...they take it personally...By giving support to them and by making them understand that we care, we can have a much better relationship [and get workers to return], even improve the discipline and the attendance and everything (interview 18/3/2014)*

Foreign managers highlighting 'Lao culture' for workers' behaviour perhaps raises the possibility that they were presenting an essentialized view of Lao culture – the importance of 'saving face' over other considerations - and blaming Lao workers' culture itself for a rational response to harsh treatment in precarious, informal employment. Nevertheless,

company concerns over workers leaving appeared to make managers treat workers with more care. Lao managers also used a discourse of familial relations and adaption to Lao culture. The Lao manager of Factory 8 emphasized the significance of the company's workforce slogan: 'We Work Like a Family'. This manager went on to explain that if the worker has a sister then the company will welcome them to work in the factory and look after them (interview 24/3/2014). A Factory 2 manager when asked about principles of factory management answered that it was the company's principle to make the workers 'strong' and happy to work at the factory. The management wanted them to be happy with 'everything' and not just the wages (interview 10/1/2014). The importance of both building consensual relations with workers and also adapting to a Lao way of doing things were emphasized by a Factory 1 manager:

*We are always looking for ways to...make employees more comfortable. For example we provide them with a cafeteria. During the break time they just buy the food there....Make it easy living, not make it too complicated. Even in the dormitories we have somebody to look after them at night. If somebody is sick we take them to hospital (interview 10/6/2014)*

When asked if workers responded the best to a friendly or a strict management style, the manager invoked Lao culture as an important element in labour control strategies:

*Yes [friendly]...we do not call it aggressive. We understand Lao culture. That's the thing about the system here. Because the system we brought here has been practiced in Thailand for many years. We use the same policy that in Thailand has been a success. For example we're not too aggressive about it. We're passionate [compassionate?] that way...We do the water festival,<sup>8</sup> we invite monks here and every Buddhist ceremony we have invited monks here to give alms [to them]. The whole employees help us...they feel relaxed [laughs]....Over here we even go to each village that has employees here, every year we go to make an offering at the temple. We also support the local school by donating a certain uniform or footballs or anything like that (Factory 1 manager interview 10/6/2014)*

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<sup>8</sup> Here the manager is likely referring to the Lao new year festivities (*pi mai lao* or *songkan*) which are celebrated with Buddhist water sprinkling ceremonies and more pervasively with large-scale water fights/throwing in the streets.



Of note here is the apparent rescaling of an existing management style from Thailand and more evidence for the cultural mediation of the labour relations. The reported extension of specific management practices points to the relocation of capital as the relocation and expansion of social relations of power between capital and labour, and thus that scale is used as a form of class struggle (Gough 2004). The reproduction of one Thai-based capital was achieved through the rescaling of existing elements of a consent-based labour control strategy to incorporate lower-cost Lao labour. Labour's agency however, as shown below, also drove other elements of this company's labour control strategies, especially with regard to incentives to retain workers. The manager may also have been suggesting that cultural similarities between Thailand and Laos enabled the rescaling of the paternalist labour control regime although this was not clear. What was evident however was that the company appeared to make attempts to incorporate labour via the mediation of workers' existing religious practices and generate prestige for itself by beneficence within workers' communities. The religious merit and cultural prestige that the company's donations to local temples would have brought to workers' villages may have acted as an indirect form of control which encouraged workers to continue their association with the company.

Workers themselves reported various experiences of management styles with evidence for some coercion, such as complaints of angry managers,<sup>9</sup> but also paternalistic relations of consent. European, Japanese, Thai, Lao, and at one factory Chinese managers were employed at Savannakhet enclave factories, and workers reported differing national management styles. Male and female supervisors, according to workers, were generally older – in their 30s – than the assembly line workers. One manager, from Factory 4, stated that they preferred to use female supervisors for their largely female workforce as female supervisors were better at communicating with women workers, as well as the workers being more comfortable and 'flexible' when supervised by other women (interview 16/5/2014). Some workers left the factories because they encountered strict discipline and what they experienced as unfair treatment, but other workers reported less strained relations with supervisors. Kit, a 29 year old male at Factory 6, reported that Japanese managers were very strict and disciplinary and so he had to be careful when he worked. This was different to being supervised by Thai managers who he inferred were more relaxed (interview 3/2014). Other workers supervised by Lao and Thai managers reported a more easy-going style. Joi at Factory 8 said that her Lao manager was not strict but '*like a friend*'

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<sup>9</sup> See Chapter 8.

(*baep moo pheuan*) (interview 6/2014). Ying, working at the same factory as Kit, reported that the managers were quite strict during working time, but friendly during the breaks and outside working time, adding that she understood why they were strict and felt that this was normal (interview 5/2014). Workers thus supported to an extent managers' claims of paternalism in enclave factories.

The evidence thus suggests that concern for workers' propensity to exit generated specific labour control strategies, which tended to consent over coercion. Workers' agency – specifically their mobility power – induced changes on the part of capital. As argued in Chapter 2 it is not enough to approach labour control from the needs of capital but rather focusing on the actions and practices of workers enables clearer insights into *why* particular capital strategies are adopted over others; how workers' agency emerges as a constraint to that of capital and drives forward the specific forms of industrial relations and associated patterns of accumulation and distribution of surplus. As noted in Chapter 8 coercive, disciplinary elements were also in place which caused workers to leave and industrial relations were framed by a strong anti-unionism and non-enforcement of labour rights so, to be clear, sticks were used as well as carrots. Various types of carrot were necessary to maintain stable production however. Incentives will be dealt with below but first I turn to how workers' spatial practices affected the stability and organization of the production process.

### **9.2.3 The Production Process**

Savannakhet enclave factories generally experienced difficulties recruiting thus placing restrictions on production, and when workers regularly left employment the issue was exacerbated. A Factory 1 Manager reported that during difficult periods of worker turnover they met only 80-85 percent of their production targets, compared with 96 percent of targets at other times. Once the manager said production had to come down to 30 percent of the factory's capacity due to low levels of staff (interview 10/6/2014). Recruiting workers was especially difficult when there was competition for agricultural labour: '*Sometimes they are reluctant to come here until the rice season is done, until the harvest season is done*'. Several strategies were adopted to deal with the issue of workers wanting to leave for agricultural work. One method was to allow workers a set amount of time off so that they could go to help on their families' farms. Workers reported being given variously three days and a week off (worker interviews 3/2014 and 5/2014). This was possibly an annual holiday

entitlement. Other strategies were to control an industrial reserve battalion, if not quite an army, and to extract absolute surplus value through extending the working day. Factory 1 would attempt to recruit a number of workers beyond that actually needed for production in order to cover for the contingencies of absence and exit. The manager gave the example that if they needed 100 workers they would recruit '112' workers so that they would have ten percent spare to ensure the assembly line would not stop. During difficult times of low staffing the factory utilized a lot of overtime and had to '*make a lot of employees tired*' (Factory 1 Manager interview 10/6/2014). Savannakhet workers' command over agrarian space thus led to struggles over labour time, with labour time devoted to agriculture for some workers leading to factories imposing a strategy of absolute surplus extraction through extension of the working day. This however would have imposed extra costs on capital as overtime was paid at a higher rate. It seems that this strategy may have enabled extra surplus value extraction from the remaining workers but at a lower rate of exploitation during overtime hours (Fine and Saad-Filho 2004: 41-42). Absolute surplus extraction was a tactic also used by Factory 3. When asked whether workers leaving disrupted production a manager responded: '*In the last month not much because we use our existing employees to do extra work with overtime*' (interview 27/2/2014). The same manager however went on to elaborate that the expansion of production presented worker-related problems:

*If we need 30 people we cannot find immediately. It takes some time to find, so it may take one or two months to get...Our big boss said that we needed to double production and we need 15 more operators in one week! We don't plan for this but they just order* (interview 27/2/2014)

In this case the manager reported that they managed to find 15 workers in time, but it is possible this did not translate smoothly into the doubling of production required by the company hierarchy due to the costs of training new workers, an issue experienced by several Savannakhet factories.

A Factory 8 manager confirmed workers' mobility and absenteeism as disruptive. This manager stated that the worker issue made it very difficult to plan production as they could not plan to replace workers. Churning of workers imposed burdens on different departments of the factory, especially human resources and training. Training was made especially difficult. Workers needed to be replaced quickly and new workers trained. The

company could thus not wait for '50' people to start training, which it can be inferred would save on time and costs. The company instead waited for groups of ten to start training but overall the organization of training was made 'very difficult' by workers' movement in and out of employment (Factory 8 Manager interview 24/3/2014). Factory 4 also experienced similar problems with constant employment of new workers as a factor hindering production. New workers lacked skills and training them meant that daily production targets for workers were missed until new workers could get up to speed (Factory 4 manager interview 16/5/2014).

At Factory 5, a manager reported similar issues. The manager stated that a problem for the company was that they always had more orders than they could produce. Sometimes the management would plan production for the month and would be happy that they could achieve the targets but then 'ten percent' of the workers would leave and production would be hampered. Staff turnover was especially problematic when it involved staff with specific skills:

*let's say if it's a person with technical skills to prepare samples...we cannot replace it here...I had a very good girl and we had a misunderstanding, there was a conflict and she left...[it disrupts] a lot, a lot, because mistakes can be made...if the sample is not prepared correctly then we are producing in the line with a mistake and we have to remake it. It takes us time and time is money (Factory 5 manager interview 18/3/2014)*

Some companies turned to rotation of workers through tasks and departments to solve their recruitment problems. At Factory 4 a manager outlined the adaptations that had to be made to the labour process:

*Production has problems so that we do some rotation...It's better they [assembly workers] can do all processes...We need fixed [workers] for skills, fixed for injection, fixed for cosmetics, but now we cannot because the operators are also [often] absent or leave. We have to rotate, now every day (interview 16/5/2014)*

The manager stated that it was not difficult to rotate workers, but the time and training costs involved in ensuring workers had multiple skills may have hindered the amount of production that could occur in the Savannakhet facility. Factory 2 also adapted the

organization of their labour process by rotating workers between departments. If workers had to go back to help their families in the rice fields for a week or so, then workers would be exchanged between departments. Workers were trained in many tasks thus enabling rotation (Factory 2 manager interview 10/1/2014). Savannakhet enclave factories then appeared to be turning to flexible skilling of the labour process, rather than limiting workers to one specific department or skill. Even if this were a company's favoured skilling strategy, the objective conditions of the Savannakhet context demanded that they implement this labour process. The dependence on recruitment from rural areas also imposed on capital the arduous process of disciplining and sensitizing local workers to the rigours of industrial production.

