Occasional Papers 1

Globalisation and Change in Southern Laos

Jonathan Cornford

Focus on the Global South

Occasional Papers 1

Globalisation and Change in Southern Laos

Jonathan Cornford

Focus on the Global South

The Occasional Paper Series

These occasional papers are published by Focus on the Global South. Although some of the authors are Focus staff or visiting researchers, we are open to proposals from individuals or organisations who would like to submit papers for publication. The aim of the series is to publish new research and policy analysis on key issues emerging from the processes of economic globalisation and militarisation and the countervailing forces of resistance and alternatives. The views expressed in this series are those of the authors and do not necessarily represent the views of Focus on the Global South.

About the Author

Jonathan Cornford lives in Melbourne, Australia, and works as an Advocacy Coordinator with Oxfam Australia. He received a doctorate in Political Economy/International Development in 1999 after writing a thesis on Australian development involvement in Laos.

Focus on the Global South is a program of development policy research, analysis and action. Focus engages in research, analysis, advocacy and grassroots capacity building on critical issues. It was founded in 1995 and is currently attached to the Chulalongkorn University Social Research Institute (CUSRI) in Bangkok, Thailand.

Credits:

Editor: Alec Bamford
Photographs: Jonathan Cornford

Thanks:

We would like to thank Oxfam Australia for thier financial support towards this issue of the Occasional Papers Series

Focus on the Global South
CUSRI, Chulalongkorn University,
Wisit Prachuabmoh Building,
Bangkok-10330 Thailand
Ph: 66-2-2187363-65, Fax: 66-2-2559976
Web: www.focusweb.org

January 2006

Globalisation and change in Southern Laos

ISBN Number: 974 – 9941-17-9

Contents

ACKNOWLEDGEMENTS III

FOREWORD V

ABBREVIATIONS
SPELLING OF LAO NAMES

INTRODUCTION 1

1. SOUTHERN LAOS AT THE TURN OF THE MILLENNIUM 5

THE LAND AND THE PEOPLE
ECONOMIES AND LIVELIHOODS
POVERTY AND WELLBEING
POLITICAL SITUATION

2. FORCES OF CHANGE 17

TRANSPORT AND ACCESS
TRADE
FORESTRY
MINING
HYDROPOWER
INDUSTRIAL DEVELOPMENT
AGRICULTURAL POLICY
RESOURCE TENURE

3. THE COMING CHALLENGES 45

ETHNIC INEQUALITY
ENVIRONMENTAL DECLINE
BREAKDOWN OF COMMUNITY
URBAN/RURAL DIVIDE.
DECLINING TERMS OF TRADE
RESPONDING TO CHANGE

CONCLUSION 55

UPDATES 57

SELECT BIBLIOGRAPHY 58

Acknowledgements

This book would not have been possible without travel in Laos and without the scope to maintain ongoing research and monitoring of Lao affairs. Both of these have been afforded me by my employer, Oxfam Australia. In this regard, I must particularly thank my colleague Michael Simon for his encouragement and practical support to pursue the line of inquiry undertaken in this book. There have been many friends and colleagues in Laos who have also assisted in this work.

I am indebted to Focus on the Global South for agreeing to publish this work – an indication of their commitment to supporting research and analysis which challenges the unrealities of the current economic orthodoxy. The staff at Focus have managed the publication process in a remarkably efficient and uncomplicated manner. Particular acknowledgement must be given to Alec Bamford for his astute (and linguistically precise) editing work.

On a personal note, I would like to thank Peter Chapman for his extensive comments on earlier drafts of this book, and my wife Kim, who shared much of the travel and many of the conversations upon which this book is based.

Foreword

This book analyzes the development situation in southern Laos. It is therefore of obvious interest to anyone working there.

But it deserves a much, much broader readership.

The book begins with the observation that globalization is a slippery concept and then proceeds to nail it down with a series of telling insights from an analysis of one small, neglected corner of the globe.

Although the geographical area under analysis may seem insignificant, southern Laos is remarkably appropriate as a case study of what happens when the multiplicity of changes known as globalization are let loose. The changes have started but haven't gone so far that we can no longer recognize the status quo ante. The context has many features that bedevil development efforts in other places – an important ethnic dimension; a weak government presence; a looming environmental crisis; and the usual bully-boy suspects (IFIs, local capitalist elite, big country neighbours, etc.). So anyone interested in development in the era of globalization should be able to find something here that can be applied to an analysis of the situation in other countries.

One of the outstanding features of this book is that it fills that awkward gap between the expert analysis of a single sector (such as agriculture or trade) and the more broad-brush overview where sweeping statements often take over from factual analysis. Here we get a concise picture of each of the important sectors – transport and access, trade, forestry, mining, hydropower, industrial development, agricultural policy, and resource tenure. But importantly, these are presented not as separate strands, but as an interwoven whole.

The result is a picture as the ordinary Lao must see it – a succinct account of particular facts on the ground that, if you can add them all together, can be seen to form a coherent whole.

At various points, the author points to the ease with which many writers slip into partisan positions, where the facts get fixed by the ideology. And he repeatedly claims to be trying not to do this. This is somewhat disingenuous. The perspective of this book is clearly and consistently in sympathy with the ordinary people of southern Laos - the marginalized inhabitants of one bit of a marginalized country. The writer asks us to see things as they appear on the ground and not to ignore the inconvenient bits just because they can't easily be counted, or because most people in the game never talk about it, or because the concepts involved seem too wishy-washy. Again and again, the reader gets a chance to look at the issue from the perspective of the people who are going through this period of intense change and who are going to have to live with the consequences.

If you are looking for something 'objective' and 'impersonal' that stays close to the orthodox economic view of things, you will still find material of interest in the following pages. But if you are interested in development as it ranges over the entire human experience of how people relate to each other and their natural environment, then you've found exactly the right book. Read, learn and enjoy.

Alec Bamford
July 2005

ABBREVIATIONS

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Agreement
ASEAN	Association of Southeast Asian Nations
EU	European Union
EWC	East-West Corridor
GMS	Greater Mekong Subregion
HIV/AIDS	Human Immuno Virus/Acquired Immuno Deficiency Syndrome
IFI	International Financial Institution
IMF	International Monetary Fund
INGO	International Non Government Organisation
JBIC	Japan Bank for International Cooperation
JICA	Japanese International Cooperation Agency
Lao PDR	Lao People's Democratic Republic
LPRP	Lao People's Revolutionary Party
LXML	Lan Xang Minerals Limited
NGO	Non Government Organisation
PPA	Participatory Poverty Analysis
STD	Sexually Transmitted Disease
WTO	World Trade Organisation

SPELLING OF LAO NAMES

Spelling used here	Other common spellings
Attapeu	Attapu
Salavan	Saravane, Saravan, Salavane
Xe Kong (the river)	Sekong, Xe Khong
Xekong (the province)	Sekong, Xekhong
Xepon	Sepon

(Note: When quoting other sources, the spelling used in the original is preserved, even when it differs from the spellings above. We trust that any confusion will be minimal.)

Introduction

"A culture is not a collection of relics or ornaments, but a practical necessity, and its corruption invokes calamity. A healthy culture is a communal order of memory, insight, value, work, conviviality, reverence, aspiration. It reveals the human necessities and the human limits. It clarifies our inescapable bonds to the earth and to each other. It assures that the necessary restraints are observed, that the necessary work is done, and that it is done well."
Wendell Berry, *The Unsettling of America*

This book has for its topic the enormous issue of how globalisation, a slippery concept at the best of times, affects the complex processes of change - social change, economic change and ecological change - in the southern regions of Laos. Southern Laos is a corner of the world where, for reasons of history and geography, the forces of modernisation and capitalism have come late - but they have arrived. It is a region that is typically described as poor, underdeveloped, isolated and dependent, although these labels say as much about the describer as they do about southern Laos.

Every place is different, and if we are to understand the effect of forces like globalisation, we must understand the context and the particularities of that place. For this reason alone, an inquiry into the issues of change in southern Laos is warranted. However there is another point of interest, for those willing to consider it. Because modernisation and capitalism are so new in southern Laos, and because they are washing up against forms of culture, society and economy which are so radically different, we can more clearly see the *nature* of these forces, in a way that is now obscured in so much of the world. Hence this enquiry may also be useful to those with a broader interest, or with a focus on others parts of the world. Indeed it goes to the heart of the debate about what development *is for*.

This is an exercise in understanding the times. It is not an attempt to predict the future - that would be futile. Neither is it an attempt to provide a detailed micro baseline analysis of the present; while that would certainly be valuable, the realm of inquiry here is far too broad, and the resources too limited. What it *is,* is an attempt to paint a broadbrush portrait of a particular region at a particular time, and to chart the major forces of change which are acting upon it, with a view to the light that this may throw upon certain questions. The questions with which we are most concerned here relate to the welfare of the people who inhabit this region, and the integrity of the natural world in which they exist and upon which they depend.

The central thesis of this book is that change is happening in southern Laos, and happening fast. It needs to be acknowledged at the beginning, that the merits of the overall trajectory of change - from traditional subsistence forms to modern capitalist forms - is the subject of one of the great debates of values and ideology of our time. It will be impossible for this book to stay neutral from this debate, nor would that be desirable or useful. However, whatever judgements are made about such matters, it is *the first priority of this book* to stress the extent and depth of the change that is coming, and whatever one may feel about the destination, to draw attention to the human impact that such upheavals are likely to have.

The structure of this book is designed to form a coherent and developing argument as a whole, but may also be used selectively by those with more particular interests. Chapter 1 provides a broad description of the place and the people of southern Laos as it was at the turn of the millennium. It is primarily concerned with how people live in terms of culture and economy, and how this relates to the natural world around them. This chapter not only describes the activities in which people are involved, but will convey something of the nature of the subsistence economies which are the predominant context for people's lives, and what this means for thinking about the issues of livelihoods, poverty and wellbeing. Unfortunately this chapter provides only a snapshot in time, and gives a poor sense of the history of continuity and change that has shaped these things into what they are at the present day.

Chapter 2 provides an overview of the major forces of change which are acting upon southern Laos, and some of the implications they may have for people's lives. The aim is not to cover all the various forces and agents of change, but to focus on those associated with the nebulous phenomenon of globalisation (see the note on globalisation below). That said, it can be safely argued that these are by far the most powerful forces acting upon southern Laos. It is tempting to describe these as *external* forces, but that would obscure the fact that their very power is related to the extent to which they are *internalised* by certain sectors of Lao society and government. The areas covered are transport, trade and trade policy, forestry, mining, hydropower, industrial development, agricultural policy, and resource tenure. There is a mass of rhetoric - especially from the large multilateral institutions (the World Bank, the Asian Development Bank, the World Trade Organisation and the International Monetary Fund) – which promotes the supposed benefits of these developments; the intention here is to question these economic orthodoxies more closely by asking who benefits from these changes and who is disadvantaged, acknowledging that social change is always a complex and uneven process.

Chapter 3 summarises some of the likely effects of change. This chapter stresses the differential effects on ethnic groups, and on women and men. These effects have been framed in terms of the 'coming challenges' which will increasingly confront people in government and in development organisations. Of particular importance are the challenges of ethnic inequality, environmental degradation, breakdown of community, the urban/rural divide and declining terms of trade. It is not claimed that these will form a complete description of the experience of change in southern Laos, but these loom as critical issues for those interested in human welfare and wellbeing.

Chapter 3 closes with a consideration of what the coming challenges mean for those at the front line of responding to change – the Government of Laos and the host of international agencies, large and small, who have taken a role in Lao development. This section is deliberately brief as it is not the purpose to outline a policy agenda. Likewise, the few suggestions which are offered are necessarily broad, as the most valuable contribution that can be made here is to open up debate, and not to attempt to close it.

This book is not a product of original research for the most part, although much of the analysis and a certain amount of data has been derived directly from field experience. Likewise, there is little information or analysis here which is entirely new or novel. Indeed, one could point to similar tales that have been told of many different places at different times. It may then be asked why anyone should feel the need to add to the existing store of literature. *Yet there is a need*. We live in times of information overload, where the commons of knowledge are increasingly enclosed by specialists protective of their own territory and disinclined to stray into the territory of others. Visions of the whole have been sacrificed to debates over detail, and it is becoming difficult to see the wood for the trees. The purpose here then, is to collate already existing knowledge, to find the relations between things, and to paint a picture which restores some perspective to the things that are important in this world.

A note on globalisation

Although globalisation is a word that appears in the title of this book, it is a word that will appear sparsely from here on in. Sometimes it can be an unhelpful word, and it often serves to mystify and obfuscate debate. Yet there has been an undeniable historic trend by which nearly all regions of the world are being drawn into a single system. The term 'globalisation' describes the fact that economic divisions of labour are now largely distributed across national boundaries, and even across continents. However the term has often been used in ways that obscure the fact that these are not merely neutral phenomena, but are the product of a particular historical economic system that, over the last five centuries, has steadily supplanted all competing systems across the globe. This system is most accurately described as a capitalist world-economy, in which there is an "extensive and relatively complete social division of labour with an integrated set of production processes which relate to each other through a 'market'".[1] Yet the role of

the market within capitalism is often confused as its ultimate ideological purpose, when it is really only a means. All economic systems serve a purpose, such as supplying the needs of the populace, maintaining social hierarchies or developing military power. The purpose of a capitalist system is endless accumulation, where consumption has been made to serve production, rather than the other way around.

Thus, the term 'globalisation', as it is used here, is shorthand for the process by which late capitalism, has come to dominate and displace virtually all other economic systems, and bound all regions of the globe within a single economic order. It is helpful insofar as it describes a range of processes and phenomena – technological development, the transnationalisation of production and the internationalisation of economic policy - by which capitalism has become *the* global economic order. Therefore, in relation to southern Laos, globalisation really describes the advent of capitalism, a force which is both internal and external to it.

A note on culture

One aspect of this book that may be contentious, is the extent to which it takes seriously the cultural effects of change, and the connection between culture and human wellbeing. 'Culture' is a problematic term about which there is endless debate. By raising concerns about development and culture, one immediately risks being accused of something like a sentimental colonialism. The implication is that those who point to the effect of development on culture are effectively denying to others the benefits of progress (of which they themselves are beneficiaries), based on idealised views of traditional cultures. The very word 'traditional' has quite rightly been challenged where it has embodied an implicit assumption that non-modern cultures are static and unchanging. This is quite evidently not the case.

There is no scope here to enter into debates around culture; a few assertions must suffice to indicate to the reader what is meant by culture in this book. Firstly, culture is an enormous and nebulous term that covers far more than just the material artefacts or ceremonies of a people. It is a word that includes reference to the worldview and mental framework by which people direct and interpret their everyday lives, including the means and the purpose of their economic activity.

Secondly, it must be acknowledged that all cultures are in flux, and always adapting to the circumstances of the time. Thus, cultural change *per se* should not immediately be seen as negative. At the same time, however, it must be acknowledged that events of *profound cultural change* have significant and widespread effects on a society, far beyond sentimental preferences for an older way of life. Thus, rapid cultural displacement invariably has negative effects on economic productivity and quality of life for some sectors of the population, and is hence an underlying cause of poverty. This is most acutely the case where people experience *loss of culture*, and so are unable to live by the way they know, yet unable to access new modes of thinking and acting.

Lastly, it is impossible for value judgements to be absent from debates around culture, and neither should it be desirable. Unfortunately, however, such judgements are often implicit, rather than explicit, and often simplistic: 'traditional' = good and 'modern' = bad, or vice versa. Here, culture is valued in the same way that systems of economy and governance are valued – that is, by its contribution to human wellbeing and to conserving the integrity of the natural world which humans inhabit.

Endnotes

1. I. Wallerstein, *The Politics of the World-Economy: The states, the movements and the civilisations*, Cambridge, 1984, p.13.

Southern Laos at the Turn of the Millennium

Over the last thousand years, four social upheavals have had profound and widespread impacts upon the land and peoples within the region we today call Laos. Of these four, three have taken place within the last 180 years. The first, and the only to take place before the modern era, was the movement of Tai speaking peoples (today called the Lao) into the lowland plains and river valleys of the Mekong and its major tributaries in the twelfth and thirteenth centuries, and their subsequent political, economic and cultural domination of these regions. The second great upheaval was the mass depopulation and removal in 1827/28 of Lao peoples from the east bank of the Mekong River, into the Siamese controlled territories of the Khorat Plateau. The social and demographic effects of this event remain a major determinant of the current position of Lao PDR *vis-à-vis* Thailand. The third major social change took place with the escalation and internationalisation of the Second Indochina War, between the late 1950s to the mid 1970s. This concluded in 1975 with a Communist victory and the exodus of the nation's educated urban elite, as much as 10% of the population.

At the turn of the third millennium southern Laos is at the beginning of another great upheaval, one that will perhaps alter the physical and social landscape of the region more than any of those before. Nevertheless, as the twenty-first century begins, there is still a large proportion of the population who are the direct inheritors of a practice of cultivating and harvesting from the land that has developed and continued since the earliest days of the previous millennium. While the land has seen much change, there is also a strong thread of continuity.

The Land and the People

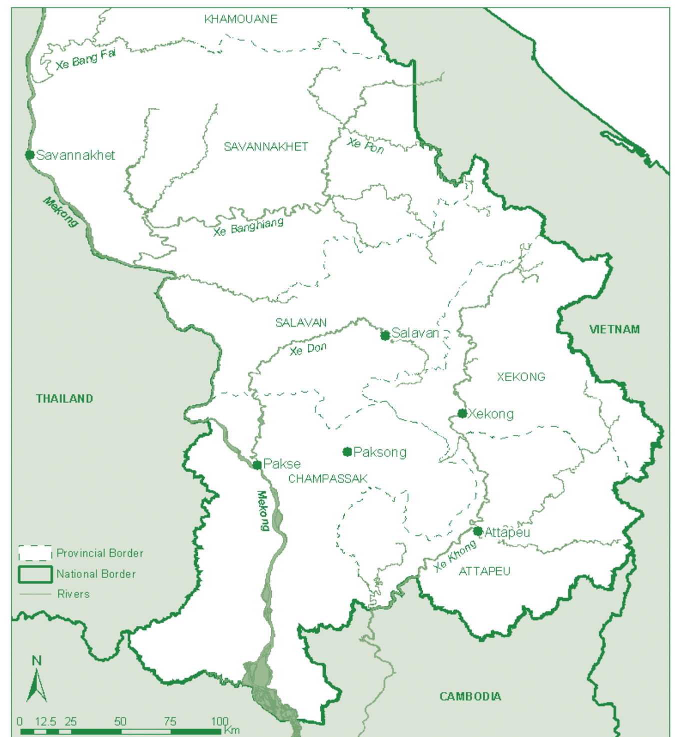
Southern Laos is comprised of the five provinces of Savannakhet, Salavan, Xekong, Champassak and Attapeu. Together, these provinces form a geographically, historically and culturally distinct region of Laos.

