

Laos–China Railway

Northern Laos, Laos and China

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A section of the Kunming–Singapore Railway, the Laos–China Railway is a fundamental component of China's vision for the Pan-Asia Railway network—a flagship project of the Belt and Road Initiative (BRI) in mainland Southeast Asia. Construction on the 414-kilometre standard gauge railway began in 2016 and is scheduled for completion on 2 December 2021, Lao National Day. The railway was developed through a 30/70% joint venture between Lao and Chinese companies and governments. Due to the mountainous terrain of northern Laos, the cost of the huge engineering feat is 5.9 billion USD. As a shareholder, the Government of Laos is covering part of its committed funding with a loan from the Export–Import Bank of China (Eximbank), the sustainability of which has been questioned. Debates about how this will benefit Laos as well as criticisms related to the railway's negative impacts on local communities have circulated widely.

Basic Information

Chinese Name: 老中铁路

Location: Northern Laos. Running south from the China–Laos border, the line traverses Luang Namtha, Oudomxay, Luang Prabang, and Vientiane provinces, ending in Vientiane.

Type of Project: Transportation

Project Developers: Laos–China Railway Company Limited, a Sino-Lao joint venture. Shareholders include the Lao National Railway State Enterprise; Boten–Vientiane Railway Company Limited, a joint venture between China State Railway Group Company Limited (CR), China Railway Group Limited (CREC), Power Construction Corporation of China, and China Railway Construction Corporation Limited (CRCC); China Investment Corporation; and Yunnan Investment Group.

Main Contractors: China Railway Group Limited (CREC); Power Construction Corporation of China; China Railway Construction Corporation Limited (CRCC).

Known Financiers: Export–Import Bank of China with additional capital input from multiple Chinese state-owned enterprises (see the profile below for details) and the Government of Laos.

Cost: 6 billion USD

Project Status: Under construction; to be completed by December 2021 and operational in 2022.

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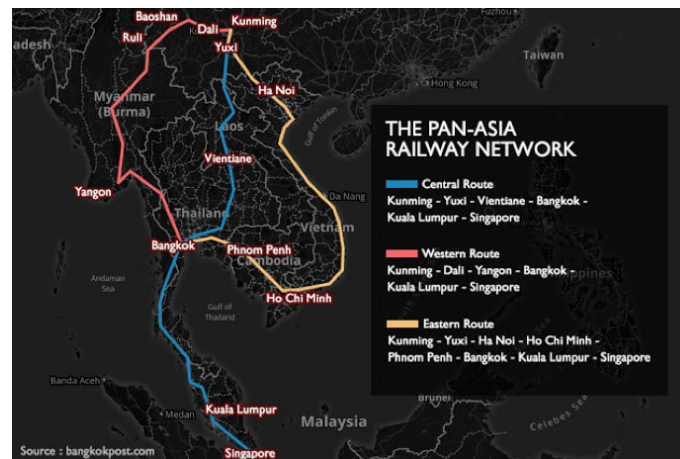


Construction of elevated tracks over a village in Oudomxay Province. Photo by Jessica DiCarlo, 2019.