The site developer, in an interview conducted in English, described Lao labour as 'raw workers' (Lao Samudra manager interview 13/1/2014). The site developer elaborated that the rural base presented specific problems for workforce formation:

*Of course Lao workers have this....baw bpen nyang<sup>10</sup> culture...so this is a big problem...but they come to the factory, of course we will start with motivation something like that...working time, so first they didn't follow, we had to implement punchcards, we had to prove it, why are you late? And then slowly, slowly [they stop?]. The discipline is not a one-day job, it is day to day. It's a day to day job (Lao Samudra manager interview 13/1/2014)*

A Thai manager from Factory 2 expressed his initial surprise at supervising Lao workers, underestimating the effects of significant uneven development between territories now welded together through the Savannakhet border enclave:

*In Laos it's not fast. I thought at the beginning, ok Lao Thai are not different, but oh I was wrong. They're very different. I understood you have to do it slowly...They come from farms, they are not experienced with industry. Also, everyone is new, they don't know the machine, they don't know the parts, they don't know the process, they don't know the regulations (interview 10/1/2014)*

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<sup>10</sup> This common Lao phrase translates as 'never mind' or 'do not worry about it'.

Despite some workers being sensitized to industrial employment<sup>11</sup> the expansion of industry in the area entailed a slow process of changing labour's experiences, attitudes and expectations of work. For Factory 1, a more established company, their workforce had been inculcated with the values of industrial discipline, but it had taken them some years to instil this type of consciousness in workers:

*I think every factory in Savannakhet now [has issues with absenteeism]...because you have to understand these people have never worked in industry before...I think it's become better now compared to what we used to have. For example, old workers who have been here for two or three years...I think there's a lot of improvement. They've become industrialized workers instead of like a volunteer or an amateur worker (Factory 1 manager interview 10/6/2014)*

The formation of 'industrialized workers' from 'raw workers' was not a straightforward process due to both workers' propensity for moving between jobs or countries and also their transitional status between a rural base and industrial wage labour. Workers' control over, and use of, space entailed increased struggles over labour time. Allied to paternalism were other methods which fixed workers in place, involving forms of coercion but also incentives which allowed workers to capture a greater share of the surplus produced and imposed additional costs on capital. Companies moved to Savannakhet to increase the amount of surplus value relative to other locations. This may have been broadly successful due to lower costs than previous sites in Thailand, but the labour issues imposed higher costs than Laos' minimum wage suggests to investors. The higher social cost of labour raised questions about the expansion and sustainability of the zone with implications for it as a developmental strategy, issues which will be addressed below.

### **9.3 Fixing Workers in Place**

Workers' agency manifested in the forms of international and labour market mobility, and their fixity - in terms of social reproduction in their villages and command over agricultural space - represented barriers to foreign capital's accumulation which had to be overcome through fixing workers in a different place - within the factory walls. To achieve this, state and capital cooperated in local labour regulation within the SEZ, and capital held out a range of monetary and non-monetary incentives to retain workers in - or even tempt them back to

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<sup>11</sup> See Chapter 8.

- employment. Workers' actions and practices thus generated capital strategies from which they derived greater material benefits, even though at first glance Lao workers appeared to be in a highly constrained and disadvantageous situation of informality. Lao workers thus emerged not as passive victims of a teleological race to the bottom but as active participants in the creation of an open and contested global development process.

### **9.3.1 Regulatory Fixing**

State and capital cooperated to fix workers within factories. There was a zone specific regulation in place to limit the mobility power of workers and prevent potentially destabilizing competition between companies for labour, as a Factory 3 manager explained:

*We have many factories and they need more people but they can't get people...and the other thing is about people that want to get more salary. It is a challenge for us and then they try to look for other companies as well. If they know someone will pay more they will go...We also planned to solve this problem. If employees are working in this zone we have an agreement to not steal people from each other's companies. If people leave from one factory they must take time up to six months before working for another (interview 27/2/2014)*

The site developer elaborated that this policy was enacted through the combined agency of SEZA and capital and was necessary for the viability of the zone. It was stressed that workers' free mobility would impose damaging non-wage costs on companies and possibly create conflict between them:

*Whoever is working in a factory one time, you cannot go today I work at [Factory 2], tomorrow I work at [Factory 3]. No. We have the workers...controlled by SEZA. You cannot jump. Because we have to get a very peaceful working environment here. Whoever wants to jump, a [Factory 2] worker wants to jump to [Factory 3], I will banish them...for six months, you are not working here....Because I have to protect my investors' interests...one worker for them today becomes an operator, how much did we spend on the training course, we already offered to him today, simply going from A to B...it would create a big problem for this industrial park. So every factory has a common understanding...you cannot get my workers, I cannot get your workers. You want workers we train together...unless today, these people [skilled employees] are*

*very clever. They are experts. I cannot use, so I can surrender to you. That is a different story. We cannot block the career for the worker* (Lao Samudra manager interview 13/1/2014)

It was thus clear that workers 'simply going from A to B' in the context of the SEZ represented a challenge to the coherence of this bounded space of global accumulation. Zone authorities attempted to limit workers' freedom within the zone with a spatio-temporal strategy of exclusion. It seemed then that cooperation between companies and the state was necessary to manage populations and limit a key source of power available to workers – *in effect to decompose the local spatialized class composition* (Cleaver 1992). The state and capital thus acted to incorporate labour into the zone, touting the importance of providing jobs, but only allowed them access to employment up to a certain point in order to stabilize the benefits accruing to individual capitals. Companies' efforts to monopolize the productive power of location (Swyngedouw 1992: 423) would be potentially confounded by other companies' strategies of relocation and their territorial competition for labour. A specific territorial form of regulation emerged which on the one hand stabilized accumulation across the territory, but also potentially limited any expansion of factories – at least until a further reterritorialization of labour – Lao or possibly international migrant – could take place to solve the labour supply issue. Also of interest in the above quote is the prospect of career development for Savannakhet workers. Upward mobility within firms, as we shall see in the section below, was used by companies as one incentive amongst others which could induce workers to stay.

### **9.3.2 Fixing Workers with Incentives**

Companies adapted to their labour problems with a range of incentives, incorporating money bonuses, travel stipends, free transport, and consumer goods, but on condition of regular attendance and diligence. The low social cost of labour companies sought in Savannakhet was raised in some respects by the existing means of labour's social reproduction contradicting industrial capital's requirements. Capital benefited from its social construction of a primarily young, female and rural workforce in certain respects but the contested substance of the socio-spatial construction of Savannakhet labour - the struggle to gain control over labour's spatiality and time - necessitated a raft of concessions to labour's social reproduction. At least one SEZA official was aware that to effectively



reterritorialize Lao labour the indirect social wages and benefits had to be stressed to workers:

*I think talking about...the wages, I think what we have to emphasize, don't look at just the gross income, but they have to look at the net income. What they, the figures they bring home because in overseas they can have such high wages but of course at the same time the expenses are also high. They have to pay for the accommodation, they have to pay for anything. But here we have policies...the employees working here will be provided free of charge transportation, free of charge accommodation, meals, social welfare, you know medical facilities and then when comparing net income, and of course at the local economies or criteria I think they will be very happy (SEZA official interview 20/12/2013)*

It thus seems that in government thinking that indirect social benefits – not direct wages – would act as a sufficient lure to return labour to Laos, or keep it in the country, and also that bearing the social cost of labour would be distributed between key actors. Capital, the state, and labour all appear in the quote as providers of certain parts of labour's social reproduction, even though the statement presents the issue in the terms of the benevolence of capital and state. Benefits such as 'free of charge transportation' would be provided, it can be inferred, by the companies. The state would contribute to 'social welfare', presumably through the National Social Security Fund.<sup>12</sup> Claims of 'free of charge accommodation' and 'meals' were presented as policies, but the official would most likely have understood that these highly important elements of workers' social reproduction would largely be borne by workers themselves. Returned migrants would move back into parental households and gain a large portion of their sustenance from family food production, households thus subsidizing capital (Kelly 2013: 88-89). Some accommodation and food costs did appear to be borne by capital but these and other incentives emerged as responses to workers' agency after the establishment of factories rather than generosity flowing from the outset.

Incentives took different forms and important measures to retain or attract workers were: attendance and diligence bonuses; travel and food costs; and regular wage increases and upwards career mobility. Present and future material rewards were held out by companies

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<sup>12</sup> See Chapter 6.

and with upward career mobility perhaps the prospect of higher social status was also present. I start by analyzing attendance and diligence bonuses and travel and food allowances because they were the clearest cut examples of factories actively responding to workers' spatial practices.

The establishment of the SEZ and new factories caused problems at Factory 5, a more established factory outside the zone, leading to workers leaving to try their luck at the new companies. Workers' mobility power drove factory strategies to keep workers in place. The manager described the practices of workers and important examples of the company's responses:

*If there is an increase in wages in the region let's say, what they will do, they won't come to us to discuss raising the wages, they will just leave. Then if we see them [moving jobs] then we ask what is happening. Then the supervisors will tell us, yes there was talk about the salary and that company is giving a bit higher salary so they want to try there. But it can happen after two months they come back to us, they're just trying. If we see that they're leaving and leaving and leaving and we lose staff then we will discuss together about what we can do...We make rules for them for the discipline and the attendance. We give them some extra bonuses, like they have an attendance bonus and at the end of last year we faced a lot of migration [moving jobs]. They were moving to the other companies and then they would come back and actually the last three, four months of the year were quite disturbing [disrupted] especially because it's the high season for us. So we decided to give them a small amount for food. It's like an extra 100,000kip [USD 12] a month, but the condition was that if they were not absent during the month they will get this extra. But if they are absent without permission [without notifying company at all] they don't lose any bonus, any incentive, anything, but if they are absent without permission then we can cut about 200,000 kip [USD 24] a month (interview 18/3/2014)*

In addition to the food bonus the manager was referring to an existing attendance bonus of 100,000 kip per month, which workers would lose if they were absent without permission. The attendance bonus was also used to discipline workers to be at work and back from breaks on time - 'they know if they come late they lose their attendance bonus' – and the

bonus system was generally used as a carrot to induce behaviour befitting a productive worker: *'we try to push them to better discipline'* (Factory 5 manager interview 18/3/2014).