The Land

Southern Laos is basically formed by three geographical features. The dominant feature is of course the Mekong River, which flows north to south forming much of the western border with Thailand. At the Cambodian border, the Mekong descends a major cataract known as the Khone Falls which prevents upstream and downstream navigation. The primary tributaries of the Mekong in this region, flowing east to west across southern Laos, are the Xe Banghiang, the Xe Don and the Xe Kong (*Xe* is the word for river in the dialect of the south, where *Nam* is used in the north). The Xe Kong (which joins the Mekong below the Khone Falls in Cambodia) is the Mekong's largest tributary, contributing as much as 19% of its total water volume. The alluvial plains of the Mekong valley, which in fact form the eastern extension of the expansive Khorat Plateau in northeastern Thailand, spread east from the river more widely than elsewhere in the country, giving the south a comparative abundance of flat and gently sloping land. This is particularly the case in Savannakhet and Champassak provinces, a fact reflected in the high density of population settlement in these provinces. Nevertheless, this is a dry region with low rainfall, and poor water retention capacity in most of the soils. A significant amount of the primary forest cover in this region has been removed.

The second geographical feature, the mountains of the Annamite Chain, roughly forms the border with Vietnam. In the south, they rise only along the eastern extremes in Xekong and Attapeu provinces where they continue southwards into Cambodia. These mountains form the eastern barrier of the Mekong watershed; here rainfall is high, and tributaries rising from these mountains contribute a substantial flow to the Mekong. This region of the south is still heavily forested and rich in biodiversity.

Perhaps the outstanding geographical feature of the south is the Bolavens Plateau, an enormously fertile volcanic plateau which rises to over 1000m. Situated in between the Annamite Chain and the Mekong River, the Bolavens Plateau straddles the junction of three provinces: Champassak, Xekong and Salavan. Unlike the rest of southern Laos, the climate on the plateau is mild and steady, which along with its rich soils makes it an excellent site for crop production, most notably coffee. Despite the expansion of logging and agricultural production on the Bolavens Plateau, it still retains a substantial degree of forest cover.



Southern Laos

Southern Laos is a region characterised by ecological abundance and diversity. Much of Laos' remaining forest cover (one of the highest levels in Asia) is concentrated in the south. Forests are located in both mountainous and lowland areas, and include evergreen, deciduous, coniferous and dry dipterocarp types, as well as "a mosaic of secondary habitats"[1]. Perhaps most significantly, there are still large tracts of old-growth lowland evergreen/semi-evergreen forests in the south. In 1998 an Asian Development Bank study examining the impact of hydropower development in the region concluded that: "In most of the study area, the forest and associated habitats are considered to be of global importance in conservation terms, because of the extraordinary range of species which are found or which are extremely scarce and endangered elsewhere".[2] In particular, the forests of southern Laos provide a critical habitat for fauna (mammals, birds, reptiles and amphibians) which are disappearing or already extirpated from much of the rest of mainland Southeast Asia, and some of which are unique to the bioregion. A survey of wildlife in one region of Attapeu Province found 84 mammal species of which 30 were considered to be of conservation concern[3], and 280 species of bird, of which 37 were of conservation concern.

The rivers of southern Laos contain an extraordinary level of aquatic diversity. The Mekong Basin has long been known to be one of the most species-rich river systems in the world, and much of this richness is contributed from its tributaries. A survey of the Xe Kaman and Xe Xou riv-

ers, both tributaries of the Xe Kong, estimated that there were perhaps as many as 300-400 fish species present, and a large variety of crustaceans.[4] The diversity of the Xe Kong basin is second only to that of the mainstream of the Mekong. Of particular note, southern Laos provides habitat for two critically endangered aquatic species of world importance, the Irrawady dolphin and the Siamese crocodile. As well as being species rich, the fisheries of southern Laos are also incredibly abundant, and form a major component of the income and protein intake of communities in the river valleys. Nevertheless, fishers across the south almost unanimously report declines in fish catch over the last decade. Although the reasons for this are insufficiently understood, it seems certain that overfishing and loss of feeding and breeding habitat have had a large effect.

The People

Southern Laos, like the rest of the country, is ethnically diverse. The ethnic Lao population, or *Lao Loum*, are the dominant group in the south, and this is due to their relatively high population density along the alluvial plains of the Mekong, in Champassak, western Savannakhet and western Salavan. Nevertheless, the ethnic Lao do not quite form an overall majority in southern Laos (see table below). Moving east and out of the main river valleys, the population in the south is dominated by *Lao Theung* groups, who spread across into western Vietnam and northern Cambodia. Southern Laos has only a smattering of the *Lao Soung* hill tribes who are so populous in the north of the country.

The Lao Loum are predominantly wet-rice or paddy farmers (see below). The Lao are culturally and linguistically close cousins of the Thai; indeed northeastern Thailand is home to more ethnic Lao than the Lao PDR itself. Lao and Thai are both dialects of the same linguistic family (Tai) and most Lao can readily understand the Bangkok Thai that is spoken in radio and TV broadcasts. In the south, the Lao speak a dialect which is distinct from, though intelligible to, the official form of the language spoken in Vientiane. Both Lao and Thai cultures are deeply influenced by Theravada Buddhism; the *wat* (local temple/monastery) plays an active and vital role in most communities large enough to have one. The calendar of religious observance is a focal point for community celebrations, while also forming much of the rhythm of agricultural life.

The Lao Theung are predominantly shifting cultivators (see below). However in southern Laos numerous Lao Theung communities practise sedentarised paddy-cultivation, especially in the central plains and along the eastern river valleys. Many communities practice a mix of shifting and paddy cultivation.

The Lao Theung usually follow animist religious practices, although some are adopting elements of Buddhism. While there is great variation in the local forms, animist practices generally revolve around the roles in which local spirits, often nature spirits (such as a forest spirit or river spirit), play in daily life, and especially agricultural life. Thus the calendar, ceremonies and celebrations observed by Lao Theung communities are quite different from those observed by the Lao Loum. The various Lao Theung languages are quite different, and often unintelligible to one another; they are completely unintelligible to the Lao Loum. The degree of Lao Theung fluency in Lao (which is the national language) varies considerably depending on remoteness. It is also much more common for Lao Theung men to be fluent in Lao than Lao Theung women.

Table 1 shows something of the distribution of ethnic groups across the southern provinces. Aside from the Lao and Phu Thai, all other groups are classed as Lao Theung.

As in the rest of the country, the vast bulk of the population - over 80% - in southern Laos lives in rural areas. Outside of Vientiane Municipality, which has the highest population density in Laos (113 people per km^2), southern Laos has the three highest provincial population densities - Champassak (30 people per km^2), Savannakhet (29 people per km^2), Salavan (20 people per km^2). It also has the two lowest population densities – Attapeu and Xekong (both 8 people per km^2).[5] Southern Laos has the two largest urban centres outside of Vientiane - Savannakhet Town and Pakse (109,000 and 55,000 respectively in 1994). Together these three account for the great bulk of Laos' urban population.

Ethnicity in Laos

The Government of the Lao PDR has three official categories for ethnic groups in Laos. Strictly speaking these categories are not "ethnic" categories at all; they are shorthand descriptions that refer to aspects of ethnicity, geographical location, religion and form of agriculture. These categories are:

1. Lao Loum – lowland Lao. This category generally refers to the Tai-speaking ethno-linguistic group known as the Lao, who live predominantly in the river valleys. It is also used to refer to Tai-speaking close cousins of the Lao, such as the Phuan or some Phu Thai groups.

2. Lao Theung – upland Lao. This category refers to Mon-Khmer ethno-linguistic groups throughout the Lao PDR, who live in hilly and mountainous regions of the country, such as the Ta Oy, Katang or Khmu.

3. Lao Soung – highland Lao. This category refers to a multiple of ethno-linguistic groups who live in the highest mountainous regions of the country. It includes Hmong-Mien groups, Tibeto-Burman groups and various Tai-speaking hill-tribes (such as the Tai Dam, or Black Tai), whose religious practices range across animism, Buddhism, Taoism and Confucianism.

Table 1: Ethnic Groups by Province – the three main groups

Province	Pop. (1997) ('000)	Share 1	%	Share 2	%	Share 3	%	Total Non-Lao
Savannakhet	711.5	Lao	57.5	Phu Thai	18.9	Katang	8.7	42.5
Salavan	271.4	Lao	60.0	Katang	13.3	Souay	8.1	40.0
Xekong	68.0	Katu	24.3	Talieng	21.8	Alak	15.5	91.4
Champassak	531.1	Lao	84.8	Laven	4.9	Soauy	2.4	15.2
Attapeu	92.4	Lao	36.9	Lave	17.4	Oy	16.4	63.1
Total	*1,731.7*							*50.4*

Source: ADB, *Participatory Poverty Assessment: Lao PDR*, 2001, p.23.

Economies and Livelihoods

Many people in southern Laos are still engaged in forms of livelihood which have persisted for a thousand years. However, at the same time there is an enormous, perhaps unprecedented, level of change in the ways in which people are engaged in production and in which people relate to the natural environment. Essentially there are two economic systems in operation: a traditional economy based upon peasant agriculture and livelihoods, and a modern economy that is increasingly an extension of an internationalised capitalist system.

While most families in southern Laos are still basically rooted in the first of these economies, there are few who are not touched in some way by the second. For many families and villages there is increasing evidence of a transition or a cross-over between the two economies as rural producers are drawn into new modes of production and consumption. Many have been brought more violently into contact with the new economy as profit seekers penetrate aggressively into rural areas. The means and nature of this change will be the topic of a later chapter, “Forces of Change”. Here we shall attempt to give a broad and basic description of how people are engaged in their lives, and in particular of the social structures and productive practices which form the outward context of their lives. Only through some understanding of this can we begin to glimpse the implications of change.

Subsistence and monetary economies

The vast majority of people in southern Laos are rural subsistence producers or semi-subsistence producers.[6] This means that the primary purpose of production is to supply the consumption needs of their own family. This is sometimes described as a *peasant economy,* or *natural economy*. The ultimate aim of peasant producers is therefore to ensure that they and their families have *enough* basic consumables to establish wellbeing. As a result, peasant producers tend to be *risk averse*. The main risks with which the peasant has traditionally contended are weather, pests and disease, and the impact that these have on crops, gardens and livestock. The core strategy of peasants to protect themselves against these risks is *diversity*. By maintaining a diversity of productive activities, such as agriculture, raising livestock, forestry, fisheries, handicrafts etc (see below), peasants insure against serious failure in any one these. Even within a single activity, such as agriculture, peasants will often employ a rich diversity of genetic types to insure against disease and pests. Most farmers in southern Laos grow a number of different varieties of sticky rice, many of them locally adapted. Some swidden agriculturalists will grow as many as 40-50 different varieties of crop within a single field.

The subsistence economy stands in contrast to the modern monetary economy. Within the monetary economy, the purpose of producers is to sell their product on the market, and with the money obtained, to purchase their consumption needs on the market. The ultimate aim of market production is to expand consumption and thereby *maximise profit.* Much commercial production is premised on *risk*, with the requirement of entering into debt to invest in technologies that will boost production. The trend in commercial production, especially within agriculture, is therefore to *concentrate* productive activities in areas promising higher returns. Furthermore, the modern technologies upon which market agriculture is based require a radical simplification of genetic types, away from local strains to internationally available, commercially developed breeds.

The aim of many of these technologies, such as irrigation, scientifically developed genetic varieties, fertiliser, and pesticides, is to eliminate as far as possible the traditional risks of peasant production (although their successfulness in accomplishing this is hotly contested). However the monetary economy also brings its own inherent risks, such as fluctuations in commodity and input prices, currency devaluations and rising interest rates (see below).

It is important to note that there may be significant overlap between these two economies. In southern Laos there are very few people who exist entirely outside of the sphere of the monetary economy. However engagement by rural producers in the sale and purchase of some items in the market economy does not necessarily transform them into commercial producers. From the perspective of many producers, some engagement in market transactions is merely another livelihood strategy, one of many by which the family's needs are met. Thus, securing some monetary income can be an important component within a subsistence economy. Nevertheless, as rural producers increasingly engage in market transactions, they will inevitably begin to abandon the premises of the subsistence economy and take on those of the modern monetarised economy.

Within southern Laos at the turn of the millennium the geographic differentiation between these two economies was still clearly evident, but in decline. Obviously the heart of the monetary economy was in the urban centres where subsistence practices cannot survive. Rural areas around these centres, especially those around Savannakhet Town and Pakse, also exhibited a high degree of integration into the monetary economy. By extension, subsistence economies were strongest in those areas which were most remote, either geographically and/or culturally/linguistically, from these centres. However in much of southern Laos at the turn of the millennium, the operation of both of these economies was evident in varying shades and complexions. This fact in itself represented an enormous change from only a decade before.

Rural life and livelihoods

Most people in southern Laos live in villages. Often these are communities defined by a clear ethnic and cultural identity, although it is not uncommon for some in-migrants of different ethnic stock to reside within villages. However, where villages are the product of resettlement or relocation, they may be a composite of two or three previously separate ethnic communities.

The village, and more directly the ethno-cultural community (in villages which are a composite of more than one), is the primary context of social and economic support structures, family obligations, and the fulfilment of religious and cultural identity. Unlike the social context of Western nations, very few of a person's needs, whether they be material needs, relationship needs, religious needs or needs for cultural identification, are sourced outside of the immediate local community. This is especially the case for many of the non-Lao Loum communities who may only vaguely identify with their citizenship in a broader national community. Some do not identify with it at all. The village therefore plays a role of enormous importance within southern Laos.

As has been mentioned above, peasant producers in southern Laos often undertake a diverse range of activities which collectively make up their *livelihood*. The forms of livelihood activity vary widely across the region, as do the mix of activities and the priorities placed on various activities. Also there is often a clear gender distinction between the livelihood roles and activities of women and men. Neither is the livelihood system of a particular family or village a static thing; it is a system that is adapted to the current circumstances, constraints and pressures that are being faced. Generally speaking though, most rural communities will undertake some activity in the broad categories of agriculture, livestock raising, harvesting of natural resources, handicrafts and petty manufacturing, and the sale of labour.

Agriculture

As in most of Asia, the primary crop in southern Laos is rice, although here farmers overwhelmingly grow glutinous varieties of rice, or sticky rice (*khao niaw*), rather than the non-glutinous varieties commonly found in the West. There are two forms of rice cultivation: wet-rice or paddy cultivation (*het na*), and shifting or dry-rice cultivation (*het hai*), sometimes called swidden cultivation.

Photo: Jerry Galea

Transplanting paddy rice

Wet rice is grown in permanent bunded paddies which are predominantly rain-fed, producing one wet-season crop each year. For those living closer to the larger towns there is increasing access to irrigation, which also allows dry season crops . There have been faltering efforts to expand irrigation for rice agriculture, but as yet with limited success. Most paddy cultivation in southern Laos is still non-mechanised; sowing, transplanting and harvesting are done by hand, and ploughing by buffalo. Even the immensely laborious task of milling the rice is still widely done without mechanised help, nearly always by women and girls.

Shifting cultivation is a broad term that describes a number of complex cropping systems based on rotating fields of cleared forest land (*swiddens*). A swidden may be cultivated for up to three years, and then is left to lie fallow for anywhere between five and twelve years before the rotation cycle returns to it. This is sometimes referred to as dry-rice agriculture because there are no field embankments to retain water. Indeed swidden fields are often located on steep mountain slopes where water retention is impossible. Unlike paddy farmers, shifting cultivators often grow numerous other crops in their fields in a variety of complex ways. It has been said that the diversity and complexity of swidden fields reflects the diversity and complexity of the forest.

Shifting agriculture has often been misunderstood and even widely denigrated. The pejorative term of *slash and burn* is often applied to systems of shifting agriculture, due to the practice of clearing in forest areas and the use of fire to prepare fields. In Laos, shifting agriculture has frequently been blamed for the high rate of deforestation. It is also generally considered that shifting agriculture is a backward and low-yielding form of cultivation. As a result, numerous development programs have had as a goal the reduction or even eradication of shifting agriculture.[7]

However the debate around shifting agriculture is a complex one. Given the correct conditions, many forms of shifting agriculture practised in Laos (particularly those of the Lao Theung) are ecologically sophisticated and productive forms of cultivation. However there are significant pressures which affect the viability and environmental sustainability of shifting cultivation. Population growth, commercial logging, encroachment of lowland agriculture and government policy towards shifting cultivation, are all factors that can limit access to cultivatable forest areas. Limited access means a reduced rotation cycle, shorter fallow periods of forest swiddens, and ultimately a decline in soil fertility and agricultural productivity.

Photo: Mark Deasy

A hillside swidden field

Gardens are also an important source of both food and income in rural southern Laos. Gardening practices take a wide variety of forms - from village and house gardens, to river-bank gardens, to the upland forest gardens of swiddeners - and an enormous variety of garden crops are produced across the region, including corn, yams, cassava and other tubers, peanuts, long beans, mung beans, eggplants, cucumbers, pumpkins, taro, squash, garlic, ginger, pepper, sesame, papaya, mango, watermelon, jackfruit, coconuts and bamboo, to name but a few.

Cash crops are also playing an increasingly important role in agriculture in southern Laos. By far the most significant of these is coffee on the Bolavens Plateau. Coffee was introduced by the French in the 1920s, but the most significant expansion of production on the plateau occurred in the 1990s, largely through the impetus of World Bank development initiatives. In 1998 the Bolavens Plateau produced over 15,000 tonnes of coffee, 96% of which was for export. Coffee exports from the plateau were accounting for approximately one half of Laos' agricultural exports in the late 1990s.[8] Other important cash crops in southern Laos were cardamom, tobacco, cabbage, tea and fruit crops, such as banana and watermelon.

Livestock

Livestock play an essential role in the livelihood security of rural communities in southern Laos. No rural community would be without either chickens, cows, pigs or buffalo; many would have all of these. Large livestock, in particular, represent the insurance policy or the accumulated savings of rural households against times of need. On average, Lao Loum households across the south each own 3.6 large bovines, while Lao Theung households average 2.5.[9]

The sale of one buffalo can buy enough rice to feed a family of four or five for a year. Thus in times of flood or drought, livestock form an important buffer against starvation. In recent times there has been an expanding export market of buffaloes to Thailand, which since the spread of the hand tractor has lost much of its own buffalo raising. Cows and buffaloes also play an important agricultural role, especially in lowland cultivation where fields must be ploughed. They also serve important social and religious functions, such as dowries, paying for ceremonies such as weddings and funerals, and providing religious sacrifices. Large livestock are so valuable that most villages in

southern Laos would rarely kill an animal for consumption, except for religious observances.

Raising smaller livestock such as pigs and poultry is an important and relatively easy means of generating ongoing monetary income for families whose other activities are mostly subsistence oriented. This is especially the case for villages with access to a town market or to regular mobile traders. Poultry eggs are also an important source of protein for rural families. Pigs and poultry may or may not be eaten by villagers themselves, depending on the relative affluence of the village.