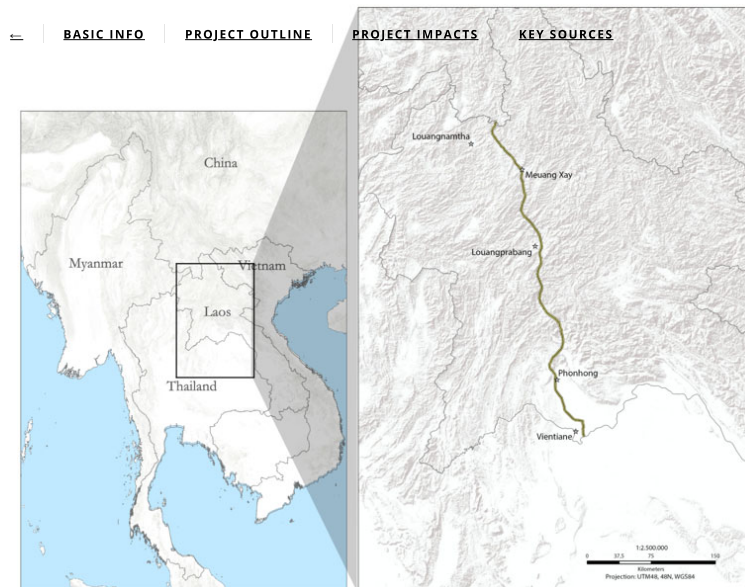
Project Outline

The Laos–China Railway is part of China’s vision for the Kunming–Singapore Railway (also known as the Pan-Asia Railway)—a BRI flagship project in mainland Southeast Asia. The vision for the Pan-Asia Railway has not been fully realised, but comprises three routes from Kunming to Singapore: the western route through Myanmar and Thailand, the central route through Laos and Thailand, and the eastern route through Vietnam, Cambodia, and Thailand. All three would connect in Bangkok and extend south through Malaysia and Singapore. The Lao section is key because the projects from China through Vietnam and Myanmar have been put on hold or have taken longer to negotiate and implement due to environmental risks and geopolitical tensions, and agreements for the Thai sections have only recently been inked.

The Laos–China Railway connects Laos’s northern border town of Boten to its capital city, Vientiane, via 414 kilometres of standard gauge track. Running through the heart of northern Laos, the railway traverses some of the country’s most populated, biodiverse, and resource-rich regions. The mixed-traffic line (passenger and freight) is built to China’s national or GB standards (国标). Despite Lao and Chinese media rhetoric about ‘high-speed’ capacity, the line will only be capable of speeds up to 160 km/h (for passengers) and 120 km/h (for freight), which are below the standard 240 km/h and 380 km/h for high-speed rail. Regardless, it will take four hours to travel from Vientiane to Boten at the Chinese border and a mere 10 hours to travel all the way to Kunming—a journey that now takes about 24 hours by car.

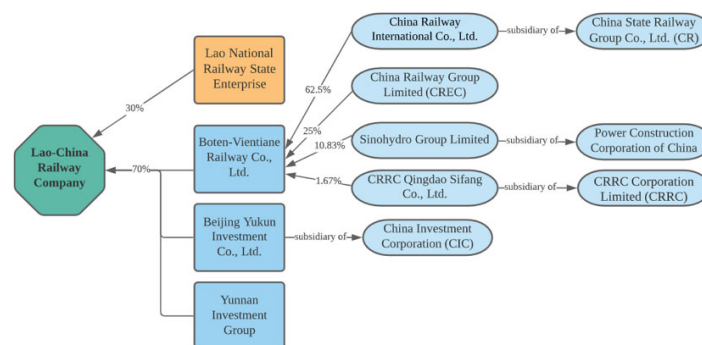


Source: Bangkok Post.

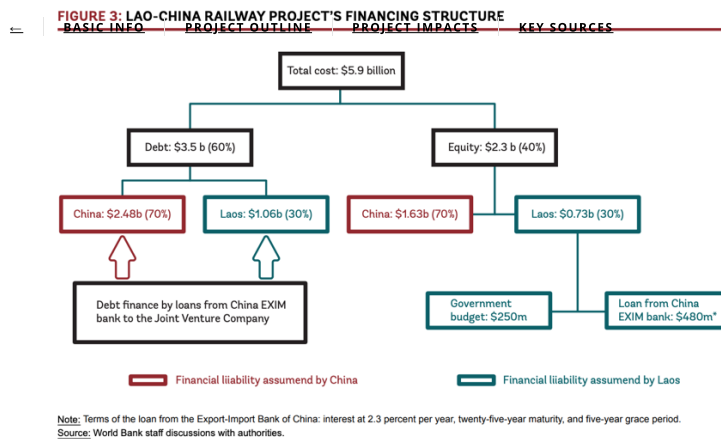


Map of the railway line through northern Laos. Source: DiCarlo, 2020.