A Factory 3 manager explained that the company had experienced problems with high turnover and because they had invested in training workers they implemented measures to retain them. This included a 'diligence' bonus which was between 80,000-100,000 kip (USD 10-12) per month and required workers to be on time to work and not to be absent, as well as a range of other measures:

*We try to give more incentives...New starters, before we gave them one month's probation without adjusting the wage, but now we adjust the wage for them after one month's probation. And after that we adjust the wages for them...and if they are sick they can get sick leave. Before we deducted their salary, their wages, but now we don't deduct...It's many things we have changed to do more incentives for them...to make them motivated and happy to stay working with us* (Factory 3 manager interview 27/2/2014)

When asked how the workers had responded to this the manager claimed that they were very happy and it had reduced workers exiting: *'Even no one has left'* (interview 27/2/2014). At Factory 4, where the management required 'fixed' workers for each department but had had to resort to rotations, a range of consumer goods were offered as diligence bonuses: *'[We are] concerned with attendance...If [a worker] is not absent, does not leave, is not late for three months we provide some [clothes] iron or some gifts'* (Factory 4 manager interview 16/5/2014). Factory 1 used a similar system to retain and attract workers. The manager of Factory 1 also stated that travel and food stipends were used and there was a system of bonuses for workers based on the annual profits that the company made (interview 10/6/2014). Jit, one of the workers at the factory, was able to elaborate on how the incentives appeared to increase in value according to the length of time a worker was present for work. He also noted the existence of diligence bonuses related to work performance:

*If you work for three months without absence you will receive a clothes iron. If you work for six months without absence then you will receive a rice cooker. If you work for nine months without absence you will receive an electric cooking pot (maw dtom*

*naam*). If you work for a whole year without absence you will receive 500,000 kip [USD 61]... Working at the factory you have to be hard working (*mee khwaam duman*) and then you get an increase in diligence money, over 30,000 kip [USD 32] per month (interview 5/2014)

Factory 7 also applied bonuses but as a relatively new zone factory it may still have been figuring out the best balance between incentives and attracting and retaining workers. Mee reported that there was a daily 9000 kip (USD 1.1) food allowance and a diligence bonus (*ngeun wiak kayan*). The diligence bonus was reportedly paid monthly for both not being absent and good work performance, and was given in increasing monthly increments (interview 5/2014). Presumably absences would have broken the increments at any point during the cycle thus providing extra incentive for attendance. Sing, who had worked at the same factory at the same time as Mee thought that the benefits were little and reported that the managers had told them that it was a new factory and if they produced more then more benefits would be added at a later date (interview 5/2014). Encouraging workers to be more productive was one benefit of this strategy but the lure of more money was also likely held out to retain workers.

Factory 6 also appeared to be considering how best to retain its workforce without raising the social cost of labour too significantly. Workers reported that their basic wages at this factory were 1.2 million kip (USD 148) a month, slightly higher than other factories in Savannakhet (worker interviews 3/2014, 5/2014, 6/2014). Factory 6 was one of the more recent factories to open in the area in early 2014 and so one reason behind the better remuneration may have been to ensure a supply of workers. Higher wages did not however rid the company of worker pressure to gain extra stipends. In what appears to be another example of spontaneous organization and recognition of collective class interests, Ying and Ad reported that a large group of people had asked the factory for a travel stipend (*kaa deuhn thaang*) to cover petrol money (interviews 5/2014). Ying compared the situation unfavourably to a previous factory she had worked at which gave the stipend. Ad stated that the whole of the factory asked for this which implies some level of communication and organization among workers to apply collective pressure. The company responded, according to Ying, that it would give this subsidy but it was not yet ready to (interviews 5/2014). Maeo confirmed that the company had not given travel and a proposed food allowance yet (*nyang baw dai hai*) as managers told the workers it was not yet ready to give

them (interview 6/2014). A possible explanation for this reticence on the company's part was that it had to take time to adjust itself to the unexpected cost of literally mobilizing workers, a social cost which workers in the area refused to bear fully themselves.

Factory 2 also utilized a diligence bonus to encourage worker attendance and discipline. This bonus according to one of the managers was a money bonus paid monthly on condition of punctuality and attendance (interview 10/1/2014). Bpet confirmed that the basic wage was around 900,000 kip (USD 111) a month but with the various bonuses it was raised to 1.1 million kip (USD 123). Bpet claimed that the benefits were 'decent enough' (*dee yoo*) (interview 5/2014). The manager claimed that this system of benefits had induced workers to stay in employment, presumably resulting in lower turnover rates and a more stable workforce (Factory 2 manager interview 10/1/2014). In addition, the company was not averse to using more coercive methods to retain workers. Bpet had become frustrated with working at the factory, remarking that she was annoyed that she had been marked down as late when she had arrived on time (presumably with a negative effect on her attendance bonus). She had written a resignation form (*bpai kian bai laa laeo*) 'but the manager did not allow me to leave' (*dtae taang hua naa baw hai awk*), saying that Bpet should stay because she was a good employee and her position was difficult to replace (interview 5/2014). Bpet thus felt pressured to stay.

Bpet's case suggests that the training and substitution costs involved in turnover increased companies' incentives to retain workers. Foreign firms appeared to be instituting internal labour markets and offering upward career mobility within the firm as a conscious strategy to retain their investments in workers. In the scarcity of Savannakhet's labour market such a firm strategy would have given workers first, greater employment security, partially counteracting their construction as informal labour, and second, access to higher wages (Smith 2006: 398). A Factory 3 manager neatly summarized the strategy: 'We motivate them by career path. After they train if they are good, good skills at doing their job they will be promoted to higher positions or they can adjust wages, increase wages' (interview 27/2/2014). Moreover, the prospect of career progression within firms was regarded by the site developer as a means for limiting migration to Thailand. The manager also neatly indicated how the reterritorialization of Lao labour was to be achieved through the agency of workers themselves, as they recalibrated their relational networks away from migration and towards local employment:

*today if [you are] working in Laos, your home country, like [in the Savan-Seno SEZ], working today maybe you are at operator level, tomorrow you are level two, level three...If today you are working in Thailand you work your whole life you are still at level one. You don't have a work career...This type of thing doesn't come from our mouths, this type of things will come from the workers' mouths. Every worker, their friends. The workers can spread the news. I cannot do it...no one will listen to you...The worker themselves will spread the news, not me (Lao Samudra manager interview 13/1/2014)*

Across the Savannakhet enclave, factories enacted systems of bonuses and incentives to stabilize production. The labour control regimes developed had to be sensitive to a restless workforce that was always on the lookout for better opportunities or reluctant to submit to factory discipline. What emerges clearly is that the development of labour control regimes in the area was an ongoing process of trial and error which required new strategies and tactics from capital as workers bargained for wages with their feet, as in the case of Factory 7, or pressured capital collectively as with Factory 6 and the cases described in Chapter 8.

### **Conclusion**

The collusion of state and capital to create a low-cost, informal, and politically weak labour force for global capital's gain was thus counteracted by the everyday agency of labour. The territorial construct of the Savannakhet border enclave could only gain coherence for accumulation by coming to terms with the wider territorial organization of social reproduction characterized by the migration/agriculture axis. It was here at the interface of an existing territorial division of labour and the emerging one brought by increasing industrialization that economic development and the division of the spoils took place.

Foreign manufacturing capital's movement into Savannakhet via the Savan-Seno SEZ did attain territorial coherence *within* the zone, and *within* the wider enclave of border manufacturing, through its connections to the wider territory of KP district and Savannakhet province *beyond* the enclave. The territorial embeddedness which transnational firms needed to proceed entailed adapting to and constructing a new territorial division of labour *within* Savannakhet. The contested manner of this socio-spatial construction meant that

workers were able to capture more of the value than might be supposed for informalized workers in constrained political circumstances (Henderson et al 2002). The necessity of fixing labour in place for production entailed that the social cost of labour rose, but apparently only to an extent that was still tolerable for capital's spatial fix (Chang 2009). The Savannakhet border enclave played an important role in Laos' rescaling into the Greater Mekong Subregion's space, but the territorial reconfiguration it created to achieve this operated through the expansion of state practices of power to demarcate particular portions of its territory and bring its citizens back within the boundaries of the country and the enclave. The creation of a wider regional scale thus hinged on both socially constructing territory and articulating it with flows of capital, labour, and commodities into a temporary and contested 'structured coherence' that both provisionally allowed capital to accumulate and labour to threaten to undermine that accumulation.

Labour's agency appeared to ultimately facilitate accumulation through their use of factory labour as part of wider livelihood strategies, but the specific socio-spatial construction suggests that only limited patterns of accumulation are possible. Some expansion may be possible but it is likely to be slow and require difficult labour recruitment and retention processes. The projected demands of up to 10,000 workers in 2018 may be very difficult to meet (Bangkok Post 23/9/2013). The Savannakhet enclave fulfils capital's need to lower production costs in assembly of components while still being functionally integrated into Thai-based production networks. Expansion of capital into much larger factories or the integrated manufacture of final commodities is perhaps unlikely because producing on a larger scale would entail a high cost of social labour relative to other production locations. The territorial coherence that has been attained would need to be broken down and reconstructed once again in order to facilitate further larger-scale industrial development, likely only possible if labour's control over agricultural space is broken and out-migration to Thailand is blocked further, or Savannakhet becomes an important site of international migration for surplus labour from neighbouring countries. Both strategies would entail further attempts to reconfigure the fixity and mobility of labour.

## Chapter 10: Conclusion

The case of foreign-invested border manufacturing in Savannakhet, Lao PDR has served as a necessarily partial yet illuminating illustration of the dynamics of global corporate relocation and regional integration. Tracing workers' agency and their course into, within, and out of local factory employment has revealed important themes which can be usefully incorporated into theoretical conceptualization and empirical investigation of analogous cases. The central research question addressed was *how has the agency of Lao workers shaped 1) labour relations in export-oriented foreign-invested manufacturing; and 2) territorial economic development in global export-oriented foreign-invested manufacturing in Kayson Phomvihane District, Savannakhet, Lao PDR in the period 2009-2014?* The question sought to uncover how workers shaped the grounds of their own existence and their relative status and power in employment, as well as how they affected the broader process of industrialization in Laos. Answering the first part of the question is crucial if we want to understand why companies or state institutions cannot have it all their own way even in circumstances which would appear to place the whip hand firmly with these powerful actors. Crucially, *how* and *why* labour constituted and was affected by the industrialization process was also revealed. Answering the second part of the question helps us to understand the prospects for continued industrialization in Savannakhet and what its limitations and possible future policy directions are.