Harvesting natural resources

Another essential pillar of rural livelihoods in southern Laos is the harvesting of resources from the forests and rivers. A large number of villages do not, as a matter of course, produce enough rice alone to feed themselves for twelve months of the year. Most commonly this deficit in consumption - usual referred to as the rice deficit - is met through the consumption and sale of products collected from forests, and from the consumption and sale of fish. Thus the poorer the family, the more important such harvesting is to their livelihood. This is particularly the case for the Lao Theung communities in southern Laos, who are the highest consumers of wild food in the country.[10] Those in upland areas are more dependent upon forest-based livelihoods, while those in riparian areas will naturally incline towards river-based livelihoods.

There is an enormous variety of consumables which are gathered from forests. Some of the most important items, primarily gathered by women, are bamboo shoots, forest vegetables, cardamom, mushrooms, frogs and yang oil. The hunting of wildlife in forests, the work of men, also plays a critical role in the village economy. In many poor villages, virtually all the flesh in their diet comes from wild sources.[11] Forests also play an essential role as the source of handicraft materials such as rattan and damma resin, and of herbal medicines, fuel wood and housing materials. The value of these resources to the household economy is much greater than is often realised. A study of the collection of non-timber forest products in Xekong, where average yearly income is only US$120, has shown that if given a monetary value, forest harvesting was equivalent to an income of US$525 per household.[12]

Fisheries also play a remarkably important role in village livelihoods in southern Laos. Here "fisheries" does not just refer to the capture of fish in the perennially flowing rivers and creeks - which is significant indeed - but also to the harvesting of a whole array of aquatic animals - such as snails, frogs, shrimps, crabs and aquatic insects - from a wide range of aquatic environments, including wetlands, seasonally flooded forest, and ox-bow lakes. Considerable energy, skill and local knowledge is devoted to these activities, and there are often clear gender roles relating to the different sorts of fisheries. Consumption of fisheries, whether in the form of fresh flesh or the ubiquitous fermented fish paste (*pa daek*), makes up a very considerable proportion of the protein intake of villagers of southern Laos.

Forest products and fisheries are also an increasingly important source of monetary income for villagers. There is particular demand for wildlife, fish, cardamom, resin and rattan. While these have always been traded, the growth of markets for such products in the towns combined with declining rice yields from swidden agriculture has given greater importance to the income that can be obtained from this. Intensification of demand, however, is leading to over-harvesting, and reports of declining fish and forest yields are widespread throughout the south.[13]

Handicrafts

Southern Laos is renowned for the fine basketry and woven textiles that can be obtained there. The production of such handicrafts in villages meets important needs of daily utility and is also a strong source of village and cultural identity. In particular, the weaving of textiles in distinctive patterns and colours, especially those worn by women, is an important source of cultural differentiation. Villages will also often specialise in particular handicraft products. One village will produce sought after winnowing baskets, another mats, and another small cane tables. There are also often village specialisations in petty manufacturing and processing, such as rice whisky and fish pastes. Thus handicrafts have traditionally played an important role in inter-village trade. Historically this has primarily been a barter trade, but in recent times there have been increasing opportunities – especially for women - to earn income through the sale of handicraft produce in town markets.

Photo: Jonathan Cornford

Fishing on the Xekong River

Photo: Jonathan Cornford

Baskets woven by Katang (Lao Theung) villagers.

Labour

The hiring out of labour, either for rice or for money, is an important livelihood strategy for poorer families, especially those with a female head of the household or those with insufficient land. Most commonly this takes the form of day labour on farms in neighbouring villages. However in southern Laos it is not uncommon for men to leave home for as long as three months to work as coffee pickers on the Bolavens Plateau. Periodic employment of men in commercial forestry is also not uncommon. In recent times there has been a small, but growing, number of young men and women leaving their villages to seek employment in Thailand. Most end up in the construction and garment industries, though a not insignificant number of young women end up in the sex industry.

Urban Economies

The urban centres of southern Laos are the outposts of the modern economy as it expands further outward into rural areas. The infrastructure of the modern economy - government administration, markets, banks, industry, services, technology and skilled human resources - is entirely concentrated in the towns. With the economic liberalisation of the 1990s all of the provincial centres, and many other towns, of the south exhibited a marked growth in economic activity. By the end of the decade the provincial centres evidenced a new and growing prosperity, outwardly manifest by new buildings, cars and motorbikes. Markets, which in the eastern provinces, had been sleepy backwaters, were now the sites of vibrant daily trading. Small businesses servicing and selling modern technologies - mechanics, engineers, computer and office equipment - began to emerge. In some towns the food sector - restaurants, food stalls, coffee houses and street hawkers - began to flourish. Perhaps most noticeable, however, was the growth of tourism within the major towns, with hotels, guest houses, transport services and local tour operators becoming visible new additions to the townscape.

However, while all of the provincial capitals serve as market, administrative and service centres, only Savannakhet Town and Pakse have any notable industrial sector.[14] In these towns are garment factories, wood processing ventures, construction companies, tobacco processing, vehicle assembly and a range of other small to medium scale agro-processing companies. These two towns are the nation's two most important urban centres outside of Vientiane. Through these three centres, a large proportion of the nation's domestic and international trade is channelled.[15] Like Vientiane, both Savannakhet Town and Pakse have high levels of economic inter-connection with Thailand, perhaps to an even higher degree than with the Lao urban centres to the north of them.

Compared to rural areas, where neighbours are typically involved in the same sets of activities, town people are involved in diverse employments, and are distributed along a vastly more differentiated social scale. The gap between richest and poorest in the towns of southern Laos has no equivalent in the villages. That said, there are indications that the centripetal economic forces of the towns may give people the opportunity to consume more abundant resources than in rural areas. Table 2 below gives one statistical analysis which shows that the difference between rural and urban consumption (a difference of almost 30%) is greater in southern Laos than elsewhere in the nation. However, given the great difficulty of accurately collecting and representing such data in Laos, the limits of this sort of analysis need to be recognised.

An obvious difference of town life is that many people are employed by others, either by government or by private businesses and companies. In the largest towns, those employed by medium to large companies, primarily as low-wage unskilled labour, are beginning to constitute a significant proportion of the population. However, while the employed sector forms the backbone of the town economy and is growing, the towns of southern Laos are still made up in large part by small, independent operators who run small shops, market stalls and food stalls or engage in street hawking.

Poverty and Wellbeing

From a Western perspective, southern Laos is a poor place. At the turn of the millennium average incomes amounted to only a few hundred dollars (US) per capita, and the standard government salary was approximately US$30 per month. The majority of the population knew few of the accoutrements of modern living - such as domestic tap water, toilets, electricity etc - which most Westerners consider basic necessities. From such a comparison it would seem that the majority of the population in southern Laos was in a state of desperate impoverishment. However, is this how most people in southern Laos would consider themselves? The way in which poverty is perceived, and thus remedies suggested, is of critical importance, given the tens of millions of dollars being spent ostensibly for its alleviation.

When considering southern Laos, Westerners need to abandon many of their preconceptions about what poverty is. In the developed world, poverty is basically understood as *income poverty*, which is closely related to economic productivity. In a region where subsistence practices still predominate, monetary measures of income may only record a fraction of the output of a family's productive activities. Thus a family might, by its own standards, produce enough to cover its own consumption needs adequately, and yet still register as abjectly poor by an income measure. By such a measure, poverty is endemic and entrenched in southern Laos. The alternate image of third world poverty that still has a strong grip upon the Western imagination, is that of the desperate famines of the Horn of Africa (most notably in the mid-1980s), characterised by a mass inability to meet the most basic consumption needs.

In contrast to these two images, it is worth quoting at length here from a nation-wide "Participatory Poverty Assessment" of the Lao PDR funded by the Asian Development Bank, which undertook surveys of a wide range of villages considered 'most poor':

> From the point of view of villagers in the assessment it is clear that poverty in the Lao PDR is "new poverty", not an endemic condition. Poverty is the result of events external to the villager over which he or she has no control, especially weather, war, resettlement, livestock diseases, and poorly implemented development programs. And, because of the externality of causality, poverty is thus associated with calamity, misfortune, fate, karma etc., and hence its substance is both physical and spiritual. Also, poverty in the Lao PDR is not synonymous with hunger. Abundant natural resources have provided sustenance for poor villagers but these resources are showing signs of dwindling through overexploitation …[16]

Thus in Laos the concept of poverty is closely linked to the nature of the peasant economies that predominate. Whereas some development planners and economists would be tempted to identify endemic low economic productivity as the primary cause of poverty, villagers give more importance to external shocks which upset the natural economy of their livelihoods. Other "dimensions of deprivation" which figure prominently for rural communities in Laos are poor health, isolation, social inferiority, political powerlessness and hours of labour required in a day.[17]

In a similar fashion it is equally important to inquire not only about the experience of poverty, but also about what counts for wellbeing. Once again, with millions of development dollars being spent to "improve people's lives", it is critical to listen to what people actually consider to be *the good life*. It is clear that as well as material factors, people identify family, communal, cultural and spiritual factors as essential components of a good life. However this does not mean that people necessarily view such components of their lives as separate. Rather, certain activities or sets of relationships may contain multiple layers of significance relating to all of these factors. It is unlikely that such layers will be easily uncovered in a survey or quick interview.

With this in mind, there are two concepts which are particularly useful for thinking about poverty and wellbeing in southern Laos: *sustainable livelihoods* and *food security*. The concept of sustainable livelihoods suggests that people should have the right and the freedom to find and practise modes of living which provide adequately for themselves and their families, and will continue to do so for future generations. In southern Laos, the sustainability of rural livelihoods is not only important to supply material needs, but also for the central role that it plays in cultural and community cohesion. Whereas in some other developing world contexts, especially highly urbanised ones, a sustainable livelihood may mean opportunities for employment or commerce, in southern Laos it is unavoidably tied to the concept of food security. With such a large propor-

Table 2: Rural Consumption as Percentage of Urban Real Consumption

Region	1997/98	Difference (since 92/93)
Vientiane Municipality	89.1	8.4
Northern	83.0	-7.0
Central	73.4	-9.2
Southern	71.1	-0.7

Source: ADB PPA, p.89.

tion of the population involved in subsistence food production, it is critical to wellbeing that they be able to secure agricultural yields, particularly of rice and livestock, that will cover both good and bad seasons.

With these concepts in mind, we can turn briefly to some statistical analyses, which shed a little light on the state of poverty and wellbeing in southern Laos. Once again, the unreliability of socio-economic data in Laos should caution us to take such analyses with a grain of salt.

Table 3 shows an attempt to compute monthly food and non-food consumption across Laos, represented in monetary terms (kip). Food and materials obtained through subsistence means were given an imputed market value. The table shows that consumption in southern Laos was lower than the national average and higher only than the poor northern provinces. Nevertheless, it shows that average consumption was growing through the 1990s, even though it grew at a slower rate than the rest of the country.

Table 3: Per Capita Real Consumption (Monthly)

Region	**1997/98 kip**	**Growth rate (since 92/93)**
Vientiane Municipality	59,577	10.8
North	25,770	4.9
Central	32,586	4.7
South	29,504	4.4
Lao PDR	32,848	5.8

Source: ADB PPA, p.88.

Table 4 shows the incidence of poverty calculated as the percentage of people below a poverty line based upon a view of adequate nutritional intake. The table shows that in 1997/98 the incidence of poverty in southern Laos, approximately 38%, was roughly that of the national average; this is lower than in the north, but significantly greater than in the national capital. This table also shows a breakdown for the various provinces of the south, revealing discrepancies between the wealthier western Mekong provinces and the remote eastern provinces of Xekong and Attapeu, but also faster rates in the reduction of poverty in these two provinces. Interestingly, the table shows that the incidence of poverty (as measured by this standard) in Salavan actually grew between 1992/93 and 1997/98.

Table 4: Incidence of Poverty (Nutritional Consumption)

Province	**1992/93**	**1997/98**	**Growth Rate**
Savannakhet	45.7	37.1	-4.2
Salavan	36.7	39.6	1.4
Champassak	43.6	35.6	-4.1
Xekong	65.9	45.7	-7.3
Attapeu	72.2	45.3	-9.3
Southern Laos	45.9	38.4	-3.6
Northern Laos	58.4	52.5	-2.1
Central Laos	39.5	34.9	-2.5
Vientiane Municipality	24.4	12.2	-13.9
Lao PDR	45.0	38.6	-3.1

Source: ADB, *Participatory Poverty Assessment: Lao PDR*, 2001, p.90.

Political Situation

In matters of structure and process, the Lao state is essentially the same as it was when the communists completed their revolutionary victory in 1975. It is a single party system under the rule of the Lao People's Revolutionary Party (LPRP), in which there are limited civil freedoms. Although officially separate, the structures of state in Laos - the executive, legislature, bureaucracy, military, police and judiciary - are entirely subject to the Party, and there is a high degree of conflation between senior party roles and senior government roles. Laos does have an elected legislature, the National Assembly (in which there are one or two non-party members), but this body serves virtually as a rubber stamp for the Central Committee and Politburo of the LPRP. Likewise, although there is a constitutional distinction between the law of the state and party decrees, in practice, the law of the land is shaped largely by fiat of the President (who is also General Secretary of the Party).

Despite the static structures of power in Laos, there has been a radical revision of ideology within the Party since 1975. This can most simply described as the abandonment of communism for capitalism. The critical change in economic thinking began in 1986 with the New Economic Mechanism (NEM), a Lao version of *perestroika*, and continued apace through the 1990s. Significantly, Lao economic restructuring was not paralleled by any indigenous process of *glasnost*. As the 1990s proceeded it became apparent that economic revision within the party was being accompanied by a sociological shift in the party elite. The emergence of new economic opportunities in Laos were largely monopolised by the higher echelons of the party who also occupied senior government positions. At the same time the party elite was undergoing a generational change, as the revolutionary old guard was gradually replaced by younger aspirants whose outlook had not been formed in the crucible of a Marxist struggle. Thus the 1990s witnessed the birth of a new emergent capitalist class within Laos, but one whose interests were closely bound into those of state and party.

Nevertheless, despite the enormous ideological shift within the Lao state, the continuities of thought were at least as significant. Although ideas about private accumulation and the 'market mechanism' had changed, there was little alteration in the primary view of 'development' as essentially a process of modernisation and industrialisation. Thus, the pre-occupation of the Lao government with large scale infrastructure development, noted by many observers, was not simply a matter of commercial interest; it also represented a grandiose modernist vision of the Lao state that had been present since revolutionary times.

The only real contests for power within Laos are those within the ruling elite. These contests can be described as loosely involving three main sectors of political and commercial interests: the powerful economic ministries and agencies within the central government (eg. the Foreign Investment Management Committee, the State Planning Committee, the Ministry of Transport and Construction), the provincial governors, and the military. Some observers have also identified 'pro-Chinese' and 'pro-Vietnamese' factions within the Party.[18] One of the main arenas for political contest (observable to outsiders at least) was the composition of the party's Central Committee and Politburo. The composition of these bodies indicated a number of vacillations of power during the 1990s; by 2000, however, it seemed that the LPRP had come increasingly under the sway of military generals, and that provincial governors had asserted a certain measure of independence *vis-à-vis* the central government. It is also worth noting the consistent over-representation of members from southern Laos in senior party positions, most notably the President himself, Khamtay Siphandone.

Most of these aspects of power politics were present in southern Laos, and this was most clearly evident to observers in the struggle over timber. At the beginning of the decade, lucrative timber interests were under the control of provincial governors and were a primary source of both personal and provincial revenue. The variable allocation of logging quotas was a source of considerable tension between the central and provincial governments. In 1993 powerful military enterprises were granted exclusive and oligopolistic rights over timber extraction in Laos – in the south, logging came under the control of one company, Dtai Agriculture and Forestry Industries (DAFI). Conflict between provincial governors and DAFI over logging rights was reputedly the cause of the arrest and imprisonment of the governor of Attapeu in the middle of the decade. By 1998, however, control over logging had shifted again, largely due to international concern over the practices of the military enterprises.[19] Allocations for logging quotas were shifted back to the provinces, theoretically under much closer direction from the Ministry for Agriculture and Forestry in Vientiane. If this was an unrealistic expectation, the fiscal impact of the Asian Economic Crisis contrived to ensure that provincial administrations paid little attention to central direction around logging. From 2000, the southern provinces, particularly the eastern provinces of Xekong and Attapeu, turned increasingly towards closer economic ties with Vietnam, and as part of this strategy, granted extensive concessions to Vietnamese logging companies. (See "Forestry" in Chapter 2 for a further discussion).

This leads us to consider another important aspect of power relations, which is the imbalance between local (district) administrations and the two higher levels of government. Whereas provincial administrations in some cases must accept the dictates of central government (particularly in matters of budget allocations and large foreign investments), in other matters (as in forestry) they exert a certain degree of autonomy. District governments, on the oth-

er hand, must accept the whims and impositions of both provincial and central government, with little opportunity to contest these. Although district government has primary responsibility for implementing much of the government's services in agriculture, health and education, it is notoriously under resourced. The government's predilection for concentrating resources in Vientiane is further compounded by similar predilections among many aid agencies.

There is virtually nothing in Laos that can be identified as a civil society, at least not as it is understood in the Western sense. There is no independent press, no domestic NGOs, and there is limited tolerance of dissent from the party line. International NGOs (INGOs) operate across the country, but they remain 'guests' of the government and their activities are carefully restricted to sanctioned development and relief work. The most significant groupings of people across the country are the mass organisations of the Party, such as the Lao Women's Union, the Lao Revolutionary Youth Union, and the National Front for Reconstruction. There is a limited capacity within these organisations for bottom-up feedback into the processes of government, but they are overwhelmingly subject to the top-down discipline of the party. While compared to other Stalinist regimes in Asia and Eastern Europe, the hand of the LPRP has been light, it has been highly successful in retaining tight control of political space within Laos.

While there are still no conceivable threats to the power of the LPRP, there have in recent times been murmurings of challenges. In 2000, small groups of dissidents (possibly linked to Hmong exiles in Thailand and the US) began a mysterious campaign of public bombings which seems to be continuing. The impacts of this have been primarily felt in Vientiane, though Savannakhet Town has been another target. The physical effect of these bombings (mostly small explosives in market places) has been negligible; however it has done much to break the psychological aura of stability and control exerted by the LPRP. The government received another shock in 2002 when one its border posts in Champassak was attacked and briefly overrun by rebels based in Thailand. These events could be written off by the government as foreign agitation; perhaps more disturbing to them was, in 2000, the first known instance of public protest for democracy since the establishment of the Lao PDR. Carried out by a small band of students and academics, the protest was quickly repressed; however, after 25 years of unchallenged LPRP domination, a small element of uncertainty had suddenly been introduced to Lao politics.

