BRI-Backed Rail Link Set to Unleash the Economic Potential of Laos

With work now under way on the China-Laos Railway Project, hopes are high that it will form a key element of the Belt and Road Initiative, transforming Laos' infrastructure and delivering rapid and affordable freight transit across Southeast Asia.

Charged with revitalising the least-developed country in the ASEAN bloc, the priority of the Laos government has long been to alleviate poverty by boosting industrialisation. It has also been keen to capitalise on the country's key asset – its strategic geographical location, a location that sees it uniquely positioned to act as a bridge between China and the Southeast Asian states of Myanmar, Thailand, Cambodia and Vietnam.

One key problem, however, has perennially undermined any bid by Laos to fully realise the benefits of its unique location – its wholly underdeveloped transportation infrastructure. Now, though, there is a growing expectation that the Belt and Road Initiative (BRI) – China's ambitious multinational infrastructure and trade facilitation investment programme – could be a key element in changing all of that.

In particular, it is believed that the BRI-backed China-Laos Railway Project could transform the fortunes of this landlocked nation. The project, which is seen as essential if Laos is to meet its own economic targets, has already been designated as a priority.
under the terms of the nation’s *Eighth Five Year Plan*. Once completed, the US$7 billion project will deliver a high-speed rail link running from southern China, through Laos and terminating at the industrial eastern coast of Thailand. The 428km standard-gauge Laos section will run south from the China-Laos border at Boten to Luang Prabang, Vang Vieng and Laos' capital Vientiane. It will then continue on to the Nong Khai Thai-Laos border crossing, ultimately connecting with Thailand's rail network.

Clearly evangelical about the prospects for the line, Bouchanh Sinthavong, the Lao Minister of Public Works and Transportation, has gone on record as saying: "This railway will benefit Lao people of all ethnic groups. It will reduce transportation costs, while stimulating the development of the agricultural and industrial sectors, as well as tourism, investment and general trade. On top of that, it will also generate income for people across the country."

The project has also been welcomed by the private sector. Highlighting the potential benefits of the line, Yao Bin, the Chairman of the *Krittaphong Group*, one of Laos' largest construction companies, said: "It currently takes more than 30 days to transport goods from Thailand to the coastal provinces of China by sea. Once the *China-Laos Railway* is up and running, the entire process could be cut to less than 24 hours."

Despite such upbeat sentiments, concerns over the possible social and environmental consequences caused a year-long delay in the launch of the project. Work, however, did eventually begin on 1 January this year, with construction scheduled for completion before 2022.

Once completed, trains on the line will travel at an estimated speed of between 160-200km/h, making it – by far – Laos' longest and fastest railway. In total, some 60% of the line will run either over bridges or through tunnels. Along the route, there will be a total of 33 stations, including 21 by-pass stations, 11 passenger stations and one main freight station. The construction work involves 175.5km of subgrade, 170 bridges (with a total length of 69.2km), and 72 tunnels (with a total length of 183.9km).

In terms of ownership, China will maintain a 70% stake in the line, with Laos retaining the remaining 30%. The cost of the project has been estimated at in excess of $7.2 billion – more than half of Laos' annual GDP and equivalent to $17.1 million per kilometre. The cost will primarily be met by the *Export-Import Bank of China*.

In addition to the main rail line, there are also plans to construct a freight terminal in Vientiane, which will facilitate connections to the *Saysettha Development Zone*, an existing China-Laos co-operative project. According to Liu Hu, *Saysettha's* General Manager, the prospect of the rail link has already seen 32 new businesses established with the Zone.

By 2030, it is hoped that the zone will be home to some 150 companies, providing 30,000 much-needed new jobs in the region. According to official forecasts, the zone will also yield $300 million a year for local government coffers.

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