Chapter 2 argued for the importance of conceptualizing a more variegated understanding of agency that goes beyond resistance and includes spatial agency. Going beyond resistance and formal organization when considering labour's agency, I argued, allows a wider set of practices and relations to come into view. This methodological choice not only opens up the process of social construction more keenly but also provided clear advantages in approaching the case. A variegated concept of everyday agency was extremely useful in analyzing an empirical context which is politically authoritarian and where independent labour organizing is forbidden. The theory allowed an insightful shift to incorporate social reproduction as well as production. Social reproduction is often enacted through strategies to use or command space. The contradictory, interpenetrating dialectic of fixity and mobility offered explanatory potential in analyzing workers' complex spatial practices. Fixity and mobility also provided a guiding thread from labour to the state and capital in understanding wider-scale territorial processes such as the race to the bottom. The race to the bottom was



theorized in terms of creating informality to reduce the social cost of labour. This approach allows both power relations to come into view and a broader set of relations and processes which may raise the cost of labour and provide lines of enquiry for how labour's agency may affect capital's relocation. Open Marxism was utilized to suggest how states transform into a political form of the capital-labour relation. Open Marxism had the benefit of recentralizing labour – and so accorded with the agency approach – but also providing a means to understand how the forms and functions of capitalist states develop in historically specific and open ways in capitalist development.

Chapter 3 introduced the notions of the spatial fix, territorial coherence, and regionalization as political economic scale building. Elaborating the concept of the spatial fix provided a theoretical grounding for the process of the race to the bottom which complemented its conceptualization as informality and social cost of labour. I introduced the notion of territorial coherence to integrate the agency of multiple actors – state, labour, and capital - and how they attempt to command and constitute space to their advantage. Spatial practices to command space were deemed a constitutive part of class composition. By refocusing attention on the importance of social reproduction in territorial coherence I provided a way to integrate labour's agency as a determining power in spatial development. Territorial coherence highlights how the organization of space can function, or not, for different actors – capital accumulation or social reproduction - and can provide answers as to why a spatial fix is successful or not, why and to what extent economic development occurs, and how and why some are excluded from developmental processes. The notion of territorial coherence could be integrated with regionalization and rescaling. I suggested that the reterritorialization of space can create new territorial coherences between countries thus forming regionalization and enacting the rescaling of circuits of capital and class relations. This provided a means to understand how Laos is being integrated into the GMS, how and why Laos benefits or not, and how and why a subaltern actor such as labour can influence a process such as regionalization.

In Chapter 4 I noted that the peripheral centrality of Laos within mainland Southeast Asia and powerful neighbouring forces contesting Laos' space and resources have been recurrent themes in its history. I demonstrated how Lao actors have historically balanced and reoriented to different neighbour polities in order to derive benefits and survive. I thus showed how recent capitalist development is the latest manifestation of attempts to produce a Lao space that is simultaneously connective and exclusionary. Chapter 4 provided an understanding of the need to question to whom and how is Laos connecting and

integrating with in its current conjuncture. The chapter also introduced the particular importance in Lao history of the fixity and mobility of populations, thus situating contemporary spatial practices in a long sequence of contestation.

Chapter 5 suggested that the Lao state was facilitating FDI-led capitalist transformation and the creation of a class structure revolving around capital-labour relations. The reterritorialization of Lao space is, I argued, a useful way to illustrate the processes of state transformation and FDI-led regional integration. On the one hand the Lao state creates new bounded spaces which provide the conditions for regional capital to circulate on an expanded scale, while simultaneously managing populations, thus *producing* state-society relations and particular forms of sovereignty. I also began to apply the notion of territorial coherence to development processes in Laos. I argued that the extension of foreign capital into Lao space was an attempt to reorganize territory in order to create territorial coherence *between* countries in the region which benefited capital accumulation over social reproduction of labour.

The transformation of the state was also a theme of Chapter 6, which outlined the government's increasingly complex legal mediation of capital-labour relations. The theme of the state as a form of capital-labour relations was made more empirically concrete in preparation for the analysis of the case. Other important themes on contemporary labour highlighted were the historical ability of subaltern actors to affect developmental policy, contemporary complex livelihood strategies which incorporated wage labour and other activities, the role of migration, and the conditions in the light manufacturing (garments) sector. All of these contemporary labour trends would be manifested in the analysis of the Savannakhet case.

The last three chapters turned to the empirical investigation. In Chapter 7 I analyzed increasing investment in Savannakhet province and Kaysone Phomvihane district. I argued that border manufacturing and the Savan-Seno SEZ in particular had driven foreign investment flows into the province from around the late 2000s. I presented evidence which suggested that foreign manufacturing firms were relocating to Savannakhet to take advantage of lower production costs, proximity to Thailand, and similarities in Lao and Thai language and culture. Lower production costs were given by both the tax breaks offered by the special economic zone and the Lao investment law as well as low wages. The form of Laos' integration with Thai-based regional production networks was thus one of providing a

low-cost export platform with foreign firms having limited connections to local firms and the wider Lao economy.

In Chapter 8 I identified workers' spatial strategies as a key expression of agency which shaped their incorporation into manufacturing. What emerged was a socio-spatial construction of Savannakhet labour which revolved around the axis of international migration and agriculture. Key mobilities evident in Savannakhet were migration to Thailand, seasonal mobility between agricultural and industrial employment, and labour market mobility between jobs. Workers' fixity – their strong ties to and reproduction of villages of origin – was contradictory and interpenetrating with mobility. Some workers stayed in their villages or returned from Thailand in order to perform socially reproductive labour of care work for their families. Other workers cycled between farm and factory employment in order to ensure sufficient rice for subsistence. Household rice production and animal raising suggested a first important territorial effect on the social cost of labour in Savannakhet; that factories appeared to escape paying the full cost of workers' social reproduction. Another reorientation in the territorial social construction of labour appeared to be evident in household work as labour performed by family members, typically female, to perform care work and household tasks enabled workers to enter the workforce. As suggested by evidence of spontaneous work stoppages to press for higher wages, Savannakhet labour did not submit willingly to low wages.

Chapter 9 argued that the establishment of this new form of territorial coherence had to accommodate an existing territorial organization which was coherent for the social reproduction of local communities. I proposed that the existing form of territorial coherence based on remittances from Thailand and subsistence agriculture – and so on labour's strategies of fixity and mobility – constituted a barrier for spatial-fixing foreign capital. The spatial organization of social reproduction in Savannakhet would shape the social relations of the emerging manufacturing enclave. A second important territorial effect, contradicting the first, became apparent. The tight labour market caused by migration to Thailand and workers' tendency to use subsistence agriculture as a social safety net presented significant challenges for capital and the state and prompted both to formulate strategies to fix labour within factories and within Laos. Companies offered higher wages and assorted extra benefits to persuade workers to stay at their factories. Some companies had to implement changes in the organization of the labour process in order to maintain production. Factories also seemed to deploy paternalist labour control regimes tending more to consent over coercion in order to retain workers. The state was also complicit in managing the mobility of

Savannakhet populations, for instance approving regulations in the Savan-Seno SEZ which prohibited workers from hopping jobs between factories. Also, and in parallel with efforts to reterritorialize and sedentarize mobile ethnic minority populations in the north, the state was also discouraging migration to Thailand to retain workers in the country.

Several powerful actors prominent in creating the Savan-Seno zone suggested developmental benefits that the zone, and more broadly the Savannakhet enclave, would provide to Laos. A SEZA administrator highlighted the logistical potential of the zone and also that the zone companies may build forward and backward linkages with local suppliers, for instance, of copper. If the zone operates more as a logistics base it seems to imply that Laos will be traversed by commodity flows and act as a better land bridge without necessarily capturing much value which can be distributed within the country. Whether Lao actors are in a sufficiently strong position *vis-à-vis* other regional actors to appropriate the opportunities that cross-border trade flows present is open to question. One way logistics development could benefit Laos is by attracting more firms to invest in manufacturing production in Savannakhet. However, as was suggested by interviews with companies already in the zone and broader enclave, few linkages with local firms and producers had been established. The border enclave gained its coherence for capital by it operating as a functional extension of Thai territory for Thai-based production networks. The Savan-Seno SEZ and Savannakhet border industry thus functioned as a territorial overlap between Laos and Thailand which created a highly partial new form of territorial coherence and regional integration weighted primarily towards the circulation and reproduction of foreign capital over broader development and distribution of surplus within Laos; essentially a form of territorial arbitrage to take advantage of lower production costs.

The private zone developer suggested that the developmental benefit to Laos came through providing jobs to local people, which would have a multiplier effect on the local economy. While some evidence of this may have been present in for example workers using wages to contribute to house construction and consumption goods such as motorcycles, the benefits are perhaps less clear cut when we consider how the labour force for foreign-invested factories was constructed. It appeared that the labour force was largely young women, in many cases still living within parental households. Factories had a clear preference for hiring young females, entailing that many men and older women would have been excluded from employment in local industrial development, thus limiting the direct distribution of income. Moreover, it was also perhaps possible that any wider multiplier effect on extra consumer spending was made possible by local households' subsistence production providing a *de*

*facto* subsidy to the wages paid by local factories. This could be interpreted as the 'social factory', where all forms of work and social relations become oriented towards capital accumulation. This extractive relationship has historical and contemporary parallels in the Lao case. The manufacturing enclave appears to fit into an extractive model of Lao resources, in this case labour. The contemporary parallels can be found, it seems to me, in other foreign investments in, for example, plantations and hydropower which have prioritized foreign capital's capacity to extract value over wider developmental benefits. It appeared that the border enclave and the state territorialization that enabled it were in some key ways exclusive and extractive, tilted towards the benefit of foreign capital. Through tax breaks and profit repatriation companies could escape contributing towards the district's and country's social infrastructure while benefiting from that agrarian-based social infrastructure already in place.

Overall it seems that foreign capital in Savannakhet was able to push down the social cost of labour by relocating to Laos, although there were strong and unexpected barriers to them doing so. It appeared that zone companies benefited from: paying fewer taxes; paying lower wages than those in Thailand; and a wage subsidization from local agriculture. However, it was apparent that companies experienced significant challenges due to labour's agency in the existing form of territorial coherence. Labour thus induced changes in the surplus that accrued to them, the labour process and the labour control regime.