The Laos–China Railway Company, a Sino-Lao joint venture set up in Vientiane specifically for the project, is responsible for the construction and operation of the railway. The Lao side holds a 30% share in the project through the Lao National Railway State Enterprise, while Chinese capital is contributed through several state-owned enterprises (see the chart below) headed by the China State Railway Group Company Limited (CR). The railway project uses a build–operate–transfer (BOT) model with a total project connection period of 75 years—a five-year construction period and a concession period of 50 years with a possible extension of 20 years.



Given the mountainous terrain of northern Laos, the railway will include 167 bridges (with a total length of 62 kilometres) and 75 tunnels (with a total length of 198 kilometres). The technical challenges of engineering this mixed-type track have put the project's price tag at 5.9 billion USD. The Laos–China Railway Company borrowed 60% of the investment cost from the Eximbank of China, while the remaining 40% was provided by equity investment from both Lao and Chinese parties. The Lao state is responsible for providing roughly 1.79 billion USD of capital, including both equity investment of 730 million USD and debt liability of 1.06 billion USD. Due to Laos's inadequate fiscal capacity, the Lao authorities made an additional arrangement with the Eximbank of China for a separate loan of 480 million USD to cover two-thirds of their equity. The remaining 250 million USD will be injected into the project directly from the Lao state budget. This represents a critical financial commitment that must be made by the Lao side before the Eximbank loans for the project are disbursed.



Source: [World Bank](#)

Bilateral negotiations on the railway began in 2010 but were put on hold shortly after due to domestic criticism in Laos regarding rumoured land concessions for the project, as well as China's anticorruption campaign, which in 2011 brought down the key Chinese politician backing the initiative, the former Railway Minister Liu Zhijun. In 2014, negotiations resumed, and a deal was eventually signed towards the end of the year. Construction began in 2016 and completion is scheduled for late 2021. On completion, the Laos–China Railway will include 32 stations (10 passenger stations, 22 crossing stations, and freight and logistics compounds). Its route cuts through 167 villages in 13 districts and five provinces in Laos. In addition, subcontractors have installed 400 kilometres of transmission lines, 233 transformers, a 93-kilometre water supply system, and have cleared land for 800 kilometres of road to facilitate rail construction. While the economic payoff of the project remains to be seen, its impacts on the livelihoods of communities have already started to show.

Project Impacts

Employment and labour rights: From the outset, the Laos–China Railway has been heavily criticised for its reliance on a workforce largely imported from China, which has created few employment opportunities for the local population. Hidden exploitation under a predominantly Chinese workforce has sparked many sporadic and organised labour protests. However, due to the lack of media coverage, these dynamics are rarely documented.



Construction of elevated railway track in Vientiane Province, Laos. Photo by Jessica DiCarlo, February 2020.

Land: The lack of transparency surrounding land appropriation and compensation is one of the project's most significant controversies, as construction has been plagued by long-delayed compensation payouts. While many affected households were deprived of their use rights in 2016, they waited years to receive compensation for their loss. Many people in affected villages were unclear about plans, timelines, land compensation processes, and their ability to comment on the railway construction. In interviews the second author conducted between 2018 and 2020, villagers often said that had compensation led to the same or better living conditions (a requirement under Lao regulations), they would have readily agreed, but they had little indication of that happening. Those more willing to relocate may have had closer ties to the government, an additional home, family with extra land, or could negotiate better terms. Those less willing to accept compensation tended to lack bargaining power and clear information, had previously been dispossessed of land, or had experienced project-induced social or environmental problems. Villagers' ambivalence was connected to a number of issues, mostly related to their experiences with the project and the ways they made sense of it, including the fact that compensation was delayed, amounts were often low, and valuations inconsistent. These issues affected more than 4,000 households, some of

whom had been previously displaced. Yet because the railway is a priority project, many people felt they had no clear means of redress, despite safeguards and protections that say otherwise.



Railway pylons being constructed above agricultural land in Oudomxay Province. Photo by Jessica DiCarlo, March 2020.