Endnotes

1. Wildlife Conservation Society, A Wildlife and Habitat Survey of Dong Ampham NBCA and Phou Kathong Proposed NBCA, Attapeu Province, Lao PDR, Department of Forestry, Lao PDR, 1997, p.xxiii.
2. Halcrow et al., Se Kong-Se San and Nam Theun River Basins Hydropower Study: Initial Environmental Examination, ADB, February 1998, pp.2-17.
3. This included six primates, four species of rare cat (including Tiger and Clouded Leopard), Asian elephants, and eight ungulates (hoofed animals), including two species of deer only recently discovered by science (Giant Muntjac and a small dark muntjac, as yet unnamed).
4. To put this in perspective, there are only 27 indigenous fresh-water fish species in the whole of the Australian continent. Protected Areas Division of the Department of Forestry, Investigations of the Xe Kaman and Xe Xou Rivers, with special reference to freshwater fish and river ecology; and a review of the potential social and environmental impacts of large dam projects being considered for these two rivers in Attapeu Province, Southern Lao PDR, January 1995, p.6.
5. R. Jerndal and J. Rigg, "From Buffer State to Crossroads State: Spaces of Human Activity and Integration in Lao PDR", in G. Evans (ed), *Laos: Culture and Society*, Singapore, 2000, p.41.
6. For convenience, the term "subsistence" shall herein be used to describe both subsistence and semi-subsistence activities.
7. See *Watershed*, Vol.5, No.1, July-October 1999 for a collection of articles on swidden agriculture.
8. K. Anderson, *Lao Economic Reform and WTO Accession*, Singapore, 1999, p.23.
9. ADB, *Participatory Poverty Assessment: Lao PDR*, Vientiane, 2001, p.47.
10. *ibid*, p.51.
11. *ibid*, p.50. This includes fish.
12. IUCN, "Sekong Province, Lao PDR: economic returns from conserving natural forests", *Case Studies in Wetland Valuation #8*, October 2003, p.4.
13. Field trip 2002. See also J. Raintree and V. Soydara, *Human Ecology and Rural Livelihoods in Lao PDR*, Vientiane, 2001; and ADB, *PPA*, pp.48-51.
14. Y. Bourdet, *Economics of Transition in Laos: From Socialism to ASEAN Integration*, Cheltenham, 2000, p.148.
15. Jerndal and Rigg, pp.42-43.
16. ADB, *PPA*, p.33.
17. For a discussion of "dimensions of deprivation", see R. Chambers, *Poverty and Livelihoods: Whose Reality Counts?*, Copenhagen, March 1995, pp.14-16.
18. B. Lintner, "Laos: Signs of Unrest", *Southeast Asian Affairs 2001*, Singapore, 2002, p.180.
19. These came to light largely through the controversies surrounding the proposed Nam Theun 2 Hydropower Dam in Khammouane Province.

Forces of Change

Southern Laos is at a watershed in its history. An array of powerful forces are acting upon it that are bringing a level of change never before known. It should not be imagined that change, in itself, is a new thing. The advent of French colonial rule in the 1890s, or of Communism in 1975, radically altered the political landscape of Laos. The three decades of conflict that preceded the Communist victory had numerous and profound impacts on the lives of thousands of people. However, through all of these events, the vast majority of people either continued with the lives they have always known – the life of village, of agriculture, of harvesting from river and forest, and of local religious observance – or they returned to them as soon as they could.

The changes which currently face southern Laos are not like the political revolutions or the upheavals and dislocations of the past. These changes have the potential to penetrate not only political and economic spaces, but also the social, cultural, ecological and even religious realms of life.

It may be argued that *change*, in and of itself, should not be assumed to be either a good or bad thing. Judgements about the merit or otherwise of change, depend upon the value-system of the judge. There are some things about which there will be broad agreement: "It is a good change that people who were starving now have something to eat". However there will be much more dispute about other things: "It is a bad change that more people are now using chemical fertilisers." Also, judgements about change depend significantly upon the analysis of *who* or *what* is changing. Change is rarely simple; it affects different people and different things in different ways.Thus we will hear it said, "This change has brought growth to the national economy, therefore it is good." Yet we will also hear of the same change, "This change has meant that these communities have lost their livelihood, therefore it is bad." How we evaluate change is therefore dependent upon our order of priorities, and the values we put on different things that are traded off against each other. Often we cannot come to simple value judgements about change; we will recognise that there are some good aspects and some bad aspects to most forms of change. It is the great task of every society to find ways to make these difficult judgements so that decisions can be made about how to respond to various forces of change.

The purpose of this chapter is to document some of the major forces of change facing southern Laos. While positive and negative aspects of these changes will be referred to here, and the author's own biases will inevitably creep through, it is not the intention here to make overall judgements about these changes. *The most important thing is to understand that change is happening and happening fast.* If we do not understand this then it will not matter what anyone thinks, because it will be too late.

Transport and Access

Perhaps one of the greatest changes facing southern Laos is its connection for the first time to a modern, internationalised system of transport. This change is both a potent symbol of change, as well as a vehicle for nearly all the other changes considered below.

This is not to say that cross-border international connections are a new thing for the region. It is a common misconception that Laos has existed in centuries of isolation.[1] It is more accurate to say that for centuries most regions of Laos have been integrated, to varying extents, into intra-regional trading systems that crossed political, cultural and geographical boundaries. In the south, trading networks flowed most naturally westward toward Thailand; there were also substantial connections with the Khmer and Vietic cultures to the south and to the east. Under French colonial rule, attempts were made, largely unsuccessfully, to integrate southern Laos, by rail and river networks, into the transport infrastructure of the other two Indochinese colonies. During the decades of the Indochina conflict, the larger towns along the Mekong became virtually subsumed within a US-Thai military/economic sphere.

Photo: Jonathan Cornford

Remnant of the tiny French rail network in southern Laos.

However the connections into which southern Laos is now being drawn, are qualitatively and quantitatively different from those of the past.

Roads and development

The Government of Laos has identified the development of road infrastructure as a national priority. Compared even to many developing nations, Laos has only a rudimentary road network. Although officially the road network consists of 26,000 km of roads, most of these exist only on paper, or are mere tracks and footpaths; only about 2,000 km is passable for twelve months of the year, while for at least six months of the year only about 4,000 km are passable.[2] Thus, a significant number of rural communities in Laos are largely isolated from external contact for some or all of the year, especially those in mountainous areas.

Roads play an important role in national development. Governments can only govern in regions to which they have access; people can only imagine themselves as part of some broader "national community" if they are in contact with it; and trade can only occur to the extent that goods can be transported. Roads, therefore, are the hard wiring of national integration; they are the basic infrastructure of the national economy and polity.

In discussing roads, it needs to be acknowledged that not all roads are alike. There is a considerable difference in nature between a 'rural feeder road' and a highway. The size and straightness of a road, whether it is sealed or not, and if not, how well it is graded, all determine how a road will be used. Different roads benefit different users; the needs of a pedestrian, a bicyclist, a truck and an urban sedan are all quite different, and it is rare that a road will suit more than a couple of these well. In considering the role of roads in national development, an important question is the sequence of road building. Should national highways be built before networks of rural village-to-market roads, or should it be the other way around? The answer to this question will depend on the broader economic policy being pursued.

In Laos, improved access can make a significant contribution to wellbeing within rural communities.[3] Most importantly, roads can serve as a conduit for the basic health services that can make a significant impact on child and mother mortality rates, and on sickness and death caused by preventable or easily treatable diseases. Improved access increases the chances (but by no means ensures) that new medical facilities will be built in rural areas, facilitates easier access for villagers to health centres and health workers to villages, and increases access to basic pharmaceuticals.

Roads also play an important role in access to education services within rural areas. In villages with no school, the ease of travelling to the nearest school will determine whether children attend. In villages with a school, ease of external access plays an important role in attracting teachers to a village and retaining them.

Indeed, roads facilitate services of all kinds, including government agricultural and livestock services, as well as the assistance of international development agencies and NGOs. It needs to be emphasised, though, that the existence of a road by no means ensures that such services will come.

Improved road access has a number of other benefits for rural communities. It has been well demonstrated that easier travel to a district or provincial market can stimulate production - be it agricultural, livestock or handicraft production – as families capitalise on opportunities to supplement their income. This can have benefits particularly for the position and role of women within households, as women are commonly most adept at exploiting new market opportunities. As well as opportunities for new income, improved access to markets also brings new opportunities for the introduction of new consumer goods into village life, such as radios, manufactured tools, etc. Finally, roads can play an important role in stimulating the social and cultural life of communities, such as visiting relatives and travelling to cultural and religious festivals in larger centres.

It is important that the benefits of improved transport and access are understood. However it is a mistake to assume that any road building is therefore a self-evident good. Roads can also have numerous adverse effects on rural communities, particularly on the poor. In Laos, and indeed throughout Asia, it has been well demonstrated that improved access can lead to increased competition for, and even conflict over, natural resources. Roads are conduits for loggers, poachers and wildlife traders, and villagers are often powerless to hinder the degradation of communal forest resources that these newcomers bring. In villages closer to major transport routes or towns, improved access can also stimulate a land market and competition for land where previously none existed. Villagers may suddenly find that once-communal grazing land has been sold to town-based entrepreneurs seeking to establish some commercial activity, or simply speculating on rising land prices.

The construction phase of road building can have numerous negative environmental impacts upon villages and upon their livelihoods, such as the silting up of waterways which serve as sources of water for drinking and cleaning, and for fishing; the need to demolish and relocate houses, often without compensation; the loss of gardens, paddy or swiddens to road shoulders, quarrying sites, work camps and turn-around points, often without compensation (almost never in the case of swiddens); and significant dust, noise and visual pollution during the term of construction. Moreover, it has been well documented internationally that new roads also increase the vulnerability of rural communities to HIV and other STDs. This is particularly the case during the construction phase, but remains a risk through new contact with transport operators.

Finally, the benefits of roads are rarely distributed evenly within villages or between villages. For example, access to health services is not simply a matter of distance or ease of transport. In Laos, some health centres located immediately adjacent to Lao Theung or Lao Soung villages are still utilised only by Lao Loum. This is because the greatest barrier to health access is not distance, but culture and language.[4] The cost of health care and medicines can also be a barrier to access for many poor families. Poorer families in villages may also get no benefit from improved trading opportunities, as they are simply too busy trying to survive to undertake new productive activities or to travel to markets. Likewise, there is also a significant difference in the abilities of ethnic groups to exploit new commercial opportunities. Just as in accessing services, barriers of language and culture place non-Lao Loum at a distinct disadvantage in new trading economies.

The East-West Corridor

The East-West Corridor (EWC) is the most significant change in transport and access that will affect southern Laos in the coming years. This project involves the development of a 1,500km transnational highway between the port of Mawlamyine in Burma; through Mae Sot, Khon Kaen and Mukdahan in Thailand; through Savannakhet and Xepon in Laos; and through to the ports of Dong Ha and Danang, in Vietnam. The total cost of the project is estimated to be US$491 million. Once completed, the EWC will ostensibly form the only direct, continuous road link between the Indian Ocean (the Andaman Sea in Burma) and the South China Sea.

The EWC is a “flagship project” of the Asian Development Bank’s Greater Mekong Subregion (GMS) Initiative. The great thrust of this scheme is towards the seamless economic integration of the nations of the Mekong region (Vietnam, Cambodia, Laos, Thailand, Burma and Yunnan Province of China), such that national borders will have little significance in the flows of goods, labour and investment.[5] The EWC then is not just a road building project; it is an “economic corridor” fostering economic development and cooperation among the four participating nations across a range of sectors, including transport and communications, trade and investment cooperation, agriculture and agro-industry, industry and manufacturing, and tourism. The Asian Development Bank states the vision for the EWC as follows:

> “The East-West Corridor shall accelerate economic growth along the Corridor area, and raise incomes of its residents, through increased regional cooperation based upon the exploitation of underlying complementarities and the development of competitive advantages.”[6]

Thus the EWC is a road project with a comprehensive vision of change for the region, and a fertile symbol of the issues discussed here.

In Laos, the EWC involves three components of road construction or rehabilitation. The first is the construction of a bridge over the Mekong between Mukdahan and Savannakhet, costing $59 million, and funded through a loan from the Japanese Government (JBIC). The second in-

volves the rehabilitation and upgrading of National Highway Route 9 (which is entirely in Savannakhet Province) from Savannakhet to Muang Phin, the $52 million cost of which is also being funded through a Japanese Government loan (JICA). The final section is the upgrading and rehabilitation of Route 9 from Muang Phin to the Vietnamese border, costing $32 million, which is being supplied through an ADB loan. In total this amounts to a $143 million debt commitment by the Government of Laos, which is a measure of the project's importance within the scheme of national development.[7]

As well as the re-development of Route 9, the EWC also includes a number of "economic corridor" components which are planned for Laos. These include the simplification and harmonisation of cross-border trade protocols; the promotion of urban and peri-urban industrial development, including the possible creation of a Special Economic Zone (SEZ); and the promotion of medium to large-scale agroforestry development. Each of these will be discussed further in sections below. But what will be the impact of the road itself? To gain an insight into this we need to understand *what sort of road* it will be.

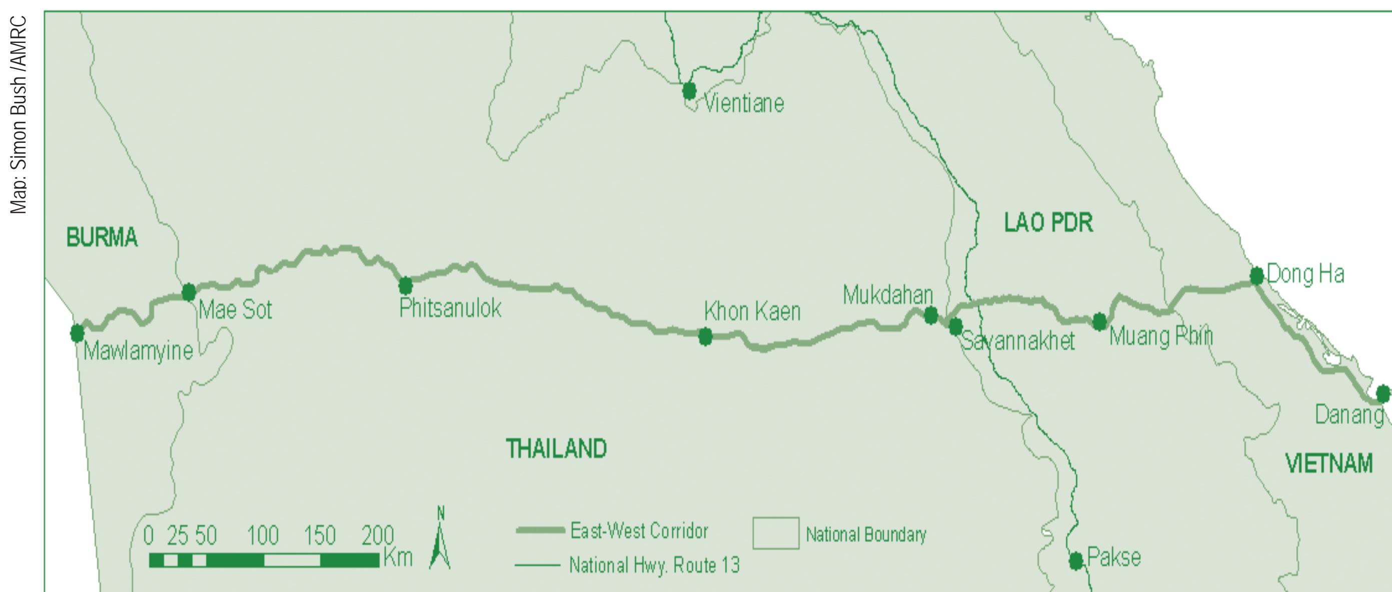
First and foremost, the EWC is a *transnational highway*. Its purpose is to supply the basic economic infrastructure for what is being touted as a new regional growth area. Central to this is the idea of connecting the (comparative) economic strength of northeast Thailand to Vietnamese ports. Thus the re-development of Route 9 in Laos aims to allow high volume, high speed transport of people and goods, and in particular by large trucks. It will cut what was previously an 8-10 hour journey for the 210 kilometres between the Thai and Vietnamese borders, down to 2-3 hours.

A major change brought about by the EWC will be the *quantity* of goods and people moving through this region of Laos. Given previous constraints to movement through this region (physical and political), the change will not be measured in percentages, but by orders of magnitude. A great proportion of these goods and people will simply pass through Laos, from Thailand to Vietnam or vice versa; but increasingly a significant amount will enter the Lao system, some bound for other regions of Laos, but much of it will stay in the south. Although by world standards this may not seem like a major export destination for goods, from the inside it will look like a flood (indeed, this was already the case at the time of writing).

This change will obviously be experienced most directly in the areas of Savannakhet Province through which Route 9 passes. However, due to the planned sequence of road development in Laos, it will also be felt in most of the major urban centres of the south. It is likely that the EWC will act as the primary artery for the inflow of goods and people, and that the intersecting north-south internal routes will become the distributing arterioles. As these routes are primarily national and provincial roads (as opposed to district and rural roads), they lead naturally to other urban centres, and not to remote rural areas.

This *quantitative increase* in the flow of goods and people is also experienced as a growing *qualitative shift* in the nature of exchange in southern Laos (see *Trade* below). The people living along Route 9 will also experience a qualitative shift in the experience of transportation and access, with both positive and negative aspects.

The upgrading of Route 9 will first and foremost improve the ease and cost of travelling between towns along the highway. This is undoubtedly a great convenience for those, particularly women, who travel to markets, to work or to visit relatives, and it is likely to give others travel options that they previously did not have. The corollary of this will be growth in the transport service sector – whether bus, taxi, tuk-tuk or motorcycle – which will provide a



The route of the East-West Corridor Project

Photo: Jonathan Cornford

Route 9 before rehabilitation

Photo: Jonathan Cornford

Route 9 after rehabilitation

source of new income for some, and greater incomes for those already well established in the sector.

In a similar fashion there will be (and already has been) a great expansion of opportunities for commerce along the road. Apart from the stimulus to local trading and commerce, a substantial new market will be created of truck drivers, tourists and other road users. Again this will provide new income for some, especially women, and greater incomes for some of those already well established. An important part of this will be an incentive for those farmers able to produce a surplus (especially in cattle) to transport this and trade it in urban centres.

Finally, it seems probable (and there are already indications of this) that more basic health and education services will be available along Route 9. This will be facilitated by the decreased costs of establishing facilities (transporting materials etc.), as well as by increased government revenues from the expansion in the volume of trade.

The most obvious negative effects upon communities along Route 9 will be the impact of the greatly increased

Who lives on Route 9?

In 1999 the Government of Laos undertook a study of the communities along Route 9 in order to begin preliminary assessments of the impact of the EWC developments.[8] The study found that 97% of people who lived along the road were farmers, practising either paddy or swidden cultivation, or a combination of both; 2% ran businesses such as shops, restaurants or transport services; and only 1% were employees, with most of these being civil servants.