Workers did report experiencing manufacturing employment positively, for example in that they could work out of the sun in a cool environment. The positive experience of some workers indicates that a flow of local Savannakhet workers will continue to enter and stay in employment in the factories. It appeared evident however that factories had to make continuous efforts to maintain that positive experience and prevent their workers from leaving with various incentives. The increase in the number of new factories created problems for existing factories and caused them to adjust wages and benefits to meet an apparent emerging local standard. Here it seems that workers were implicated in *creating* that positive experience rather than foreign firms necessarily importing best practice from developed countries. In the act of refusing lower wages and worse conditions in certain factories and seeking out higher and better in others, it seemed that workers were playing a part in inducing changes in both the factories they fled and the factories they sought.

This upwards pressure on the social cost of labour suggests that the zone will have limited potential for expansion, and will certainly be slower than companies hope. Labour will not

necessarily stay in Savannakhet employment if workers decide that wages are too low, and the entry of new factories it seems will be circumscribed by the existing difficulties in mobilizing supposedly cheap and pliant labour. Thailand remains as a lure which may destabilize Savannakhet factories if for example local wages do not rise to meet inflation. That the zone is so oriented towards Thai-based production networks and Thai territory appears to indicate that little foreign investment will come from elsewhere. In addition, with factories operating as labour-intensive manufacturers of components, and only limited and low-skill labour available in Laos, it seems there will be little incentive for firms at present to relocate other parts of the production process. Any relocation of firm functions that might represent technological upgrading or moving up the value chain appear a long way off. It appears then that Savannakhet border manufacturing is locked into a subordinate position in regional production networks and GMS regionalization. In terms of 'strategic coupling' (Coe et al 2004) for development, the enclave seemed to serve the strategic needs of capital over the development of local economic linkages. The orientation of the enclave to Thailand and the possibility of a rising social cost of labour overall cast significant doubt on whether the enclave would promote sustainable structural transformation within Laos. With regards to whether Lao workers' strategies of social reproduction and resilience ultimately facilitated or blocked capital accumulation, it seems that they did allow capital accumulation to occur but in an attenuated way which was not optimal for capital. Workers leveraged some extra benefits through their spatial practices but this was predicated on exploitation of labour throughout the social territory.

The Lao government does indeed aim for development and modernity but it appears that in the rush to facilitate and attract foreign capital it places the country in a developmental bind. Foreign capital appears to be enabled in such a way that it can circulate, extract and exclude within Lao territory without, in many cases, sustained value capture and sustainable generation of income. The Savan-Seno SEZ certainly provides an appearance of modernity and development but the wider developmental benefits are seemingly limited. The appearance is perhaps important however, as it provides a means through which the state may reproduce its legitimacy and power. The repeated trumpeting of increasing foreign investment and the success of the special economic zone policy in the government-controlled press appears to play an important ideological role in presenting the government as the fount of modernity and progress.<sup>1</sup> There may be other benefits to the zone from the perspective of the state, even if it is realized that the developmental model it represents is

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<sup>1</sup> See for example Vientiane Times 19/9/2016.

limited. We perhaps should not underestimate that the state's power over the Savannakhet population is increased if migrants return to Laos. Workers do of course return willingly and to reproduce their families and local places, but from the state's perspective it is possible that in this reterritorialization the potential of Thailand as a site of anti-governmental activity<sup>2</sup> is curtailed, the corrosive influences of Thai culture and society are reduced, and Lao labour can also be taxed for revenue. The zone, it seems to me, could be interpreted in the light of other territorialization projects of the Lao state which manage the fixity and mobility of Lao citizens. While this argument remains somewhat conjectural it seems that we should at least consider the population management effects that are made possible by placing a zone in a province with high levels of migration to Thailand.

The empirical evidence allied with a reading of relevant legislation indicates that the Lao state is becoming increasingly capitalist in line with the capitalist transformation of the country. The Lao state appeared to consistently side with the foreign capital it courted over local workers. The state's authoritarian stance also seemed to dovetail with capital's search for sedentarized and informalized labour. However, with increasing wage labour and its attendant conflicts, it remains to be seen how exactly the state will adapt its industrial relations system to mediate capital-labour conflict. Freedom of association would certainly seem too politically challenging and jeopardize one of the country's selling points to foreign capital. A policy of toleration of wildcat strikes as happened in Vietnam in 2006-2011<sup>3</sup> also appears unlikely given the repressive attitude the government takes to any form of independent organizing in civil society. *Extensive* reform of the Labour Law in favour of less restrictive industrial relations thus also seems unlikely. The extension of the existing corporatist tripartite model of mediation to more enterprises and, possibly, improved enforcement of existing laws seem more likely, when the government does act to improve or reform the industrial relations system.

With regard to labour, it seems that the state will have ongoing efforts to reterritorialize workers from Thailand. Further refinements of their policy to attract workers back are a possibility. There is also a chance that if the Savannakhet border manufacturing is unable to adequately source enough Lao workers, then the state will continue to reformulate its policy on the number of foreign workers it allows in enterprises, and possibly *encourage or tolerate increased in-migration*.

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<sup>2</sup> Three Lao migrants to Thailand were arrested on return to Laos in March 2016 for involvement in political activities critical of the Lao government while living in Thailand. See RFA 27/5/2016.

<sup>3</sup> Siu and Chan 2015.

The government it seems should perhaps rethink the special economic zone strategy. While the government has clearly been thinking how SEZs may boost economic development, the hopes for backward linkages, for example, appeared to be far from fruition. The exclusionary and extractive tilt of the zone and enclave indicate that SEZs in their current form are likely to reinforce uneven development both between Laos and other regional countries, and also within Laos. While it is beyond the scope of this thesis to detail what an alternative industrial strategy may look like, any alternative must surely seek to be more inclusive in providing incomes and ensure that developmental benefits are distributed more equitably through, for example, the taxation system.

The case of manufacturing in Savannakhet offers some pathways to reconstructing theory. The relevance for theory using the race to the bottom and the social construction of weak, informal labour forces is that local territorial effects must be integrated. The insertion of capital into new places represents a new form of territorial organization in that place and an effort to appropriate the productive power of place (Swyngedouw 1992). Even with a supportive state, capital may find this territorial reorganization difficult if existing spatial organization is already coherent for local social reproduction. It seems that the very *spatial* process of the social construction of labour can impose significant costs on capital. Interpreting the race to the bottom in terms of an effort to informalize and drive down the social cost of labour is useful as it reveals the numerous points of antagonism and contestation – indirect as well as direct labour costs - where labour may resist downward pressure. Incorporating the contests over how labour commands space – both fixity and mobility - more clearly makes this theory more exhaustive and provides an avenue of explanation for counter-tendencies to a general preference of capital to find low-cost production sites with cheap and pliant labour. Additionally the concept of territorial coherence can, it would seem, be applied more widely to investments disruptive to existing local conditions of social reproduction.

In the Savannakhet case labour's ability to influence the course of capital's relocation provides suggestive empirical evidence for autonomist Marxist arguments that labour is a driving force in capitalist development. Spatial strategies, actions and practices of workers are perhaps underrepresented in autonomist writings. It seems to me however that when considering the concept of class composition it is useful to integrate the dialectic of fixity and mobility. If class composition emerges through the technical and social division of labour, the cultural milieu, and organizational forms (Dyer-Witheford 2004: 8), then incorporating the contradictory effects of labour's fixity and mobility on these constitutive elements adds



extra explanatory potential. For example, the social division of labour is simultaneously a spatial division of labour. The ability to move within this spatial division of labour potentially confers a degree of mobility power on workers, as in the Savannakhet case. Mobility and fixity may help us understand how even in a context where there are few organized forms, even hidden or spontaneous ones, labour's agency and class composition may still have a bearing on the course of development and capitalist strategy, as in changes induced by the interpenetrating fixity and mobility of Savannakhet labour.

The foregoing has implications for the methodological approach to labour's agency in development and its conceptualization. If labour's agency can be consequential for capital and the state even in unorganized and spontaneous forms then it seems we can follow agency and its effects at all points along a spectrum of class-consciousness and organization. Viewing strategies, actions and practices *in themselves* as potentially driving change seems a more fruitful approach than framing meaningful agency in terms of a particular category of action (resistance) or in terms of an organizational form (trade union).

Taking this view seems to run counter to the conclusions of Coe and Jordhus-Lier (2011) in their discussion of constrained agency. To recap, these authors argue that re-embedding labour within the structures of global production networks, the state, community politics, and labour market intermediaries is necessary for 'if labour geography is to offer researchers a better analytical framework – one which can explain why some workers' actions seem to matter more than others – a more sophisticated understanding of the structural constraints and social relations that shape labour's agency is required' (ibid. 228). Posing the issue in this dichotomous way the authors seem to indicate that meaningful agency is determined by the lack of structural constraints and therefore structurally determined (ibid. 229). Within tight structural constraints workers have much less capacity for agency, meaning agency for some over here and enforced passivity over there. I agree with Coe and Jordhus-Lier that we should indeed look at the constellation of social relations which give differential potential for some actions over others. I differ by proposing that we open up agency to identify which actions *become meaningful* in a particular set of social relations. I am suggesting that we should be asking where, when, how and why does labour's agency matter *in any situation regardless of how constrained it might appear at first*. What strategies, actions and practices do workers deploy, for example, which may emerge as a constraint for the agency of capital on the other side of the structurally mediated social relation?

Taking this perspective it seems to me opens up the number of pathways we can make to relating labour's agency to developmental change. We can follow labour's agency throughout the employment process, through spheres of production and reproduction, and across space to identify meaningful agency. This last point brings me to a potential refinement of Coe and Jordhus-Lier's four sets of social relations in which labour's agency is embedded: other workers. Characteristics of a local labour market may be formed as much by the agency of those who choose not to participate in it as those who do. The agency of workers who may never have left Savannakhet was leveraged (Konings 2010) by those who did and created the conditions which enabled them to access more of the produced surplus value. Labour's agency within Savannakhet was enabled by the agency of distant others who had left. It seems we should be considering how does the agency of workers in different places constrain and enable, especially in an increasingly integrated world.