- **Fiscal impact:** The project is popularly believed to have elevated Laos's debt burden and pushed the revenue-strapped government towards a looming sovereign debt crisis. However, such criticisms often overstate China's sovereign lending to Laos, particularly for the railway. (For a more detailed discussion of Laos's debts to China, please see the country profile.)
- **Governance:** The project has been shrouded in secrecy since the negotiation stage. Publicly available information is filtered by both the project's joint-venture company and the two governments involved, which regularly withhold negative information about the railway. Governance of the project itself is maintained within the joint venture. Because the Lao Government is in charge of all land appropriation and compensation, they revised or introduced new laws and regulations for these processes, such as the new Law on Railway. However, these were not necessarily implemented as written.
- **Environmental impact:** During construction, water, air, and noise pollution, land use changes, safety issues, and livelihood changes have been the key focus of local concerns and complaints. For example, a large creek north of Vang Vieng is a primary water source for the surrounding villages. It runs from the hills and crosses the rail line before flowing into the Song River, but it was completely blocked during construction, resulting in conflict over water access. As a resident explained to one of the authors of this profile: 'Now the creek is blocked because [the construction company] exploited the area and all the rock and soil went into the water. The creek is also full of chemicals from the explosives, so it seems we could not use that water anymore.' Villagers in this area now must travel far from their homes and their original water source to access clean water. Residents also expressed concern that the continued blocking of this waterway, especially in the rainy season, could lead to flooding. While long-term effects on the environment, ranging from impacts on biodiversity and wildlife to pollution, are yet to be seen in this project, they are likely. The environmental and social impacts of large-scale infrastructure projects have raised questions about global governance and brought longstanding challenges around environmental and social safeguards to the forefront of the debate.



Land clearing and excavation for construction in Luang Namtha Province, Laos. Photo by Jessica DiCarlo, March 2020.

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Laos and Chinese policymakers and state media stress that burgeoning BRI energy and transportation networks will transform Laos from landlocked to land-linked, with the Laos–China Railway as the centrepiece. According to the Lao Government, the railway will stimulate socioeconomic development; provide convenient, fast, and safe transportation; expand business, investment, and tourism; and improve China–Association of Southeast Asian Nations relations and regional integration. Lao Minister of Public Works and Transport, Bouchanh Sinthavong, summarised these visions during the 2016 groundbreaking ceremony for the railway in Luang Prabang Province: ‘Once completed, the railway will benefit Lao people of all ethnic groups, facilitate and reduce costs of transportation, stimulate the development of agricultural and industrial sectors, tourism, investment and trade, as well as generate income for Lao people and the country.’

Financial Entanglements and Labour Disputes

When the governments of Laos and China finally agreed to develop the railway as a joint venture in 2015, media reports of the financial details raised concerns about the project’s impact on Laos’s debt sustainability. This was followed by evidence of mass labour importation from China in the construction stage, as reported by journalists and development workers. However, one of the authors’ in-depth fieldwork revealed a more complicated labour regime undergirding the railway’s construction momentum. She showed that the project initially involved locally sourced labour, as profit-driven Chinese contractors looked to recruit a cheap workforce from rural Laos. This system unravelled when the Chinese employers stopped paying wages to workers on time when the financial resources arranged to fuel construction failed to arrive as scheduled.

A major factor in the delay of the project’s credit injection was the Lao Government’s inability to provide equity from the state budget as scheduled, which put the loan from the Eximbank of China on hold, too. As a result, throughout the implementation stage, the railway has been haunted by financial instability—a problem that was particularly acute during the early period of construction. Chinese contractors on the railway initially worked under the impression that they would receive monthly reimbursement for their inputs. When the reimbursement cycles continued to be missed, these firms found their own resources drained. They responded by enacting extreme measures to cut expenditure, including delaying and denying wage payment to their workers. Counting on a paycheque to cover everyday necessities, the Lao workers soon quit, and the contractors ended up filling the vacancies with workers brought in from China. Chinese workers were not on a monthly payroll system like their Lao counterparts, instead receiving their payment in a lump sum every three to six months or, in some cases, once a year—a common arrangement in China’s domestic construction sector.