The ethnicity of those considered in the study was reported as 95% Lao Loum and only 5% Lao Theung for those living along the road, and 85% and 15% for the districts through which the road passed. However these are misleading figures, due to the ways in which the official category of “Lao Loum” is applied (see box on *Ethnicity in Laos* above). It seems that the Lao Loum figure includes the numerous Phu Thai communities who live along the road, and make up almost 20% of Savannakhet Province’s population. Although the Phu Thai are regarded as part of the same ethno-linguistic family as the Lao (the Tai-Kadai), the reality is that many Phu Thai in Savannakhet do not speak or understand the Lao language, and live the life of shifting cultivators which is so foreign to most Lao. Whatever the percentages, it is clear that the population along Route 9 becomes more consistently non-Lao as you travel further eastwards.

Comparatively, there was a reasonable representation of social services along Route 9. Each district had a hospital and there were a few health clinics along the road. The ratio of doctors to population was still very low. Lao Loum villages (which were often larger) were more likely to have a school than Lao Theung villages, which meant that most Lao Theung children needed to travel to another village to go to school, either by walking or by bicycle. Many do not go.

The study found that Lao Loum villages along Route 9 experienced a better standard of living than Lao Theung villages, stating that “Poverty along the road has a Lao Theung face.”[9] No Lao Theung person along the road owned a shop, restaurant, car or truck, whereas these things were not uncommon in Lao Loum villages. Middle to upper income Lao women were found to be the most frequent users of the road, travelling by bus or taxi to buy and sell or to work in service jobs in another town. The report concluded that for most Lao Theung people, Route 9 is used only for walking.

Photo:Jonathan Cornford

For Lao Theung women, the road is for walking.

volume of traffic along the road. Laos already has one of the highest per capita road tolls in Southeast Asia; large trucks and buses, often travelling well in excess of 100 km/hr, represents a real threat to the lives of children, cattle, pedestrians and cyclists sharing the same road. There are also the unquantifiable aesthetic impacts that such increase in traffic and busy-ness will have upon the quality of life for roadside communities.

The expansion of commerce is also likely to bring an increase in the more unsavoury trades of drugs and prostitution, which will expose communities to greater dangers from HIV/AIDS and other STDs, not to mention the multiple social ripple effects that these have on communities. There were early indications of this in 2003 when Lao authorities reported that Savannakhet Province had the largest number of HIV infections in the country, primarily attributed to recent growth in the sex industry.[10]

There is little doubt that upgrading Route 9 will provide a stimulus to the already frightening rates of logging in southern and central Laos. Road improvement both facilitates access to remote forest areas and significantly decreases the cost of transporting logs. This is particularly the case as, from the late 1990s, the key destination for Lao timber shifted dramatically from Thailand to Vietnam. Most exports are in the form of raw logs rather than processed timber. In 2002, while the upgrading of Route 9 was only 50% complete, the *Vientiane Times* was already reporting an increase of "illegal" logging attributed to road improvement.[11] It remains to be seen whether the road has a similar impact on the trade of wildlife.

As has already been mentioned, the ability to benefit from improved roads varies significantly depending on ethnicity and social position. Some community members, and other entire communities, will be left behind as new opportunities open up. For those, for example, who "use the road only for walking", the changes in traffic volumes will have a negative impact. More will be said later about these growing inequalities. Finally, besides the impacts directly associated with a new road, the EWC will to some extent act as a vehicle for a whole raft of forces which will present new and serious challenges to the fabric of society in Laos. These are discussed below.

Photo:Jonathan Cornford

Japanese bridge over the Mekong in Pakse.

Trade

In the present and coming decades, southern Laos will be shaped increasingly by a redefinition of the boundaries of the national economy that is currently well underway. This redefinition consists of many elements, but is perhaps most clearly seen in the field of trade. A nation's economic boundaries most closely correlate to its physical borders in the international trade of goods. At the physical boundary of a border a nation can determine the terms on which goods enter and leave its national economic system. Following the lead of many other nations across the world, Laos is now in the process of giving up these rights and powers. Whatever one thinks about the merits of the economic theory upon which this is based, in Laos it will lead to profound sociological change.

Since 1992, the Government of Lao PDR has been participating in the ADB's GMS Initiative on Trade. Whereas infrastructure projects such as the EWC aim to facilitate regional trade through improving the 'hardware' of cross border trade, the GMS Initiative on Trade aims to improve the 'software' of cross-border flows through the streamlining and standardisation of border procedures, particularly of customs procedures. Historically the process of transporting goods through a border region has added a significant amount of time and cost to traders, and many view this as significant a barrier to trade as tariffs. It is the ADB's hope that the streamlining of border protocols will significantly boost the rapidity and reduce the cost with which goods can move through the region, thereby making intra-regional trade far more attractive. The EWC is a top priority for such changes.

In 1997 Laos took a significant step towards liberalising trade when it joined ASEAN (the Association of Southeast Asian Nations) and the ASEAN Free Trade Area (AFTA). In joining AFTA, Laos signed up to an extensive schedule of reductions in tariffs and non-tariff barriers in its trade with other ASEAN nations, to be phased in by 2010. For Laos this was significant in that, unlike most other ASEAN nations, the majority of its international trade is within the ASEAN sphere, and primarily with Thailand. Within Laos' AFTA agreement, the primary impact is on trade of manufactured goods, as many agricultural items were exempted from the schedule of reductions. This means that under AFTA the produce of most of Laos' population is still generally shielded from the rigours of international competition. Nevertheless, as agriculture only constitutes a small proportion of Laos' exports (11.8% in 1997)[12] and manufactured products represent a significant share of its imports (over 50% in 1997)[13], AFTA still had significant implications for the nation's balance of payments, and particularly its balance of trade with Thailand.

In 1998 Laos formally began the process of seeking accession to the World Trade Organisation (WTO). Membership of the WTO is far more demanding in terms of economic policy than AFTA, and penetrates into matters of economic management far beyond the reduction of tariff rates.[14] These include far more stringent requirements on the elimination of non-tariff barriers, liberalization of import-export licensing arrangements, removing restrictions on foreign competition in the service sector, privatisation or restructuring of State Owned Enterprises and Trading Companies, improved protection for foreign direct investment, and the codification and enforcement of WTO rules on intellectual property. Moreover, many of the 'sensitive' agricultural products for which Laos gained exemption under AFTA, must, under the WTO, be brought into line with international competitive norms. These products would probably include rice, livestock and poultry, markets in which Laos is vulnerable to competition from modernised production systems in its immediate neighbour, Thailand. Due to the complexities and uncertainties of negotiating WTO accession agreements, we cannot be certain about the specific effects on Laos of joining the WTO .[15] However, there can be no doubt that it will radically alter the basis on which Laos regulates its economic dealings with the rest of the world.

The three developments described above – the GMS Initiative on Trade, AFTA and WTO – are all pronounced steps in the direction of trade liberalisation. However other developments around trade in Laos of quite a different nature, will be perhaps equally, if not more significant as a force of change in southern Laos in the short to medium term. These have to do with the trading arrangements between Laos and its immediate eastern and northern neighbours, Vietnam and China.

Through its historical political affiliations, Laos maintains "Special Relationships" with these nations, which means that it maintains a close dialogue around matters of foreign policy, economic policy and defence. Since the Asian Economic Crisis there was a strong move within the Government of Laos towards closer alignment with Vietnam and China, particularly with a view to countering the dominance of Thai interests in the Lao economy. As a result, through a raft of formal and informal agreements, Vietnamese and Chinese commercial interests have been granted substantial privileges since the late 1990s in accessing the Lao economy.[16] These privileges include waiving tariffs and duties on the import of goods, waiving taxes on certain investments and restrictions on the repatriation of foreign currency, relaxing controls on labour migration and granting privileged tendering rights to certain government contracts. Due to the opaque nature of these arrangements it is impossible to quantify their significance within the Lao economy. However in southern Laos, it is clear that there was a dramatic rise in the presence of Vietnamese (and to a lesser extent Chinese) goods, as well as Vietnamese traders and labourers, from 1998. Perhaps more significant was the dramatic increase in the presence of, and

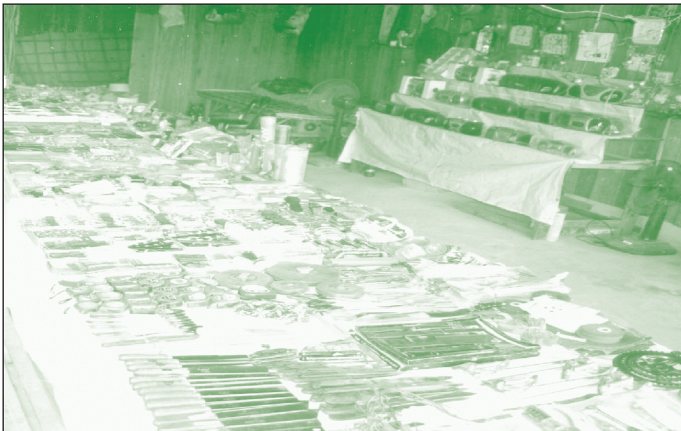
privileges granted to, Vietnamese logging companies (this is discussed further below).

Combined with developments in transport infrastructure, the direct effect of all of these changes in the regulation of trade will be vastly increased imports into southern Laos of the products of modernised industrial economies. Once again, the meaning of this is not clear; there will be positive and negative developments that result directly from this change. Firstly, and most obviously, there is little doubt that people benefit from access to new and cheaper consumer goods. Goods such as tools, kitchen implements, and various containers and vessels enhance daily life through the saving of labour and bringing new levels of convenience.[17] Where such items decrease the enormous burden of work upon women, they are benefits to families and through them to the whole community. Other goods, such as clothing, radios and toys, bring new recreational enjoyments.

Photos:Jonathan Cornford

Stalls at the Xepon Market: All Thai goods

Photos:Jonathan Cornford



Stalls at the Xepon Market: All Chinese goods

Photos:Jonathan Cornford

Stalls at the Xepon Market: All Vietnamese goods

On the other hand, many of the new imported goods will compete with local, traditionally produced handicrafts. Machine-woven fabrics from Thailand and Malaysia can be sold for substantially less than it is worth selling the beautiful, though labour-intensive hand-woven textiles for which southern Laos is famous. Likewise, plastic containers from Vietnam can sell more cheaply than the skilful basketry that is found throughout the south. Certainly the local handicrafts cannot compete in markets where the cheaper imported goods are present in any number. This represents a quantifiable loss of important monetary income for many. More than that, the cheapness of these goods means that many villagers find it hardly worthwhile to continue producing such handicrafts for themselves. This represents a loss of culture which cannot be quantified.

Perhaps more significant than the displacement of local handicrafts is the possibility that imports could also displace some agricultural and livestock produce. This is particularly the case with poultry, which is produced on a large-scale industrial basis in Thailand. Much of the chicken on sale in Vientiane markets and food stalls is already from Thai battery production. This is also true for numerous vegetables and fruits produced by large scale, modernised methods in Thailand. Finally, should Thai rice get open access to Lao markets, Lao farmers would struggle to compete with the cheapness of the chemically fertilised high yielding crops of their neighbours. The undermining of livelihood in these areas drives right at the heart of the culture and competencies of rural communities.

Beyond these immediate impacts, the increase in the level of imports – manufactured and agricultural – brings a deeper level of change. In the trade of goods it represents a major break with the intra-regional exchange of the past. Previously exchange had primarily been *exchange of surplus* (that which is produced over and above subsistence needs), *cultural exchange* (such as local specialities in handicrafts) and *exchange of scarce commodities* (products which are not available locally, such as salt, dyes etc.). The new exchange is based upon *exchange of everything*, whereupon all consumables may be imported, even products which are locally produced. The pressure for producers in this system is to become commercial producers of a single thing, and to source other consumables through monetary exchange.

The new products are the physical presence of the new economy within southern Laos. The extent of the *quantitative increase* of such goods is in itself a *qualitative shift*

Trade and Village Livelihoods

The story of Kokmuang village illustrates the benefits of small scale trading, and what villagers have to lose through competition with internationalised trade flows.

Kokmuang village is a Katang (Lao Theung) village located in the remote district of Toumlane, Salavan Province. Most of the roads and bridges connecting Toumlane to the provincial centre, Salavan Town, or to other provinces, were destroyed by heavy US bombing during the war, and until recently, the district was largely cut off from the outside world for up to six months a year.

In the late 1990s, Kokmuang villagers were actively involved in trading, and were comparatively well off in their local context. Most trade within the village was in the form of barter; trade with outsiders was for cash or in kind. The demand for chicken in Salavan Town was high, and during the height of the dry season traders visited the village daily, buying forty to fifty chickens per day; it was estimated that over 12,000 chickens were sold to traders in a year. Piglets sold to traders from Savannakhet also provided a lucrative source of income. In 1999, the value of chicken and pig sales from Kokmuang amounted to over 100 million kip, or US$1000. Vietnamese bicycle traders often visited the town selling or bartering industrial goods such as T-shirts, skirts, iron pots, plastic buckets, medicines and other household utensils. Usually two chickens or two ducks were equivalent to one Thai cotton skirt, or four chickens to one Malaysian cotton skirt. The price of a Thai skirt in Salavan Town was around 9,000 kip, but the price of a chicken in the town was approximately two to three times higher than in Kokmuang.

Bamboo baskets and mats were additional income sources for the community. When rice harvesting was finished, some men and women each carried around 20 bamboo baskets to Vapi district and the coffee plantation area of Lau Ngam. They earned 10,000 kip for one basket or they exchanged two baskets for five kilos of tobacco, which they divided into 200 bags for sale in the village. Each bag cost 1,000 kip. In this manner they earned more than through direct sale. In 1998 one family got two buffaloes from this income activity. Some women also endeavoured to earn income from their traditionally woven fabrics, but although they were of a high quality, they had been unable to sell them for satisfactory prices.

In 2002, as a result of improvements in provincial roads, villagers from Kokmuang were themselves making more frequent journeys to sell their produce in town markets, and buyers were also almost permanently in the locality. In the last couple of years there had also been increasing numbers of Vietnamese bicycle traders in the district selling Vietnamese manufactured items. These traders were brought in to Toumlane Town with their bicycles on the back of a truck, and would then disperse along the various tracks leading out to villages.

The major new development being awaited by officials in Toumlane was a major road upgrade, National Highway Route 1G, that would connect Toumlane to the EWC at the town of Muang Phin. In 2000 this project was identified by the ADB as its number one priority for road funding.[18] At the time, this route to Muang Phin, which was the track that led past Kokmuang Village, was virtually impassable. With the proposed upgrade, Route 1G would become a tributary of the EWC, bringing Toumlane and Kokmuang Village into the EWC watershed.

also. For the modern industrialised economy is a monetary economy, it is a consumer economy, and it is an economy that requires the commodification of all things. Economies are embedded in cultures and in social structures. Hence, a new economy requires a new culture and a new social structure.

Forestry

Forestry is the single greatest and most wide-ranging force of change acting upon rural communities in southern Laos. Forestry activities, primarily logging, most directly affect change through their impact upon the natural resource base, and therefore the food security, of rural communities. However they are also the prime vehicle of a profound socio-structural change in the tenure basis of rural agriculture, a force that will assume great significance in the longer term. Together, these two changes are themselves enough to transform the sociological and demographic landscape of southern Laos.

Forestry activity is not new in southern Laos. Since the economic reforms of the late 1980s there has been intensive and sustained logging in all of the five provinces. Through the 1990s, logging consistently provided the nation's most lucrative export, averaging approximately 32% of the nation's export income between 1991 and 1997.[19] Timber royalties form a major portion of provincial revenues where there are few other sources of income. As a result logging quotas have tended to be based upon fiscal needs rather than considerations of sustainability.[20] The pressure to convert forests into revenue only increased with the advent of the Asian Economic Crisis; the World Rainforest Movement has reported that logging intensified in Laos after 1997/98 in an effort to finance budget deficits.[21] This pressure further increased in 2000 when the National Assembly required the provinces to pass on 57% of their revenue to the government in Vientiane, up from 43% the previous year. In this environment of fiscal scarcity, timber royalties provide an extremely convenient source of income.

In southern Laos, all of these pressures, combined with a general government shift towards closer ties with Vietnam, led to a remarkable increase in logging concessions granted to Vietnamese companies, mostly state-owned enterprises. This was particularly the case in Xekong and Attapeu, provinces remote from Vientiane and with close ties across the border in Vietnam. It is impossible to say what the true level of logging has been as this information is unlikely to have been reported let alone made publicly available.[22] Moreover, the system of quotas for logging in Laos is complex, elastic and widely exceeded anyway, so there are few substantive checks on escalating logging practices.[23] Indeed the fact that only a little over 30% of potential timber royalties are actually collected demonstrates the legal ambiguity in which much logging takes place.[24] Often this is conveniently referred to by the central government or international donors as "illegal logging"; but this tag serves to obscure the fact that the vast majority of logging in Laos takes place with some form of official sanction.

The obvious and immediate impact of this sort of forestry activity is deforestation. This is a controversial topic in Laos, and the weight of blame is usually attributed to either swidden agriculturalists or loggers, depending on who is apportioning the blame. There is little doubt that both of these activities are contributing to a rapid rate of deforestation in Laos. Laos is estimated to have had approximately 70% forest cover in 1940. In 1989 this figure was put at 47%, and in 2000 forest cover was estimated to have fallen below 40%.[25] There is also little doubt that rates of logging in Laos at the turn of the millennium were far above sustainable levels. In 1993 the World Bank's Tropical Forestry Action Plan, a modest environmental measure at best, recommended a logging rate of no more than 280,000 cubic metres/year in Laos. In 1997 the official logging harvest was 661,700 cubic metres.[26] All reports indicate that logging has intensified since then. One study found that between 1997 and 2003 a staggering average of over 7,000 cubic metres of timber had been removed each year from the forest area of only *four villages*, in Kaleum District, Xekong Province. Of this, it was estimated that villagers received 0.42% of the value of the wood cut, and the provincial and district governments combined received only 2.3%.[27] However blame is attributed, it is clear that rates of deforestation in Laos are alarming and that logging is making a significant contribution to the problem. Furthermore, it should be remembered that loss of forest to logging is also often a direct cause of increasingly unsustainable practices of swidden cultivation in other forest areas.

Photo:Jonathan Cronford

Logging trucks in Xekong.

However statistics are ultimately unimportant. Perhaps the most important indication of the extent of logging in

the south are the widespread anecdotal reports coming from villages and district officials across the region, concerning incursions by logging companies into village forest areas.[28] It is to this that we will return to consider what logging means in terms of change.