Categorization of actions runs inherent risks. This is apparent, I would suggest, even in Katz's (2004) more nuanced conceptualization of agency as resilience, reworking, and resistance. This is because of the overlapping and multiple effects of actions and social practices, and the associated difficulty and arbitrariness of creating the borders between different actions. There is an associated danger then of these categories becoming closed and teleological in that resilience and reworking are seen as stage-posts of consciousness on the way to enlightened resistance. This could potentially undo the work that Katz has done to dissolve resistance as a hegemonic category in labour studies. Again invoking Knafo's (2010) arguments on the importance of approaching agency as a methodological question rather than an ontological one, it appears more fruitful to use Katz's schema as an entry point to analysis rather than the conceptual boundaries of the analysis. Refusing to fall into the trap of a strict and arbitrary classification allows different forms of practices and/or discourses to emerge in their own right.

Research is guided by the researcher's own particular intellectual history, theoretical concerns and positionality in a given fieldwork context. As such this thesis represents an inquiry of necessarily focused scope. The study is thus not exhaustive but rather a platform for understanding development in Laos which can be built on further. The study sought to follow workers' agency throughout the process of hiring, within employment, leaving employment, and within household livelihoods and divisions of labour. The study thus took a wide view of workers' engagement with factory employment - investigating the various points where workers' agency became relevant - and so in some regards depth was necessarily sacrificed for breadth. A similar issue arises with the territorial framing of the

analysis. The study sought to understand the broad dynamics of the local labour market for foreign manufacturing and so was not restricted to one particular manufacturing sector or type of factory. This spatial rather than sectoral framing of the analysis was useful, it seems to me, for studying a specifically demarcated spatial entity such as a special economic zone. The relevance of the spatial framing is enhanced when we consider that manufacturing was sited on the border in order to take advantage of the territorial differences between Laos and Thailand. Both these issues leave plenty of scope for expansion of the empirical investigation.

A number of areas of study are suggested to provide extra depth to complement this thesis's breadth. Within factory employment the organization of the labour process and the labour control regime in relation to workers' agency are both important areas for further study. Comparative studies of different sectors in the enclave or as part of a wider country-level study, or alternatively comparative investigation of processes and regimes in factories of different foreign national origins – including joint ventures with Lao capital - are both possible areas of study relevant for understanding Lao labour and FDI in more detail.

Migration is also another key area for further investigation. The emphasis of the study was on the local labour market, workers from Savannakhet and their relations to foreign-invested factories. The fieldwork was largely oriented towards those actually in zone employment rather than international migrants. The territorial framing influenced the choice of a study of local Savannakhet labour. Mobility emerged as a key theme and it is a future pathway of inquiry to study the relation of increasing investment to migration flows. Will the state successfully manage to reterritorialize more labour from Thailand? Is the zone successful in preventing out-migration? To what extent is the zone contributing to labour migration to Savannakhet, both from other countries and from other places in Laos. It was learned rather late in the fieldwork<sup>4</sup> that a recruitment company was sourcing labour from highland ethnic minority areas in the east of the province. Thus within-country migration, and the ethnic element of it, appear to require further examination.

In terms of livelihoods and divisions of labour, changing household level and community level dynamics are possibly fruitful avenues of research. The contribution of workers' incomes to household livelihood strategies and the effect this has on labour allocation and consumption choices is fertile ground, likewise the potential effects workers' employment and wages may have on household dynamics. For example, as more young women become

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<sup>4</sup> At the end of May 2014, with the fieldwork ending at the end of June 2014.

important wage earners in their households to what extent does this change gender roles and relations in household consumption decisions? Another suitable area for more detailed study is the exact relation between agrarian labour and factory labour. For example, the exact extent of the agricultural subsidy to industry is an important topic for future consideration. Also there is the question of to what extent factory labour is affecting the division of agricultural labour in rural villages. Some workers noted that their households hired in labour or bought fertilizer with wages and so there are question regarding to what extent factory employment is contributing to changing agricultural labour markets in the area or to changing levels of rice production. Related to this is also the issue of social differentiation within villages. For example, to what extent does access to factory labour affect social differentiation or social mobility?

Another potential avenue of investigation is how engagement with foreign industry is affecting the economic landscape and spatial organization of Lao villages, including the construction of houses but also potentially how new sources of wages may affect land and housing markets, use and distribution (Kelly 2013).

The state's institutional and regulatory transformation has been an important theme in this thesis. There was an empirical focus on the state's institutions in a specific geographical area, a necessarily restricted view due to the territorial framing. There is clear potential therefore for extending the empirical investigation of state-labour relations to other geographical areas or scales. Work on the central governmental level could be undertaken, as could comparative studies of, for example, institutional transformations in different provinces or special economic zones.

The case of Savannakhet has suggested that even in unlikely circumstances labour can have an effect on developmental processes. Lao workers did indeed shape their own lives and labour relations in important ways. Lao workers, like others elsewhere, seek to live their lives with dignity and a sense of responsibility to their families and communities. It is to be hoped that their future actions continue to allow them and their families dignified and prosperous lives in the face of rapid and disruptive capitalist development and powerful forces which may not always have workers' best interests at heart.

## **Appendix A**

### **List of Interviews**

#### **Non-governmental and International Organizations**

1. 1/11/2013
2. 15/11/2013
3. 15/5/2014
4. 11/6/2014

#### **Workers**

5. 23/3/2014
6. 23/3/2014
7. 23/3/2014
8. 23/3/2014
9. 23/3/2014
10. 30/3/2014
11. 30/3/2014
12. 30/3/2014
13. 30/3/2014
14. 6/4/2014
15. 6/4/2014
16. 6/4/2014
17. 6/4/2014
18. 4/5/2014
19. 4/5/2014

20. 4/5/2014
21. 4/5/2014
22. 4/5/2014
23. 11/5/2014
24. 11/5/2014
25. 11/5/2014
26. 18/5/2014
27. 18/5/2014
28. 18/5/2014
29. 25/5/2014
30. 25/5/2014
31. 25/5/2014
32. 25/5/2014
33. 8/6/2014
34. 8/6/2014
35. 8/6/2014
36. 8/6/2014
37. 15/6/2014
38. 15/6/2014

**State officials**

39. 20/12/2013
40. 9/1/2014
41. 3/2/2014

- 42. 4/2/2014
- 43. 6/2/2014
- 44. 10/2/2014
- 45. 20/6/2014

**Company Managers**

- 46. 10/1/2014
- 47. 13/1/2014
- 48. 27/2/2014
- 49. 18/3/2014
- 50. 24/3/2014
- 51. 16/5/2014
- 52. 23/5/2014
- 53. 24/5/2014
- 54. 10/6/2014

**Technical School Manager**

- 55. 6/3/2014

## Appendix B

### Agricultural Land and Labour Survey Questionnaire 14/6/2014

#### General

1. What is your name? ເຈົ້າຊື່ຫຍັງ ?
  
  2. How old are you? ເຈົ້າອາຍຸຈັກປີ ?
  
  3. Where are you from? ເຈົ້າມາແຕ່ໃສ ?
  
  4. What is your occupation? ເຈົ້າເຮັດວຽກຫຍັງ ?
  
  5. How many people are there in your household? ມີຄົນຢູ່ບ້ານຂອງເຈົ້າ ?
  
  6. What are their occupations? ເຂົາເຈົ້າເຮັດວຽກຫຍັງ
- Person 1:
- Person 2:
- Person 3:
- Person 4:
- Person 5:
- Person 6:
- Person 7:
- Person 8:



Land

7. How much land do you have? ເຈົ້າມີທີ່ດິນຫລາຍປານໃດ

- a) less than one hectare ໜ້ອຍກວ່າ 1 ເຮັກຕາ
- b) 1-2 hectares 1-2 ເຮັກຕາ
- c) 2-5 hectares 2-5 ເຮັກຕາ
- d) 5-10 hectares 5-10 ເຮັກຕາ
- e) more than 10 hectares ຫລາຍກວ່າ 10 ເຮັກຕາ

8. Do you...? ທ່ານ ... ບ ?

- a) own the land ທີ່ດິນຂອງຕົນເອງ
- b) rent the land ດນີເຊົາ
- c) other (please describe) ແລະ ອື່ນໆ ກະລຸນາອະທິບາຍລະອຽດ

If b) rent the land please answer question 3. If not b) go to question 4.

ຢ່າໃນຄຳຕອບ ຂ ບ.) ຖ້າບໍ່ດນີເຊົາກະລຸນາຕອບຄຳຖາມເຫຼົ່ານີ້ ຖ້າບໍ່ໄດ້ຕ້ອບຂ ບ.)  
ໃຫ້ຂ້າມໄປຕອບຂ 4 ເລີຍ

9. If you own your land how did you acquire it? Do you have land title? Yes/No  
ຖ້າຫາກວ່າເຈົ້າມີທີ່ດິນເຈົ້າໄດ້ມັນມາຄືແນວໃດ ? ເຈົ້າມີໃບຕາດນິບ? ມ / ບໍ່ມີ

- a) given by / inherited from parents ໄດ້ມ້າຈາກພໍ່ແມ່
- b) given by / inherited from another family member  
ໄດ້ມ້າຈາກພໍ່ແມ່ຈາກສະມາຊິກອື່ນໆ
- c) given by another farmer ຈາກຊາວນາອື່ນ
- d) given by government ຈາກລັດຖະບານ
- e) given by another ຈາກອື່ນ (ກະລຸນາອະທິບາຍລະອຽດ)

e) bought from family member ຊື້ຈາກສະມາຊິກໃນຄອບຄົວ

f) bought from government ຊື້ຈາກລັດຖະບານ

g) bought from another ຊື້ຈາກຄົນອື່ນ (ກະລຸນາອະທິບາຍລະອຽດ)

10. Who do you rent the land from? ທ່ານເຊົາທີດີນີຈາກໃຜ ?

a) another farmer in the village ເຈົ້າຂອງທີດີນີເປັນຊາວນາທຳຢູ່ບ້ານ

b) a non-farmer in the village ເຈົ້າຂອງທີດີນີບໍ່ແມ່ນຊາວນາທຳຢູ່ບ້ານ

c) a farmer in another village ເຈົ້າຂອງທີດີນີເປັນຊາວນາທຳອາໄສຢູ່ບ້ານອື່ນ

d) a non-farmer in another village or town ເຈົ້າຂອງທີດີນີບໍ່ແມ່ນຊາວນາ ແລະ ອາໄສຢູ່ບ້ານ ແລະ ເມືອງອື່ນ

11. Which statements are true for you? ຄຳເວົ້າໃດທີ່ຖືກກັບທ່ານ ?

a) 'I have sold land in the past five years' (If yes, how much, to whom and why?)