As a result, while the total cost of labour surged, the employers were able to make sustained progress with construction and fulfill their contractual obligations, despite the financial difficulties. However, as the problem lasted longer than anticipated, many Chinese workers failed to receive their wages even when their payday came, leading to multiple episodes of labour unrest on the railway.

Mismatched Timelines for Land Compensation

Issues around land appropriation and compensation have been a frequent subject of debate, beginning with conversations in 2010 in Lao policy circles concerning the amount of land on each side of the track that would be appropriated for the project. According to discussions with the Lao Ministry of Public Works and Transport and media reports, the railway will impact more than 3,800 hectares of land (800 hectares temporarily and 3,000 hectares permanently) and at least 4,411 families along the 414-kilometre route. Additional land beyond the track will be used for access roads, worker housing, stations, and development zones. In addition, the *Laos–China Railway Concession Agreement* designates no less than 1,000 hectares for station development zones in Muang Xai and Vientiane and 500 hectares in Luang Prabang and Vang Vieng—four of the largest stations.

Timelines for construction and land compensation are consistently misaligned. In some locations, provincial officials informed villagers as far back as 2010 to cease farming activities in preparation for construction. ‘Of course, construction can proceed and compensation can begin later ... if we wait, construction will take too long,’ the head of one of the provincial Laos–China Railway offices told one of the authors in 2019, despite Lao regulations that stipulate compensation must be paid before construction begins. However, even after construction began in 2016, the money budgeted for compensation was not available. A central government official at the Ministry of Planning and Investment explained that the delays in compensation were due to an annual spending ceiling set by the Ministry of Finance (Interview, 2019).

Following an urgent call for budget approval of 500 billion Kip (about 54 million USD) in March 2018 to enable construction to move ahead, Minister of Public Works and

Transport, Dr Bounchanh Sinthavong, told the National Assembly: ‘We will strive to begin compensation payments by the end of June [2018]’—that is, two years after construction began. A November 2018 *Vientiane Times* article [declared](#) that compensation for all land or property lost to the railway was ‘slated for completion’ in 2019. Mr Khounnivong insisted that payments had begun under the project’s ‘priority plan’ and were divided into seven groups, claiming: ‘We have completed compensation payments for the first and second groups, [and] once approval is granted for the other groups, we will immediately begin the compensation process. We will compensate people as soon as possible so they can improve their circumstances.’ A year later, in November 2019, acting head of the Laos–China Railway Project Management Committee, Thenekham Thongbonh, [confirmed](#) that the Lao Government had ‘made available 98.5% of all the required construction sites’ and 11 sites were yet to be acquired. He continued: ‘Luang Namtha and Oudomxay provinces have handed over all of the sites required by the project. All the necessary sites have been acquired in Luang Prabang Province, apart from one location in the Buam Or area where a station is planned. This site is in a village, but the authorities plan to relocate the inhabitants so that land is freed up.’ He went on to explain that most of the remaining land ‘yet to be handed over to the project operator’ was in Vientiane, where affected people have contested the compensation offer.

On 10 March 2019, the Ministry of Public Works and Transport issued Resolution No. 12980/PM on the compensation budget for the Laos–China Railway and listed the total amounts to be paid: 143.3 billion Kip (or 15.8 million USD) across the five affected provinces. The state-run newspaper, the *Vientiane Times*, which offered surprisingly comprehensive coverage of this process, reported on 29 June 2020 that in both Oudomxay and Vientiane provinces, residents ‘have [yet to be properly compensated](#) for the loss of their land and other property following construction of the Laos–China Railway’ because they refused on the grounds that, for example, the rate was too low or inaccurately calculated. The growing compensation debate was also raised in sessions of the National Assembly and Provincial People’s Assembly (PPA). On 22 January 2020, at the eighth PPA session in Vientiane, members raised issues about land compensation for several infrastructure projects, including the railway. One member made a [public statement](#) on railway compensation, citing low compensation rates that were inadequate for villagers to buy new land.

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