Another significant forestry development in southern Laos is the rise of industrial tree plantations. Though not yet comparable in extent to logging, it is an enterprise that will only become more significant in the future. Plantations are presented as an environmentally acceptable forestry solution, reducing pressure on timber harvesting from primary forests, and encouraging sustainable practices. In Laos, the main proponent of plantation development has been the ADB, which made cheap loans available through the Government's Agricultural Promotion Bank for private sector companies and farmers seeking to establish industrial tree plantations. Phase One of the Bank's US$11.2 million Industrial Tree Plantation Project ran from 1994 to 2003, aiming to establish 9,600 hectares of commercial tree plantations. Overwhelmingly, fast growing industrial tree crops (most commonly *eucalyptus*) which serve the pulp and paper industry, have been promoted. With only a small demand for these products in Laos, this is primarily envisaged as an export industry.[29]

Of the provinces in southern Laos, Savannakhet and Champassak have been the most favoured sites for plantation development. Savannakhet was doubly targeted by the ADB, through both its Industrial Tree Plantation Project, and through the EWC Project, which identified plantation timber as one of the primary agro-industry options that should be exploited in the Lao section of the corridor.[30] Chris Lang, in his investigation into the plantation and wood pulp industry in the Mekong region, claims that road development such as the EWC is an important factor in establishing the economic viability of the pulp and paper industry in Laos.[31]

Plantation timber has been developed in Laos primarily by the private sector. The development of such enterprises in rural areas can provide a new source of employment income for villagers, and is an eminently preferable option for those who previously had to travel as far as Thailand in search of employment. However there can be adverse effects for local communities as well. Within the ADB's Industrial Tree Plantation Project, plantations are ostensibly intended for "degraded land", elsewhere categorised as "unstocked land". However, as the World Rainforest Movement points out, in Laos this is a problematic categorisation.

> The ADB's consultants define unstocked forest land as "previously forested areas in which the crown density has been reduced to less than 20%" and "abandoned 'hai'" [swidden fields]. This definition allows companies to describe villagers' community forest, swiddens, grazing and common land as "unstocked forest".[32]

And this is what has happened; plantation establishment has been largely dependent on the appropriation of village land.

Industrial tree plantations are not enterprises that have been restricted to large companies; farmers have also been encouraged to convert village forest land into commercial tree plantations. The ADB envisages that such plantations could become an important new source of income for rural communities. Unfortunately the actual experience of village plantations has been less straightforward. Villagers have to enter into to debt to establish and maintain a plantation (most tree crops used in Laos require application of fertilisers and herbicides), and face a high level of commercial uncertainty about whether market prices will be strong enough to cover their costs. Beyond this, villagers have found that industrial tree plantations have further hidden costs. Significant among these is the loss of non-timber forest products - such as mushrooms, rattan, medicinal herbs and game - that were previously gathered from the converted secondary forest. Plantations are alien mono-crops which will not tolerate or support other species of flora or fauna. Other problems also stem from this fact. It has been well established in Thailand and Laos that industrial tree plantations, especially *eucalypt* plantations, can have serious impacts on soil quality and lower the local water table, in some cases even drying up local waterways.[33]

Loggers and locals

"In 2002 they [the loggers] came into Tham Deng village [Xekong Province], without notice and started cutting pine trees. The logging company removed 300 of the 380 logs before the village asked Kip 15 000 per log, but the company never agreed and paid nothing. The village did not allow them to remove the remaining 80 logs. Then about 200 loggers came in to cut eagle wood trees and they took out almost 200 rice bags of chips for which they paid the villagers nothing. In the period 1999-2000, rattan in the village was cut almost to the point of complete destruction and again the villagers received nothing. [...]

Village leaders complained that they did not know their rights when the loggers arrived. They related that the companies presented official-looking documents with signatures and stamps and they did not know how to respond. They reported being perturbed by the fact that loggers wanted to cut in the conservation forest, which the villagers themselves were supposed to protect. They related that they felt helpless."
From C. Alton & H. Rattanavong, Service Delivery and Resettlement: Options for Development Planning, UNDP Lao/03/A01, Vientiane, 30 April 2004, p.82.

The first and most direct effect of these two forestry developments in southern Laos is their contribution to a decline in the natural resource base of the village economy. Under threat are the forest resources – the non-timber forest products, fuelwood, and timber for housing – which are so important to the livelihood systems of most rural communities, and particularly important for their role as a "safety net" for the poor. There are widespread reports throughout southern Laos that forest resources are becoming increasingly scarce, especially wildlife and rattan. Many claim they have to spend longer and travel further for a fraction of the forest harvest they obtained ten years ago.[34] Logging and plantations are not the only threats to this resource base; expanding or unsustainable swidden practices, expansion of paddy land and over-harvesting of non-timber forest products for commercial uses are also taking their toll on village forest areas. However there is little doubt that commercial forestry is having a widespread impact upon communities across the region. Furthermore, the existence of commercial forestry in some areas is intensifying the pressure from swidden cultivation and forest harvesting in other areas.

In the longer term, forestry practices in southern Laos are contributing to a much wider process of environmental change, encompassing the interrelationship between forests, rivers and agricultural land. The contribution of deforestation to deteriorating water quality, and to the increased frequency and severity of flooding disasters is being demonstrated across Asia, and is certainly the case in southern Laos. Likewise, the importance of lowland forest areas to riverine ecology and fish breeding in the Mekong watershed is becoming increasingly better understood. Thus the impact of deforestation goes far beyond merely the loss of trees. We shall return to these concerns in Chapter 3 ("The Coming Challenges") .

Plantations, Forest and Village Land

"On 5 November 1990, [the Thai company] Asia Tech wrote to the Lao government to propose a project on 16,000 hectares of land in Champasak province. A year later, Khamthai Sipandone (then-Prime Minister and president of the foreign investment committee) signed an investment permission document for an investment period of 30 years. The Lao government took a 5 per cent share of the project.

Asia Tech started trial plantations with eucalyptus in 1992, and with Acacia mangium in 1995. According to local sources, almost all of these trees died. Asia Tech ran into further difficulties when District level officials surveyed the land area proposed for the project and could find only 12,404 hectares of available land for Asia Tech. "To avoid delay" the Minister of Agriculture and Forestry, Pimpa Taepkhampuan, handed over this area to Asia Tech and requested the Champasak governor to find the remaining area.

One of the most serious problems caused by the project is that local people have lost access to their land, both for cattle grazing and growing crops. Prasan Singhonsai of Asia Tech stated in 1995, "The land conflict between the company and villagers living inside the company's area still exists because the allocated land contained 19 villages" (Prasan 1995: 75).

During 1996-1997, Asia Tech planted pine trees, clearing areas of secondary forest and fencing off land, thus preventing local people from grazing cattle. Villagers received no direct benefits from the company. Asia Tech paid some village headmen to help them identify which land was registered to the company, thus causing resentment and conflict among villagers (Watershed 1996a: 15).

During this period Asia Tech cleared forest to establish an area of 900 hectares of pine plantation. After government officials visited Champasak and inspected this 900 hectare plot in 1997, the Ministry of Agriculture and Forestry removed more than 4,000 hectares from Asia Tech's agreed land area leaving Asia Tech with around 8,200 hectares. Villagers initially hoped to regain their land, but District officials simply handed over land reclaimed from Asia Tech to other companies – to grow coffee, for example."

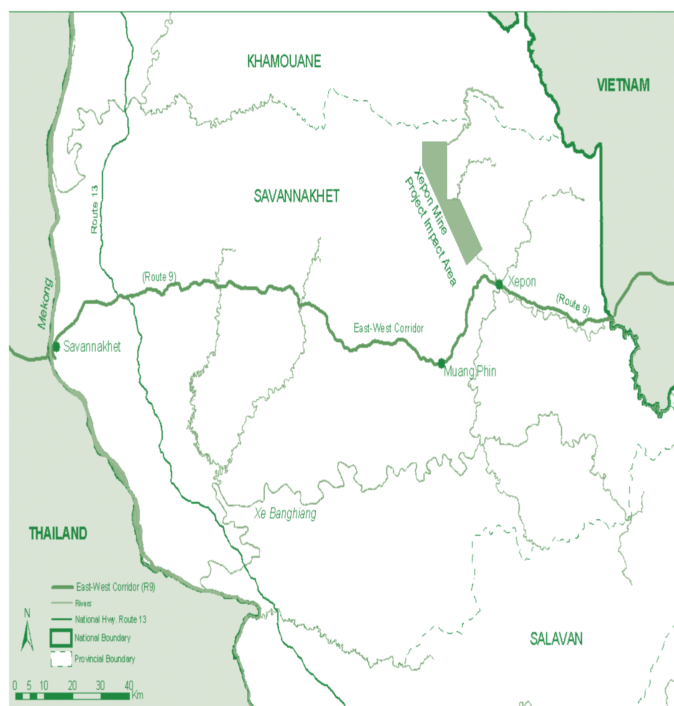
From C. Lang, The Pulp Invasion: The international pulp and paper industry in the Mekong Region, London, 2002, p.35.

Mining

Mining is a new entrant into the economy of southern Laos. It has long been known that southern Laos has significant mineral deposits of gypsum, potash, limestone, gold, copper, lead, zinc, ferrite, oil and gas. However in the past there were major infrastructural obstacles to their efficient exploitation and export. Through the 1990s there was some small-scale extraction of gypsum and limestone, primarily for export to Vietnam, although nothing of any economic significance. In 2003 the country's first mining project of any scale, the Xepon[35] Gold and Copper Mine in Savannakhet Province, began operation. Like hydropower development, mining is touted as a potential major new source of export income and government revenue for a nation that is continually told how few economic development options it has. While only a medium-scale project by international standards, the Xepon Project promises handsome dividends for a cash-strapped government. Although only a single project, the commencement of mining in Savannakhet heralded another dimension of change to the social and economic transformation underway in southern Laos.

The Xepon gold and copper mine is located in the Annam Truong Son Mountain Range, in the Vilabouly District of eastern Savannakhet, some 50km from the Vietnamese border. It is approximately 30km north of the township of Xepon (Xepon) located on National Highway Route 9. The mine's feasibility is partly dependent on the upgrading of the EWC which will facilitate heavy transport access to the port of Danang in Vietnam. The project is a 100% foreign owned joint venture between Australian miner Oxiana (80% stake) and the multinational giant, Rio Tinto (20% stake), together forming the project company, Lane Xang Minerals Ltd (LXML). The Lao Government has an option to purchase a 10% stake in the mine. The Xepon development will be the first large-scale mining operation in Laos to make the transition from exploration to extraction and as such will be an important learning experience for the Government. The project will employ open-cut mining developed in two stages, beginning with the gold component in order to generate early cash flow, and followed by the bigger and longer-life copper phase. Total project life is expected to be in excess of 20 years with estimated capital costs of around $US170 million. The venture received a US$30 million loan from the World Bank's commercial lending arm, the International Finance Corporation (IFC), and political risk insurance from the Australian Government's Export Finance Insurance Corporation (EFIC), with the balance of the finance coming from international lenders such as Barclays and Macquarie Bank. [36]

The project proponents have identified extensive benefits from the Xepon Mine that will accrue to the Lao PDR, both locally and nationally. The key benefits have been stated as follows:



The location of the Sepon Mine

- Direct economic benefits to the Lao PDR Government through royalties, corporate income tax, rent for the MEPA [Mineral Exploration and Production Agreement] area, personal income tax and the option for government to purchase 10% of the project.
- A broader economic base of Vilabouly District and Savannakhet Province, with the creation of some 400 direct jobs of which about one third will be recruited from local villages.
- Direct benefits to the local communities via the contribution by LXML of US$8,000 per month (once production commences) to a Trust Fund for Community Development.
- Improvements in local education, health and agriculture due to the community development program and additional indirect contributions by LXML.
- Demonstration to the international investment community that development of such a project in Lao PDR is feasible, and is actively facilitated by the Lao PDR Government.[37]

Overall it is hoped that the project will earn roughly US$1 billion from gold extraction and US$2 billion from copper extraction. Clearly, such figures make projects like the Xepon Mine highly attractive to the Government. Nevertheless, the project developers have themselves been granted substantial financial incentives, including a two year holiday from the payment of corporate taxes, and exemption from personal income tax for the project's expatriate employees.[38]

The mining company acknowledges that there will inevitably be some negative impacts on the local region from the project. These were identified in its Environmental and Social Impact Assessment, the main ones being:

- Relocation of two villages (126 people) a couple of hundred metres from their existing sites.
- The need to minimise excessive reliance on project-generated cash so that the consequences of mine closure are minimised.
- Some alienation of agricultural land.
- Further pressure on forest resources.
- Decline in water quality in local tributaries and Nam Kok river, used for drinking and washing.
- Decline in fish catch in local tributaries and Nam Kok river.
- Loss of groundwater in some villages.[39]

The company is sufficiently optimistic that these impacts are not great, and it has high hopes that its compensation measures and the Trust Fund for Community Development set up by the mine will not only mitigate any negative effects, but will also substantially improve the welfare of the local peoples.

It remains to be seen whether the company's optimism is justified.[40] However there is certainly good cause to sound a more cautious note. The project's social impact assessment describes a population of Lao Theung and Phou Thai peoples, whose livelihoods are completely anchored in the natural economy of farming, raising livestock, fishing, hunting and gathering from the forest. (see below) These are people who have had only minimal experience with the cash economy, and little basis of sustained contact with the outside world through either education or travel.[41]

There is an extensive record in the Asia-Pacific region of the impact of medium- to large-scale mines on traditional, primarily subsistence-based communities such as those in Vilabouly District. Unfortunately, this record gives little reason to accept the optimistic claims of the Xepon Mine. In Papua New Guinea, Indonesia and the Philippines there is a depressing litany of mines which have dramatically altered and contaminated the local environment, directly impacting the health of residents and crippling their livelihoods. These mines have also frequently been accompanied by fraught new social and political dynamics with the influx of large amounts of money and in-migrants, often resulting in violence against the original inhabitants.[42]

Given this record, it must be questioned as to whether the company is realistic in its portrayal of the extent to which the Xepon Mine – involving open-cut pits, regular explosions, waste dumps and tailings dams, large numbers of heavy trucks and machinery, and a large in-migrant workforce – will disrupt the existing natural economy. It is not possible to examine in detail here the Xepon Project's

Life Before the Mine

"Virtually 100% of the working population (15 to 59 years) in the [project area] is engaged in agriculture. The type of agriculture undertaken by the population was once predominantly linked to a person's ethnicity and traditions. However, these traditions now tend to be shared by both ethic groups. Arable land in the [project area] consists basically of swidden fields, paddy fields and vegetable gardens. Due to a shortage of suitable paddy land, shifting cultivation is practiced by all villages in the [project area].

The Lao PDR Government is now trying to control this practice due to the perceived adverse effects of shifting cultivation on forest systems. This is evident in the Vilabouly District where the application of the national policy to restrict shifting cultivation is increasingly restraining shifting cultivation.

Grazing land is situated around villages and around the perimeter of paddy areas. These areas provide mainly rough grazing for buffaloes, cattle and goats. Animal husbandry represents a source of animal protein, but, more importantly, domestic animals are a source of cash income, mainly for buying rice during the months when a harvest proves insufficient. Domestic animals include buffaloes, cattle, pigs, goats and poultry.

The villages along the Nam Kok River are reliant on the river for many of their water use needs, including washing, drinking, fishing, cooking, bathing and transport, and groundwater is also used as a drinking water source. Vegetables, fruits and other crops such as tobacco are grown on the banks of the Nam Kok River and its tributaries during the dry season.

The area as a whole is very poor in cash terms. Even the highest average family income is a monthly value of less than 700,000 Kip. The household poverty indicator set by the Lao PDR establishes that a household is considered poor if it has an income of less than 85,000 Kip per person/month (based on 2001 prices). Although in terms of local relativities the Lao Theung are generally worse off than the Phou Thai, even by Lao PDR standards, the average household in both ethnic groups is cash poor."

From Oxiana, Sepon Environmental and Social Impact Assessment: Executive Summary, 2001, pp.4.1-4.5

mitigation and compensation measures; however its policy toward compensation for swidden cultivators gives some indication that the company has a flawed understanding of local realities:

> The Project's Compensation Policy states that "the project will not replace swidden land lost to the project nor will it make any continuing payments for any such land lost. A one-off payment for loss of production will be made" (Resettlement Action Plan (RAP), p14). Payments for lost production are only payable for existing swiddens, with 'indirect compensation' for future lost production restricted to the accompanying community development proposals.[43]

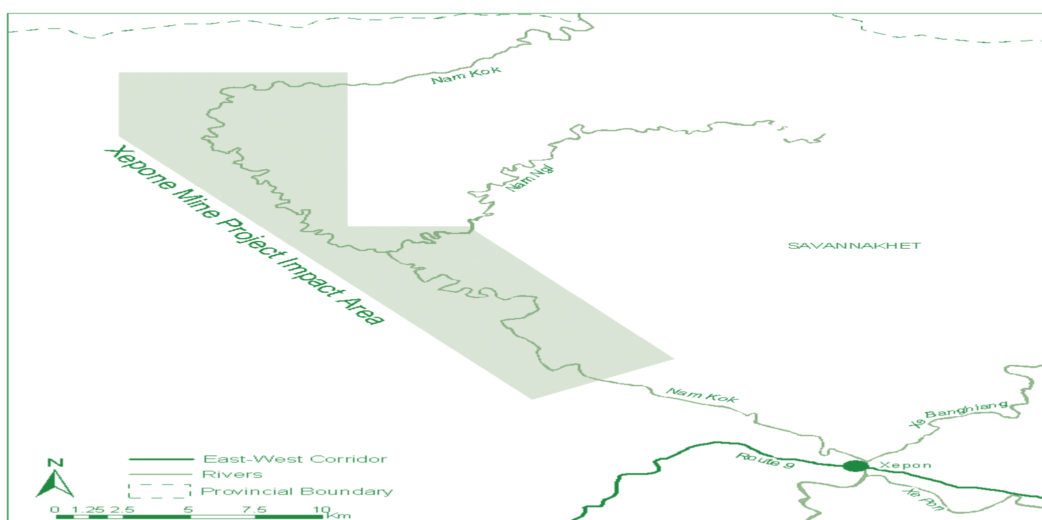
Thus displacement from a livelihood which supports current and future generations is replaced with a one-off cash payment, and this to families who have little experience with the cash economy. The rapid decline into destitution of those so treated is little to be doubted.

Similarly, there is little evidence to suggest that the project proponents appreciate the enormous changes that may be brought about by the sudden appearance of a large cash economy associated with such a project. Because, by international standards, the project is considered 'medium-scale', the mining company is operating under the assumption that it "should not overwhelm its setting".[44] Yet the mine economy is many thousand times the size of that of the local district. Even the seemingly paltry contribution of US$8000/month to the Trust Fund for Community Development will be beyond the experience of local government. In a similar fashion, an independent study of the project's social and environmental measures has concluded that the company's assessment of impacts on fisheries is unduly optimistic, both underestimating the extent of fisheries decline and overestimating the capacity of riverine ecology to recover to a pre-project state.[45]

The risk that the Xepon Mine will have significant adverse effects on the surrounding region is exacerbated by the fact that the Government simply does not have the capacity to assess, monitor or manage a project with such enormous technical complexity as an open cut gold and copper mine. When the company provides an assessment that cyanide levels in the water will be kept to acceptable levels, or that acid rock drainage will be contained, the Government must ultimately accept this at face value. It is not adequately equipped with the personnel or the know-how needed to ensure that a project such as this will keep to its promises. Yet the failure of regulatory mechanisms for gold mines can have catastrophic consequences, as recent cyanide spills in Eastern Europe have demonstrated.