ຂ້ອຍໄດ້ຂ້າຍທີດີນີຂອງຂ້ອຍເມື່ອ 5 ປີກ່ອນ (ຖ້າແມ່ນ, ທ່ານຂາຍເທົ່າໃດ ໃຫ້ໃຜ ແລະ ຍ້ອນຫຍັງ ?)

b) 'I have bought land in the past five years' (If yes, how much, from whom and why?)

ຂ້ອຍໄດ້ຊື້ທີດີນີເມື່ອ 5 ປີກ່ອນ (ຖ້າແມ່ນ, ທ່ານຊື້ເທົ່າໃດ ນາໃຜ ແລະ ຍ້ອນຫຍັງ ?)

c) 'I have divided my land and given it to a family member in the past five years' (If yes, how much and why?) ຂ້ອຍໄດ້ແບ່ງທີດີນີໃຫ້ກັບສະມາຊິກຄອບຄົວເມື່ອ 5 ປີກ່ອນ (ຖ້າແມ່ນ, ປັນເທົ່າໃດ ແລະ ຍ້ອນຫຍັງ)

d) 'I have divided my land and given it to a person not in my family in the past five years' (If yes, how much and why?)

ຂ້ອຍໄດ້ແບ່ງທ່ານໃຫ້ກັບບຸກຄົນທີ່ບໍ່ແມ່ນສະມາຊິກໃນຄອບຄົວເມື່ອ 5 ປີກ່ອນ  
(ຖ້າແມ່ນ ບັນເທົາໃດ ແລະ ຍອ້ອນຫຍັງ)

Land Use

ການນຳໃຊ້ທ່ານ

12. How do you use your land? ທ່ານນຳໃຊ້ທ່ານຂອງທ່ານເຮັດຫຍັງ ?

a) growing rice ປູກເຂົ້າ

b) growing other crops (if yes, please describe what) ປູກພືດອື່ນໆ

c) raising animals ລ້ຽງສັດ

d) collecting non-farmed foods (e.g. edible insects, fruit, frogs)

ເກັບມ້ຽນອາຫານທີ່ບໍ່ໄດ້ປູກຜັງ ເຊັ່ນ: ແມງໄມ້ທີ່ກິນໄດ້, ຫນາກໄມ້, ກົບ

e) other (please describe) ອື່ນໆ ກະລຸນາອະທິບາຍລະອຽດ

If you answered yes to a) please answer questions 12.1, 12.2, 12.3, 12.4. If you answered yes to b) please answer question 12.5, 12.6, 12.7 and 12.8. If you answered yes to c) please answer questions 12.9, 12.10, 12.11, 12.12.

ຖ້າຂ້າ.) ທ່ານຕອບວ່າແມ່ນ ກະລຸນາຕອບຄຳຖາມຂ້າ 6,7,8,9 . ຖ້າຂ້າ.)

ທ່ານຕອບວ່າແມ່ນ ກະລຸນາຕອບຄຳຖາມຂ້າ 10,11,12 ແລະ 13 . ຖ້າຂ້າ.)

ທ່ານຕອບວ່າແມ່ນ ກະລຸນາຕອບຄຳຖາມຂ້າ 14 ແລະ 15.

12.1. How much rice do you grow in a year? ທ່ານປູກເຂົ້າໄດ້ຫລາຍປານໃດຕໍ່ປີ ?

a) 10-20 sacks

b) 21-30 sacks

c) 31-40 sacks

d) 41-50 sacks

e) 51-60 sacks

f) 61-70 sacks

g) more than 70 sacks

12.2. How do you use this rice? More than one can apply.

ທ່ານນຳໃຊ້ເຂົ້າເພື່ອຫຍັງ ? ຕອບໄດ້ຫລາຍກວ່າ 1 ຢ່າງ

a) consume in the household ບລໍ່ໂພກພາຍໃນຄອບຄົວ

b) sell ຂາຍ

c) give away ໃຫ້ຜູ້ອື່ນ

d) other ອື່ນ

If b) then answer questions 15 and 16. ຖ້າທ່ານຕອບຂໍ້ b.

ແລ້ວວັກຂໍ້ຕອບຄຳຖາມຂໍ້ 15 ແລະ 16 ຕໍ່

12.3. Where do you sell the rice? ທ່ານຂາຍເຂົ້າໃສ່ ?

a) direct to consumers ໄປຂາຍໃຫ້ກັບຜູ້ບໍລິໂພກໂດຍກົງ

b) rice merchant ຄົນຂາຍເຂົ້າ

c) other farmer ຊາວນາຜູ້ອື່ນ

d) other (please describe) ອື່ນ ກະລຸນາອະທິບາຍລະອຽດ

12.4. How many kilos do you sell and what price do you receive for a kilo?

ທ່ານຂາຍເຂົ້າໄດ້ຈັກໂລ ແລະ ກໂລເທົ່າໃດ ?

12.5. How much of other crops do you grow in a year?

ທ່ານສາມາດປູກພືດອື່ນໃນປີໜຶ່ງໄດ້ປານໃດຕໍ່ ?

12.6. How do you use this crop? More than one can apply.

ທ່ານນຳໃຊ້ພືດນີ້ກ່ວາເພື່ອຫຍັງ ? ຕອບໄດ້ຫລາຍກວ່າ 1 ຢ່າງ

a) consume in the household ບໍລິໂພກພາຍໃນຄອບຄົວ

b) sell ຂາຍ

c) give away ເອົາໃຫ້ຜູ້ອື່ນ

d) other ແລະ ອື່ນໆ

12.7. Where do you sell this crop? ທ່ານຂາຍພືດດັ່ງກ່າວຢື່ນໃສ່ ?

a) direct to consumers ໄປຂາຍໃຫ້ກັບຜູ້ບໍລິໂພກໂດຍກົງ

b) merchant ແມຄ່າ/ພຄ່າ

c) other farmer ຊາວນາຜູ້ອື່ນ

d) other (please describe) ອື່ນໆ ກະລຸນາອະທິບາຍລະອຽດ

12.8. How many kilos do you sell and what price do you receive for a kilo?

ທ່ານຂາຍພືດດັ່ງກ່າວໄດ້ຈັກໂລ ແລະ ກໂລເທົ່າໃດ ?

12.9. What animals do you raise and how many? More than one can apply.

ທ່ານລ້ຽງສັດຫຍັງ ແລະ ຫລາຍປານໃດ? ຕອບໄດ້ຫລາຍກວ່າ 1 ຢ່າງ

a) cows ງົວ

b) water buffaloes ຄວາຍ

c) pigs ໝູ

d) chickens ໄກ

e) ducks ເປັດ

f) other (please describe) ອື່ນໆ ກະລຸນາອະທິບາຍລະອຽດ

12.10. How do you use these animals? More than one can apply.

ທ່ານນຳໃຊ້ສັດດັ່ງກ່າວເພື່ອຫຍັງ ? ຕອບໄດ້ຫລາຍກວ່າ 1 ຢ່າງ

a) consume in the household ບໍລິໂພກພາຍໃນຄອບຄົວ

b) sell ຂາຍ

c) give away ໃຫ້ຜູ້ອື່ນ

d) other ແລະ ອື່ນໆ

12.11. Where do you sell these animals?

a) direct to consumers ໄປຂາຍໃຫ້ກັບຜູ້ບໍລິໂພກໂດຍກົງ

b) merchant ຕະຫລົກ/ພັດທະນາ

c) other farmer ຊາວນາຜູ້ອື່ນ

d) other (please describe) ອື່ນໆ ກະລຸນາອະທິບາຍລະອຽດ

12.12. How much do you get for each animal?

ທ່ານໄດ້ຈ້າງການຂາຍສັດຫລາຍປານໃດ?

25. Which of the following do you use to produce crops?

ທ່ານນຳໃຊ້ຫຍັງແດ່ເພື່ອທຳການຜະລິດພືດພືດຊີ້ນຕອບຝູ່ມຸ່ນ ?

a) tractor (lot tai naa). Own? Yes/No? ລົດໂຖນ່າ ມີເປັນຂອງຕົນເອງບໍ່? ມີ/ບໍ່ມີ

b) purchased seeds ພັນພືດ/ແກນ່ທຸກຊື່ເອົາມາປູກ

c) chemical fertilizer ປຸ່ເຄມີ

d) organic fertilizer (e.g. animal dung) ປຸ່ອນິຊ (ຕົວຢ່າງ: ຂສີດ)

e) irrigation ຊນິລະປະທານ

f) chemical pesticides ສານເຄມີປົບສັດຕູຜູດ

g) organic pesticides ອນິຊປົບສັດຕູຜູດ

26. How much do inputs for the whole crop cost approximately? Where does the money to pay for them come from?

ທ່ານນຳໃຊ້ພັ້ນພືດເຂົ້າໃນການປູຜັງທັງໝົດລາຄາເທົ່າໃດ (ໂດຍປະມານ) ? ແລະ  
ທ່ານຊື້ພັ້ນພືດມາຈາກໃສ?

Labour

ແຮງງານ

27. Who works on your land to grow rice or other crops?

ແມ່ນໃຜເປັນຜູ້ປູກເຂົ້າ ແລະ ພືດຕ່າງໆໃນທົນຂອງທ່ານ ?

a) Only myself ທ່ານເອງ

b) Myself and family members (please describe who) ທ່ານ ແລະ  
ສະມາຊິກພາຍໃນຄອບຄົວ ກະລຸນາອະທິບາຍລະອຽດ

c) Myself and hired workers ທ່ານ ແລະ ກຳມະກອນຮັບຈ້າງ

d) Family members and hired workers ສະມາຊິກຄອບຄົວ ແລະ ກຳມະກອນຮັບຈ້າງ

e) Myself/family and neighbours and friends ທ່ານ ພັ້ນດ້ວຍຄອບຄົວ / ເພື່ອນບ້ານ  
ແລະ ຫມູ່ເພື່ອນ

f) only hired workers , ມີຝັງແຕ່ກຳມະກອນຮັບຈ້າງ

g) other (please describe) ອື່ນໆ

28. If you use hired workers how much do you pay per worker per day?

ຖ້າທ່ານໃຊ້ແຮງງານກຳມະກອນ ທ່ານຈ່າຍຄ່າແຮງງານນັ້ນລະເທົ່າໃດ?