The commencement of operations of the Xepon Gold and Copper Mine signals a major new entrant into the resource economy of southern Laos. As with forestry and hydropower projects, this sort of mining is a mechanism by which the traditional resources of rural communities are transferred into the hands of private corporations. As the project proponents have advertised, the success of this project sends a signal to other international investors that more of this style of development is possible in Laos. The extent to which this happens will determine the extent to which mining transforms the physical and social landscape of southern Laos.

Perhaps the most ambitious changes planned for southern Laos are those for a proliferation of large-scale hydroelectric dams along the region's fast flowing rivers. More than any other plans for the region, these schemes are seen by the government and major donors as Laos' best hope for fiscal independence. At the same time, should they come to fruition, they will have enormous impacts upon the livelihoods of rural communities within those river valleys, and perhaps irreversible impacts upon the health of the region's rivers.



Simon Bush /AMRC

The Sepon Mine project area

Hydropower

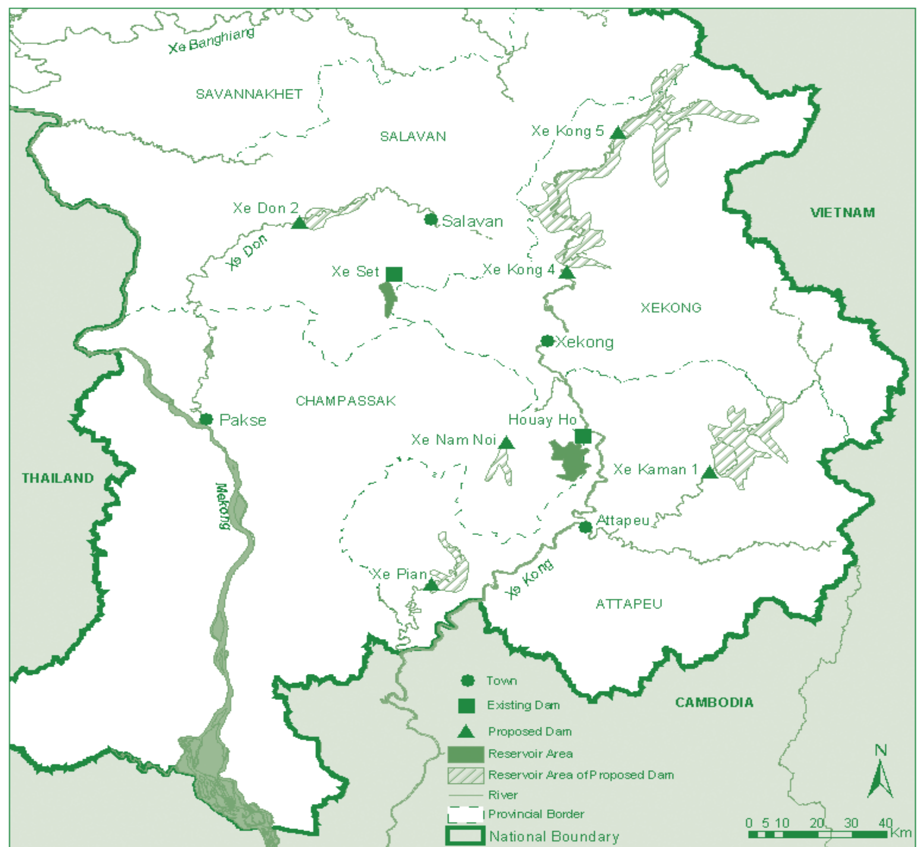
Hydropower was proclaimed as Laos' means of fiscal salvation in the early 1990s. In a nation with few competitive advantages but rich in fast flowing rivers, production of electricity for export to the energy-hungry markets of Thailand, Vietnam and China was considered Laos' most promising option. A plethora of technical studies identified up to sixty possible hydropower schemes in Laos, decrying the fact that under 1% of the nation's hydropower potential was being exploited. In 1993 the Lao Government, enthusiastically supported by a host of multilateral and bilateral donors, launched an Independent Power Producer program which sought to realise this potential through private sector hydro development. The nation's rivers were thrown open to tenders from private developers from across the world.

In the south, the Xe Kong basin was the main focus for hydro engineers. Fourteen potential schemes were identified for the Xe Kong and its tributaries; a few more were identified for the Xe Don, although these generated little interest. The most prominent project was a scheme by a privatised arm of Tasmania's Hydroelectric Commission to build a 180m high, 680 megawatt dam on the Xe Kaman river (Xe Kaman 1), which is the major tributary of the Xe Kong.

Despite the enthusiasm, within a decade of the launch of the Independent Power Producer program there had been little progress in hydro development in the south. The Asian Economic Crisis had a dramatic impact upon the sector - demand forecasts for power in Thailand (the main buyer) were revised radically downwards, and investment capital became much more scarce and cautious. Related to this, the government's flagship hydro project - the controversial Nam Theun 2 Dam in central Laos - had still not been able to commence construction, a decade-and-a-half since its inception. The Australian head of the Xe Kaman 1 project had been jailed in Vientiane for alleged payment-fraud, and its Australian owners had sold out of their concession agreement. Of the fourteen proposed schemes for the south, only one had actually gone ahead[46] - the Houay Ho Dam (126 megawatts), built by the Korean Daewoo Corporation on a tributary of the Xe Kong, and completed in 1998.

At the time of writing, there was still a considerable amount of talk of plans for hydro development in the south; however the progress of such plans, or their likelihood of proceeding, were far from clear. In one 2003 report, a Vietnamese consortium of state-owned power and construction firms - the Vietnam Lao Investment and Development Company - had been given approval from the government to build six dams, all in the Xe Kong basin: Xe Kong 4 (310 MW), Xe Kong 5 (200 MW), Xe Pian-Xe Nam Noy (340 MW), Xe Kaman 1 (300 MW), Xe Kaman 3 and Xe Kaman 4 (55 MW).[47] Given the difficulties of so many dam developers in Laos, it seemed unlikely that one company could build all of these. In a conflicting report, a Korean developer - the Korea and Laos Power Development Company - had signed a memorandum of understanding with the government to build the Xe Pian-Xe Nam Noy Dam on the Bolavens Plateau.[48] All of these projects were reputedly to export electricity to Vietnam. Attempting to read between the lines of the different reports, it might be guessed that the government had prioritised three dams in southern Laos - Xe Pian-Xe Nam Noy, Xe Kaman 1 and Xe Kong 4 - however this was far from certain.

The driving rationale for hydro development in Laos is that it will provide revenue for poverty alleviation. Proponents point first to the parlous financial state of the government



Existing and proposed hydropower projects in southern Laos.

and its dependence on foreign aid, and then to its apparent lack of other serious competitive advantages in relation to its neighbours; by comparison, the export prospects for electricity seem lucrative. Many of the multilateral and bilateral agencies operating in Laos find this a compelling argument, and it does seem that hydropower projects can, in the short term at least, contribute significant funds to the coffers of central government. This has been the case with the Theun-Hinboun Dam in central Laos which became the nation's largest single source of foreign exchange when it commenced operation in 1998. The ADB claims that the project is largely responsible for a reduction of the nation's external current account deficit (as a percentage of GDP) from 16.5% to 6.9% between 1997 and 2001.[49]

While the connection between hydropower development and new revenue streams is hard to dispute, the connection between hydropower and poverty alleviation seems less certain. Firstly, it assumes that increased revenues will translate reasonably directly into increased social spending. This is far from certain - the Lao Government's propensity to direct scarce budget resources to areas other than important social expenditure (particularly the military) has long been a source of frustration for donors. There are already indications that revenues from Theun-Hinboun have been used to bail out the debts of Electricité de Laos (the state-owned power utility), rather than being directed to poverty alleviation.[50] Furthermore, the nature of hydropower projects, involving very large amounts of money in specialised enclave projects, means that the income streams from these projects are vulnerable to capture by the various elites involved, thereby greatly dissipating the public benefit. This is especially the case where there is little external scrutiny. Finally, a strong case can built questioning the longer term economic viability of hydropower projects. The matter is too extensive to discuss fully here, other than to note that questions relate to the accuracy of energy demand forecasting; market manipulation by powerful buyers (in this case Thailand); the shortcomings of hydro as a 'non-renewable technology'; and vulnerability to natural phenomena (floods, droughts and siltation) and international economic shocks.[51]

Much more importantly, there are direct connections between hydropower development and the *creation* of poverty. This occurs most directly through the large scale displacement of people - the loss of houses, fields, gardens and grazing land caused by the flooding of a reservoir. Advocates of hydropower development, especially those within the World Bank and ADB, claim that displaced peoples can be resettled again in ways and means - with new houses and fields, and maybe new income generating activities - that adequately compensate their loss. Indeed, in some prominent cases in Laos, developers assert that people who are to be displaced are so poor, that they will be better off under the dam's resettlement scheme. In this sense, the dam itself is put forward as a direct means of poverty alleviation.

Even where a dam is under the close supervision of a multilateral funder (such as the World Bank or ADB), this is an unjustifiably bold claim to make. The ADB has been directly involved in funding three dams for hydropower purposes in Laos, all in central Laos - Nam Xong (completed 1996), Nam Theun-Hinboun (completed in 1998) and Nam Leuk (completed 1999). At the time of writing all of these schemes had serious unresolved issues of compensation and mitigation affecting tens of thousands of peoples,[52] and in two of the three cases it seemed that little attempt was being made by the Bank to resolve these issues.

More to the point, however, the schemes being proposed in southern Laos do not have even this inadequate level of accountability from a donor such as the ADB. In the case of the Xe Kaman 1 project, the mere existence of a *proposal* to build a dam resulted in the pre-emptive relocation of villagers from the site as early as 1994. Families were relocated to a site below the proposed dam with no financial compensation, no assistance with land clearing, no funds for the installation of drinking water, and only minimal assistance in the provision of housing materials, despite having been promised all of these things. Furthermore, there was insufficient agricultural land available at the new site, and much of it was contaminated by unexploded ordnance left over from the war.[53] A very similar set of circumstances faced the 2000 or so Heuny and Jrou people (both Lao Theung groups) who were forcibly relocated by the Houay Ho Dam (see below). Indeed, such stories are familiar for communities of resettled subsistence agriculturalists across Laos. A UNDP study in 1997 found that even when assisted by well-resourced, experienced organisations, resettled communities typically experience sharp increases in morbidity and mortality rates, and high incidences of psychological trauma and social dislocation.[54]
Hydropower projects also have much broader impacts. Most of these are due to the enormous changes to the ecology of the river caused by placing an impenetrable barrier across it. Most obviously, a dam prevents the migration of fish. Different species of fish migrate seasonally through river systems for various reasons, most commonly for breeding and feeding. As well as preventing migration, dams disrupt the natural cycles of a rising and falling river to which aquatic life has adapted. They also change the temperature and oxygenation levels of the water, all factors which determine how hospitable a riverine habitat is to aquatic life. A study into the impact of a dam on the enormously biodiverse Xe Kaman river (300-400 fish species) concluded that fish populations would "likely be heavily reduced, and some species may disappear from the river entirely", and that declines in fisheries may also be felt in the Xe Kong, and even as far down stream as the Mekong itself.[55] Given the importance of fish in the local diet and economy, this is more than an ecological issue.

On top of this, dams also create significant problems for the downstream farming and gardening practices of riverside communities. In southern Laos, dry season river bank gardening is a highly productive form of food production,

which relies both on low water levels in the dry season, and flooding in the wet season which will replenish the banks with fertile silt for the next year. A dam disrupts all of this, not allowing a river to fall enough in the dry season to expose the fertile river bank, or rise enough in the wet season, as well as blocking all the silt that was previously transported in the river. The lack of sediment load in the water also means the much 'harsher' water can cause rapid erosion of the downstream river banks, and therefore loss of agricultural land. These changes in the water quality also have significant health implications for villagers who depend on the river for drinking water and bathing. In the case of Xe Kaman 1, it was estimated that such impacts would affect between 10,000-13,000 people living downstream from the dam.[56] Moreover, the downstream impacts of large dams do not stop at a nation's borders. The impact of Lao dams along the Xekong will have some effect on communities in Cambodia, through which the Xekong flows before it joins the mainstream of the Mekong. These communities in a second country are perhaps the most powerless of all.[57]

The ecological, social and economic implications of building large scale dams in southern Laos are enormous, especially if pursued to the extent envisaged by the Lao Government. Healthy rivers play a critical role in the social ecology of the region; they supply the basic needs of households, support food growing and provide a livelihood resource (fish) of immense value. In effect, a hydropower dam is a means of enclosing this common resource - privatising a river out of the hands of local communities and appropriating its benefit to foreign companies, the central government, and to urban dwellers who will use the electricity. Nevertheless, the extent to which plans for dams in southern Laos will translate into reality remains uncertain, and this is perhaps the source of greatest hope for riparian communities.

Photo: Mark Deasey

The Xe Kaman River

Houay Ho Dam and Relocated Peoples

"Built by Korean company Daewoo and completed in 1998, the Houay Ho Hydropower Project has had a devastating impact on two ethnic minority groups in Southern Laos. Around 2000 ethnic Heuny and Jrou people living in the dam's reservoir or watershed area have been forced to move to resettlement sites, where there is insufficient arable land and fresh water supplies. The disruption caused by relocation, and the separation from their ancestral lands and traditional communities, has led many villagers to abandon their traditional cultural practices.

According to reports by researchers, most families in the resettlement area have only one or two hectares of land, and much of this is marginal and of poor quality, making it unsuitable for swidden agriculture. They have limited access to non-timber forest products, which formerly sustained them, and have severe shortages of food. While 90% of the relocated families used to be self-sufficient in rice, it is now estimated that 95% have rice deficiencies, with enough rice for only three months of the year. Villagers also lack clean, accessible fresh water. In the largest resettlement area, there are only two wells for more than 1750 people. Consequently, many villagers must travel one to two kilometers to the nearest water source, causing considerable hardship. Lack of adequate water and food has led to malnutrition and other health problems.

Many people living in the resettlement sites wish to return to their former villages but are prevented from doing so by government officials. Despite this, since they were relocated, government officials have never visited them, given them encouragement or helped them find solutions to the problems they are facing. Says one villager from Thong Nyao village:
My relatives and I don't want to live in the resettlement village but we were forced to and we could not protest. We miss our native lands where we used to live for hundreds of years, our crops, vegetables and our happy lives."
From IRN, The Legacy of Hydro in Laos, San Francisco, 2004, p.2.

Industrial Development

The level of industry in southern Laos is, by regional standards, very low. The nation's two fastest growing industrial centres outside of Vientiane, Savannakhet Town and Pakse, are located in the south; even so, industry only made up 10% of Savannakhet's Gross Provincial Product in 1999.[58] Nevertheless, industrial development is a high priority for the Government and for its two largest creditors, the Asian Development Bank and the Japanese Government. Southern Laos, particularly Savannakhet Province, figures largely in their designs, with the EWC Project playing the key role in industrial planning. The extent to which these plans come to fruition will influence the nature and outcome of sociological shifts in the south in the coming decades.

The largest industry in Savannakhet at the turn of the millennium is the garment industry. Garment factories in Savannakhet Town employ over 1,900 people, 80% of whom are women. The manufacturers are primarily investors from Thailand and Hong Kong who are locating in Laos to take advantage of the cheap labour and the preferential access of Lao goods to the European Union market.[59] These companies are sub-contractors to large Hong Kong, South Korean and Japanese corporations who control the market networks and access to the fashion houses and buying agents for the EU, US and Japan. Other important industries in Savannakhet include wood processing, four-wheel-drive vehicle assembly (Lao-Korean joint venture), tobacco processing (Lao-Chinese joint venture), and some production of construction materials. Yet although industrial development in Savannakhet is well in advance of most other Lao provinces outside of Vientiane, in 1998 it contributed only 9% to gross national industrial output.[60]

In the vision of the EWC Project, Savannakhet has been earmarked to play a far more significant role in Lao industrial development. Once improvements in transport infrastructure (including the Savannakhet-Mukdahan Mekong Bridge) and the 'soft-ware' of cross-border movement are in place, it is anticipated that with the right investment in industrial infrastructure, Savannakhet could enjoy a strategic advantage within the economic corridor. Foremost in the plans of the ADB is the creation of a Special Border Zone in Savannakhet adjacent to the new bridge, with a twin zone across the bridge in Mukdahan. The Special Border Zone would consist of three components: (i) the creation of Laos' first ever industrial estate providing fully serviced land (telecommunications, power, water etc) and pre-built factory shells; (ii) bonded manufacturing warehouses for duty-free commercial and processing activities; and (iii) on-site Immigration, Labour and Customs facilities for quick processing of traffic and trade flows. The Thai and Lao Zones would both operate to the same policies and procedures, simplifying and expediting cross-border trade.

Profile of a Garment Factory in Savannakhet

"This firm was established in 1995 with a US$10 million Thai investment (the parent firm is a Hong Kong-Thai joint venture in Bangkok). The firm exports middle range branded garments mainly to the EU market. The textile fabric is imported from Thailand, Indonesia, Taiwan and Korea. Garments made from fabric imported from ASEAN countries qualify for GSP status (see footnote). The factory is located on agricultural land leased from the state for 33 years and has had to provide the entire on-site and off-site infrastructure. Production operations are highly automated including state-of-the-art CAD/CAM systems, while only the sewing is performed manually by Lao workers, 95% of whom are women. The firm utilises e-commerce type web-based transactions for orders and designs using an internet service provider out of Bangkok. Expatriates hold all the key managerial and technical positions. The firm finds it difficult to recruit skilled Lao workers, especially technicians, although clerical and office workers can be found. Production workers are also difficult to attract and retain as they find difficulty in coping in a modern manufacturing environment. Labour productivity is seen as the most critical challenge in expanding the firm's production capacity and manufacturing capability."
From ADB, Pre-Investment Study for the Greater Mekong Subregion East-West Economic Corridor: Integrative Report, February 2001, p.26.