29. How many workers do you usually hire? ທ່ານຈ້າງກຳມະກອນຈັກຄົນ ?

30. How many worker days (number of workers x number of days) does it take to  
plant and collect the rice harvest of one hectare?

ເຮັດວຽກຈຳນວນຈັກວັນ (ເອົາຈຳນວນແຮງງານ x ຈຳນວນມື້ເຮັດວຽກ)  
ມັນໃຊ້ເວລາເທົ່າໃດໃນການປູກຝັງ ແລະ ເກັບກ່ຽວຜົນຜະລິດຂາດ '1 ເຮັດຕາ ?

- a) less than 15 ຫນ້ອຍກວ່າ 15 ວັນ
- b) 16-30 16-30 ວັນ
- c) 31-45 31 - 45 ວັນ
- d) 46-60 46 - 60 ວັນ
- e) 61-75 61 - 75 ວັນ

31. Do you or any members of your household have off-farm jobs in the non-growing season which they quit to come back to work in agriculture in the growing season?

Yes / No

ເຈົ້າຫຼືສະມາຊິກໃນຄອບຄົວມີວຽກອື່ນເຮັດໃນລະດູບໍ່ໄດ້ເຮັດນາເຊິ່ງພວກເຂົາຈະ  
ລາອອກແລ້ວກັບມາເຮັດວຽກໃນຍາມເຮັດນາ ? ມ / ບໍ່

Household Income

ລາຍໄດ້ພ້ອມໃນຄອບຄົວ

32. Approximately how much income does agriculture contribute to your household income per month?

ທ່ານມີລາຍໄດ້ເທົ່າໃດຈາກການເຮັດກະສິກຳພ້ອມໃນຄອບຄົວ

33. Does farming alone provide you with enough income? If no why not?

ເຮັດນາຢ່າງດຽວລາຍຮັບຂອງເຈົ້າພໍບໍ່ ? ຖ້າຫາກບໍ່ເປັນຫຍັງ ?

- a) agricultural crop prices are too low ລາຄາຂອງສິນຄ້າກະສິກຳ ຕ່ຳ
- b) not enough agricultural land ມີນິປູກຝັງບໍ່ພໍພຽງພໍ
- c) family members do not want to work in agriculture  
ສະມາຊິກໃນຄອບຄົວບໍ່ຕ້ອງການເຮັດນາ



d) not enough workers to farm the land ແຮງງານບໍ່ພໍພຽງພໍ

e) poor crop harvests ເກັບຜົນຜະລິດຕ່ຳອ້ອມ

f) high input prices ຕຳລິທຳໃນການຜະລິດສູງ

g) other ອື່ນໆ (ກະລຸນາອະທິບາຍລະອຽດ)

34. 'Agriculture is my household's most important livelihood activity' With this statement do you...? ການເຮັດກະສິກໍາ ແມ່ນກິດຈະກຳ ທີ່ສຳຄັນທີ່ສຸດໃນດຳລົງຊີວິດຂອງຄອບຄົວເຈົ້າຄິດແນວໃດ ?

a) agree ເຫັນດີ

b) neither agree nor disagree ເຫັນດີຫຼືບໍ່ເຫັນດີ

c) disagree ບໍ່ເຫັນດີ

35. Did farming alone provide you with enough income ten years ago? If yes what was different then? ການຮັດນາຢ່າງດຽວສົບກິອ່ນລາຍຮັບເຈົ້າກຸ່ມກິບ ? ຖ້າຫາກວ່າລາຍໄດ້ແມ່ນຫຍັງແປ້ນສົບທຸກໆຕາມຕ່າງໆໃນຕອນນັ້ນ ?

a) higher agricultural crop prices ລາຄາຂອງສິນຄ້າກະສິກໍາ ສູງກວ່າ

b) enough agricultural land ມີພື້ນທີ່ກູ່ພຽງພໍ

c) enough family members to work in agriculture ມີສະມາຊິກໃນຄອບຄົວເຮັດນາພຽງພໍ

d) enough workers to farm the land ແຮງງານພຽງພໍ

e) better crop harvests ເກັບຜົນຜະລິດຫຼາຍ

f) lower input prices ຕຳລິທຳໃນການຜະລິດຕ່ຳ ກວ່າ

g) other ອື່ນໆ (ກະລຸນາອະທິບາຍລະອຽດ)

36. What other sources of income do you have? More than one can apply.

ລາຍຮັບຂອງເຈົ້າມີຈາກບ່ອນອື່ນກິບ ? ມີຫຍັງແນ ?

a) wages from your own work ຄ່າແຮງຈາກບ່ອນເຮັດວຽກຂອງເຈົ້າ

b) wages from family members' work

ຄ່າແຮງຈາກການເຮັດວຽກຂອງສະມາຊິກຄົນອື່ນໃນຄອບຄົວ

c) wages sent from family member working in Thailand

ຄ່າແຮງທີ່ສົ່ງກັບມາໃຫ້ຈ້າກການເຮັດວຽກໃນໄທ

d) profit from trading goods ກຳ ໄລຈາກການຂາຍສິນຄ້າອື່ນໆ

e) other ອື່ນໆ (ກະລຸນາອະທິບາຍລະອຽດ)

37. If you have family members working in other sectors (e.g. working in industry, migrating to Thailand) why did they choose to work in those sectors and not agriculture? More than one can apply.

ຖ້າຫາກວ່າສະມາຊິກໃນຄອບຄົວກຳ ລັງເຮັດວຽກຢູ່ບ່ອນອື່ນ ຕົວຢ່າງກຳ

ລັງເຮັດວຽກຂະແໜງອຸດສາຫະກຳ ກຳ ລັງເຮັດວຽກຢູ່ໃນປະເທດໄທ

ເປັນຫຍັງພວກເຂົາຈຶ່ງເລືອກເຮັດວຽກຢູ່ບ່ອນນັ້ນແລະບໍ່ເຮັດກະສິກຳ ?

ສາມາດເລືອກໄດ້ຫລາຍກວ່າໜຶ່ງຄຳ ຕອບ

a) they wanted higher wages in other sectors

ພວກເຂົາຕ້ອງການຄ່າແຮງສູງກວ່າບ່ອນອື່ນ

b) didn't like agricultural work ບໍ່ມັກເຮັດວຽກກະສິກຳ

c) wanted to develop other skills ຕ້ອງການພັດທະນາທັກສະອື່ນ

d) wanted to experience other work/places

ຕ້ອງການປະສົບການຈາກບ່ອນເຮັດວຽກອື່ນ

e) they wanted more independence ຕ້ອງການຄວາມອະນິຍາຍ

f) you encouraged them to find other work to contribute more money to household

ເຈົ້າເປັນຄົນທີ່ກະຕຸ້ນໃຫ້ພວກເຂົາໄປຊອກວຽກອື່ນເຮັດເພື່ອໃຫ້ເກືອບຄອບຄົວ

g) household needed higher incomes ຄອບຄົວຕ້ອງການລາຍໄດ້ສູງກວ່າ

h) not sure ບໍ່ແນ່ໃຈ

Higher incomes for what expenses? ລາຍໄດສັງເກດເອົາໃຊ້ຈ່າຍຫຍັງ More than one can apply. ສາມາດເລືອກໄດ້ຫຼາຍກວ່າໜຶ່ງຄຳ ຕອບ

- a) building house ສ້າງເຮືອນ
- b) buying land ຊື້ດິນ
- c) buying car/motorcycle ຊື້ດີໃຫຍ່ ຫຼື ຊື້ດີຈັກ
- d) buying clothes / phones etc. ຊື້ເສື້ອຜ້າ ຫຼື ໂທລະສັບ ອື່ນໆ
- e) everyday expenses ຄ່າໃຊ້ຈ່າຍພາຍໃນເຮືອນ
- f) special event (e.g. wedding) ງານສັງຄົມຕ່າງໆ
- g) higher food prices ຄ່າອາຫານສູງຂຶ້ນ

#### Status of Agricultural Work

39. Do you think many people of the younger generation want to do agriculture? If no, why not?

ເຈົ້າຄິດວ່າຄົນສ່ວນຫລາຍໂດຍສະເພາະໄວໜຸ່ມຕ້ອງການເຮັດການກະສິກຳ ? ຖ້າບໍ່ ເປັນຫຍັງ?

- a) farmers do not have a high status ຊາວນາບໍ່ຖືກນັບສູງ
- b) more jobs in other sectors are available now ອາຊີບອື່ນໆແມ່ນດີກວ່າຢູ່ໃນປັດຈຸບັນ
- c) they don't like agricultural work ບໍ່ມັກເຮັດວຽກກະສິກຳ
- d) higher wages in other jobs ຄ່າແຮງສູງກວ່າບ່ອນອື່ນ
- e) agricultural work is not 'modern' ວຽກກະສິກຳ ບໍ່ທັນສະໄໝ
- f) they want to buy more consumer goods (e.g. more clothes, mobile phones, computers) ພວກເຂົາຕ້ອງການເຄື່ອງອຸປະໂພກ (ເຊັ່ນ ເສື້ອຜ້າ ໂທລະສັບ ຄອມພິວເຕີ)
- g) not sure ບໍ່ແນ່ໃຈ

40. In your opinion what is now the best type of work in Lao society?

ໃນທະສະຄະຕິຂອງເຈົ້າວຽກປະເພດໃດແມ່ນປະເພດທີ່ສື່ດູຢື່ນສັງຄົມລາວບັດຈບຸ້ນ  
ນ?

a) services (e.g. restaurant, hairdresser, motorcycle repair, tourism) ການບລໍ່ການ  
(ຮັ່ນອາຫານ ຊ່າງຕັດເຄືື ຊ່າງແປງລດີ ການທອ່ງທຽ່ວ)

b) agriculture ກະສກຳ

c) industry (manufacturing, food processing, construction, mining) ອດຸສະຫະກຳ  
(ໂຮງຈັກໂຮງງານ ການແປຮບູ ການກສ່າງ ບດໍຮ)

(d) civil servant ພະນັກງານລດັ

e) office work (e.g. accountant, computer technician) ພະນັກງານຫອ້ງການ  
(ນັກບັນຊ ຊ່າງຄອມພວິຕ ອິນື່ງ)

f) migrate to Thailand ໄປຮດ້ວງກຢປູ່ະເທດໄທ

g) not sure ບດໍຮໃຈ

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