A similar plan for a Special Economic Zone in Savannakhet has also been proposed by the Japanese development agency, JICA. This would operate much like the above proposal, but with the added condition that national tariff, taxation and labour laws would not apply in the Special Economic Zone, thus creating new 'competitive advantages' in minimising investment and labour costs for international investors. With such facilities in place, it is anticipated that Savannakhet would be an attractive site for the location of new industries such as fertiliser production, agro-industry and bulking/distribution services, and animal slaughter and cold storage/freezer facilities for livestock processing. Existing industries such as garment manufacture (especially subcontracting arrangements), wood processing (especially pulp and paper production) and construction materials would have significant potential for expansion.[61]

As well as these developments along the Thai border of the EWC, the Lao Government also granted a concession for a private development of Border Trade Area at the Vietnamese border of the corridor, to begin in 2004. This venture would include fifty hectares for "industrial plant",

and another thirty hectares made up of a trade centre, a market, guest houses, restaurants, entertainment venues, truck parking, petrol stations, water supply, and tourism attractions.[62]

The success of such industrial development in the south, whether in Savannakhet or the other major southern centre, Pakse, cannot occur without a major social shift; and that is the migration of significant numbers of the labour force from rural to urban areas. The positive and negative aspects of this process are contentious, and much depends on the context and how that context shapes any given change. However, irrespective of ideological biases for or against the process of rural-urban labour migration, no-one should underestimate its profound importance within a nation's social history - least of all when this involves a move from subsistence agriculture. In Laos, this shift represents far more than the exchange of one form of labour income (in agriculture) for another (in industry); it is no less than the end of a *way of life* and all that that entails. Thus it means a change of economic framework (including the intellectual and moral framework through which an economy is understood), changes in family and community relationships, changes in cultural and religious practices that have developed around community and agricultural life, changing moral frameworks, and ultimately even a change in *worldview*. For some groups, the move to the city will eventually mean the loss of their language. Whatever one thinks of such changes, the profundity of the upheaval that they represent cannot be denied, nor the raft of social distresses and traumas with which they are associated.

Rural-urban migration can be a product of both *push* and *pull* forces. 'Push' forces relate to the loss or declining viability of rural livelihoods, where people see little option but to move to the cities and towns. In southern Laos these forces are already operating in the competition for resources (from forestry, mining, hydropower) and changing tenure arrangements. 'Pull' forces relate to perceptions of the comparative attractiveness of wages and lifestyle in the cities and towns. These are also present in southern Laos, although compared to other nations in the region, they are not strong. Industrial development as described above, will increase the pull on young Lao, especially young women, who might consider such a choice. For those being pushed to the towns, it will provide a potential source of employment that otherwise would not have been there.

There is little doubt that those who secure employment in urban industry experience a rise in income, and that this translates into national economic growth. The extent to which this translates into improved quality of life is not so certain, especially when so many life needs were previously sourced outside of the monetary economy. Migrants to the city will often have better access to health clinics and pharmaceuticals, but will also typically have lost family support and care in times of sickness. Working conditions must also be taken into account, especially those that pertain to women. In the Lao garment industry, 10-12 hour days are the norm and overtime beyond this is frequently required; the associated health complications of this form of work - backstrain, eyestrain, gastric diseases and pneumonia – have been well documented. It should be remembered that Laos is attractive to investors in this regard due to the laxity of its labour standards and its cheap rates.[63]

There are other significant social complications in urban labour migration. New migrants are vulnerable to new risk taking behaviours in the form of drug use, sexual activity and crime, particularly where a period of unemployment has been experienced. The concomitant risks of contracting HIV/AIDS or other STDs and blood-borne viruses are well known. The implications of urban migration for women are particularly complex; this is significant as it is their labour that is most in demand. Women who find urban employment may enjoy new-found economic independence and the new status that this gives them in family structures. Often younger women find a sense of liberation from the more conservative cultural strictures around gender that permeate village life. However, women in urban employment in the Mekong region are also far more vulnerable to exploitation through poor work conditions and low rates, as well as to intermittent or even permanent sexual exploitation. Typically, rural migrants will be completely unaware of what constitutes legal work practices, while feeling simultaneously intimidated by wealthy, educated employers.[64] Underlying all of these factors, it should be remembered that new urban dwellers will be coming to terms with a *new way of living*, and all the physical and psychological strains that this entails. How such strains and obstacles may translate into long term social divisions is still only poorly understood.

A final matter which needs to be noted here, is the way in which the expanding urban industry in the south will provide further stimulus to forestry and mining as described above. Thus urban expansion does not merely exert a magnetic 'pull' for rural labour, it is also *a primary cause* of forces which 'push' some from their preferred way of life.

Agricultural Policy

It hardly needs to be said that any significant change in the means and mode of agriculture in southern Laos will also be attended by significant social and economic change. Therefore, in examining forces of change in southern Laos, it would seem prudent to consider the agricultural policy of the Lao Government, key donors and other important actors in the agricultural sector. And indeed the vision of most of these actors is one of profound change in the basis and structure of agriculture. Put simply, it is a vision of change from traditional subsistence agriculture to modernised commercial agriculture. This vision is most directly and immediately focussed on the eradication of shifting agriculture, although it ultimately concerns all forms of agriculture in the region. The complexity of the debates for and against this vision and its various components cannot be captured here; it will have to suffice to note that such a debate exists and deserves further examination, and to flag some of the key areas of the envisioned change. Nevertheless, as fundamental as this issue is, agricultural policy in southern Laos perhaps exerts less of a force for change than some of the others considered above. This is because agricultural change is ultimately dependent on the actions of farmers themselves, and thus is one realm of change over which they exert some decision-making power.

Whether in the days of socialist collectives or since the economic reforms of the late 1980s, the vision of the Government of the Lao PDR has always been to transform the nation's rural peasant farmers into modernised agricultural producers. Modernisation of agriculture essentially means two things: (i) the adoption of scientifically developed technologies and methods of cultivation, including mechanised implements and infrastructure (such as for irrigation, ploughing and milling, in the case of rice cultivation), application of chemical fertilisers and pesticides, and use of scientifically developed species (such as the High Yielding Varieties of the "Green Revolution", or even genetically modified varieties); and (ii) the inculcation of a *new purpose* to agriculture - production for a market rather than the supply of family consumption needs.[65]

There is little doubt that modern methods can produce higher yields crops. Whereas traditional upland rice cultivation in Laos might generally be expected to yield roughly 1-1.5 tonnes/hectare with one crop a year, and traditional lowland cultivation might roughly average 2 tonnes/hectare once a year, intensive modern rice agriculture can yield up to 4 tonnes/hectare, twice a year.[66] In a nation which in most years would experience rice shortages in one region or another due to flood or drought, the attraction of such yields is obvious.

The groups most directly targeted by agricultural policy are those who practise shifting cultivation. As has been mentioned, shifting cultivation has been viewed as backward, unproductive and destructive in official and donor circles, and a serious impediment to economic growth. The official policy of the Lao Government is to eradicate shifting cultivation altogether by 2005, although it is quietly acknowledged that this is not going to happen anything like that quickly. While this policy is more a product of forestry and environment goals than an agricultural policy, its implementation is fundamentally a matter of agricultural change, requiring conversion to sedentarised agriculture, whether it be lowland rice cultivation or new forms of upland cropping. Often this involves encouraging upland communities to embark upon the cultivation of cash crops, such as fruit trees. The full implications of these changes for upland communities are more than can be covered here, but two things should be noted. Firstly, the enormity of transition from upland farming methods to lowland methods is frequently underestimated by development planners, and there is widespread experience of great difficulty where this has occurred in Laos.[67] Secondly, the shift to producing for the cash economy is an equally enormous transition - more so than for lowland subsistence farmers - and one that has significant dangers (see below).

The Lao Government's desire to modernise lowland agriculture has been primarily expressed in its enthusiasm for the development of modern, and typically large-scale, irrigation systems for use in rice cultivation. Under the right circumstances irrigated rice-agriculture allows better yields for wet season crops, but more importantly allows the production of a second crop in the dry season. Currently only a very low percentage of farmers in Laos produce a dry season rice crop (2% in 1995), and expansion of this activity is the Government's prime concern. Because this means intensified use of the soil, promotion of dry season crops also generally requires promotion of the use of chemical fertilisers and pesticides as well.

In 1995 as much as 45% of the Government's agriculture budget was spent on the construction of high-cost irrigation structures.[68] In 1997 the Government spent US$30 million of its own foreign exchange reserves to purchase over 7,000 diesel and electric powered pumps from India.[69] In the following years further millions were invested in the construction of canals and water control structures needed for the installation of these pumps. By 2000, pumping stations for these schemes could be seen along the major rivers in every province of southern Laos.

It has since become widely acknowledged amongst development workers in Laos that the effectiveness of these schemes has been lamentable. One survey in the Xe Bang Fai area just north of Savannakhet Province reported that by 2001, of all the diesel pumping systems installed along this river system, not one was still in use. Farmers had found the economics of using the systems (the cost of die-

sel and fertiliser versus the price of rice) unworkable, and in some cases, potentially ruinous. The electric irrigation pumps fared a little better, but were also in declining use.[70] Anecdotal evidence suggests similar experiences in the south.

This case reveals the inherent dangers for peasant farmers in switching to modernised production. For in adopting modern techniques, the peasant farmer is exposed to a new range of *external risks*, in addition to the well known risks of weather and pests; these risks are the vagaries of market price, currency devaluation and interest rates, about which the Lao farmer knows very little. In the above case, the persisting low world price of rice and the continued downward spiral of the kip after the Asian Economic Crisis - making imports of diesel and fertiliser more expensive - were significant contributing factors behind the difficulties experienced. The other peril for small farmers is the critical role of credit in financing the capital-intensive inputs of modernised agriculture. Debt burdens can pauperise rural families (see example below), and where they are tied to tradable land tenure systems in the form of collateral, can be a driving force behind landlessness in rural communities, as it has been elsewhere in Southeast Asia.[71]
The risks of modernised agriculture are heightened precipitously when it involves the production of non-food cash crops. For in addition to all of the above risks, in the event of a price crash, producers of these crops are faced with the chilling prospect of having *nothing to eat*. In southern Laos, communities on the Bolavens Plateau involved in coffee production were coming to grips with this in 2001 and 2002. Throughout the 1990s conversion to coffee growing was enthusiastically encouraged on the Plateau

The economics of dry season agriculture

"Last season, a farmer [in Mahaxay District] spent 800,000 kip for basic inputs of diesel fuel and fertiliser for a 0.5 hectare plot of *na saeng* [dry season rice]. However the market value of the rice was only 490,000 kip. This resulted in a significant loss to the farmer even without the value of labour, rice seed - and of the pumped irrigation systems themselves - being considered. In Ban Tha Kho, villagers used a diesel powered pump for two years during the dry seasons of 1998-99 and 1999-2000, but their financial losses were so severe they did not use the pump during the 2001-2002 dry season. Having taken out loans from the Agricultural Promotion Bank (APB) for fuel and fertilisers, the villagers were forced to sell buffaloes and cows to pay back the loans."
From Shoemaker, Baird and Baird, The People and Their River: A Survey of River-Based Livelihoods in the Xe Bang Fai River Basin in Central Lao PDR*, Vientiane, 2001, p.57.*

Photo: Jonathan Cornford

A coffee plantation on the Bolavens Plateau.

by the Government, international donors and coffee export companies. In 1997 widespread damage to coffee crops in South America caused world coffee prices to rise, providing a small bonanza to Lao coffee growers. This seemed to vindicate the direction of agricultural policy on the Plateau, and conversion to the cash crop received a further stimulus. However in 1999 good harvests around the world provided a significant oversupply of coffee and world prices collapsed. Between 1998 and 2000 the farm gate price in Laos dropped from US$1,746 per tonne to $380 per tonne, and prices continued to fall.[72] By 2002 coffee growers on the Bolavens Plateau were receiving as little as 20 cents per kilo ($200 per tonne). This was completely insufficient to buy rice and some villages decided it was not even worthwhile to harvest the beans.[73] Suddenly 15,000 families involved in coffee growing on the Bolavens Plateau found themselves in the midst of a desperate crisis.

With such experiences, many farmers in southern Laos will be cautious about the extent to which they adopt new modes of agriculture. After the recent crisis, growers on the Bolavens Plateau will think twice about converting their remaining rice areas to coffee. Likewise, lowland paddy cultivators will abandon intensive methods that endanger their family's savings. In this way - with the significant exception of upland communities which were forcibly relocated - farmers were not passive subjects of an agricultural policy formed by outsiders, but played an active role in mediating the direction and nature of agricultural change appropriate to the circumstances in which they found themselves. However this will remain the case only as long as experiments with new methods do not have calamitous consequences. For when a family has exhausted all its savings and is facing starvation, there is little option but to move to the towns to seek work or to beg. One safeguard against this outcome in southern Laos was that most rural land remained under traditional tenure and so could not be put up as collateral against a loan. However as the millennium turned, this too was becoming subject to change.

Resource Tenure

The foundation of rural livelihoods in southern Laos is access to essential natural resources. Of central importance is access to cultivable land; however, access to the commons of grazing land, forests and rivers all play critical roles in supporting the viability of the present rural economy. Changes to the right or ability of villagers to access these resources will therefore have deep and widespread implications for livelihoods and wellbeing. Such changes are already well underway in a number of different forms; essentially, however, they are driven by two forces: (i) development of a modern system of property law and administration; and (ii) large scale natural resource exploitation, such as commercial logging, mining and hydropower projects.

Until the present, rights of access to natural resources in southern Laos have been predominantly based upon traditional systems of tenure and usufruct. There a great variety in the ways these systems operate and are understood across southern Laos, with differences attributable to ethnicity, geography and history. In general most systems involve mixes of: private tenure, pertaining to individuals, families or households; village commons (land, forest or river), to which one village claims right of access and management; and open commons (land, forest or river), which may be shared by multiple villages or communities.

Although from 1975, the Government officially held all property rights to land, in practice there was very little interference with traditional tenure systems.[74] In 1996, however, the Government began a concerted effort to modernise the basis by which communities owned and accessed land and forest resources, through what was known as the Land-Forest Allocation Process. Land-Forest Allocation was initially conceived as a means of preventing illegal and unsustainable logging by granting ownership of certain forest resources to villagers. However, as it unfolded into a nationwide program, it quickly assumed a much different character. Its three major objectives were: (1) sustainable management and use of natural resources; (2) reduction and gradual elimination of shifting cultivation; and (3) promotion of commercial production.[75] Between 1996 and 2001 officials moved with great rapidity through the majority of villages in the south, allocating and delineating land that could be used for agricultural purposes and land that could be reserved for village forest area.

The actual effect of the program has been to impose severe constraints on the agriculture of shifting cultivators and to restrict the scope for village management of forestry.[76] In 2002 the ADB's *Participatory Poverty Assessment* identified Land-Forest Allocation as one of the main causes of new poverty in Laos.[77] It states that the program has:

> … led to shortened fallow cycles and directly or indirectly to soil degeneration, lack of biodiversity through habitat loss of varied fallow forest types, overhunting of wildlife, especially predators, excess gathering of forest products leading to epidemics of crop pests and ultimately exponential decreases of rice yields.[78]

Thus a program which had the laudable goals of encouraging sustainable resource management, has in fact locked away large tracts of land and forest from their traditional custodians, resulting in the rapid ecological exhaustion of the allocated land and the destitution of the people relying upon it.[79] A double cut came for villagers in 1999 when the legal status of the village forest they had been allocated was substantially weakened by the Government. This meant that while they were banned from undertaking certain forestry activities outside of their village forest area, there was no guarantee that outside companies would not be granted concessions to harvest timber in their forest.[80]

One objective of the Land-Forest Allocation Program was to make land more easily tradable, through the issue of officially recognised land use certificates. In this, however, the Land-Forest Allocation was really a temporary improvisation; a far more comprehensive program for this began in 1997 under the auspices of the World Bank, with assistance from the Australian Government. The Lao Land Titling Program was initiated with the purpose of creating a modern land market in Laos, with modernised systems of mapping, registering and administering land. The lack of such a system in Laos has frequently been identified by the World Bank as a major impediment to economic development, and particularly foreign investment, in Laos. Within orthodox economic understanding, land is one of the three essential factors of production (the other two are labour and capital); secure tenure and reliable trading of land are particularly regarded as pre-requisites of large-scale industrial production.

The progress of the Land Titling Program was much slower than that of Land-Forest Allocation. During phase one (1997-2002), titling and registration activities were restricted to urban and "peri-urban" areas, primarily in four provinces. One of the primary objectives of land titling during this phase was to provide a basis for increased large-scale industrial activity in established urban centres. Savannakhet and Champassak were both target provinces in phase one, with titling activity focussed around Savannakhet Town and Pakse; Salavan was later sporadically included in project activity. As the bulk of titling work in the south took place in Savannakhet, land titling during this phase can really be seen as another component of the economic corridor developments of the EWC project.[81]

Phase two of the Land Titling Program, which began in 2003, assumed a much wider scope. Whereas phase one had focussed on urban and peri-urban areas, phase two aimed at the "continuation and expansion of sporadic and

Displacement by way of allocation

“Notwithstanding the exemplary features of the LFAP [Land-Forest Allocation Program], evidence is growing that it is also a primary cause of displacement and impoverishment in Laos, to a degree that far exceeds what would be necessary to resolve conflicting claims on land and resources and to institute common property rights to village forests. Although it is impossible to measure the number of people who have moved entirely or in part because of the allocation programme, it likely dwarfs those due to controversial and internationally contested dams. In the village-based studies by NUOL [National University of Laos] researchers, preliminary data show that implementation of the land and forest allocation programme resulted in substantial loss of access to resources. There was significant out-migration from these two sites after the completion of the allocation programme, including over a third of village families from a Hmong village. Although the research has not definitively established the reasons for leaving, it is likely that the loss of livelihood resources due to the allocation program was at least an important contributing factor. The NUOL research also suggests that the demarcation of village boundaries was hurried and was not achieved through mutual consent, so that conflicts over resources were not settled through the process. [...]

More indirect evidence of the displacing and impoverishing effects of the programme is suggested by a UNESCO/UNDP study (Goudineau n.d.) of resettled villages in Laos. According to this study, one third of all villages have moved due to direct and indirect pressure to resettle and to stop swidden agriculture, although the displacement reaches 50 to 85% in some areas (Goudineau n.d.: 20). In many cases this pressure was exerted by the restrictions introduced through land allocation. Resettlement, moreover, did not necessarily eliminate swidden agriculture, as many sites did not have land suitable for permanent agriculture. Villagers’ ability to continue producing food was thus seriously compromised: pressure from government policies, combined with population concentration, forced villagers to work with short fallows; there was a shortage of draught animals after the move, partly because animals needed to be sold to buy rice in the first years after a move; villagers did not have sufficient knowledge about farming in their new ecological environments; and villagers’ health and capacity to work was often seriously affected by the move.

The NUOL studies, together with other studies (State Planning Committee 2000) show that the non-Lao ethnic groups, which make up about 45% of the population, are most at risk of displacement and impoverishment, while ethnic Lao are most likely to benefit from the programme.”

From P. Vandergeest, “Land to some tillers: development-induced displacement in Laos”, UNESCO 2003, p.5.

semi-systematic land titling activities *specially in the rural areas.*"[82] In this the underlying objective of land titling had shifted from promotion of industrial development to promotion of commercial agriculture:

> Secure property rights should promote more investment in property development, provide incentives for rural land holders to invest in agricultural land and adopt more sustainable and environment-friendly agricultural practices. Land titles can also be used as collateral to access credit to open small businesses, expand existing ones, finance agriculture inputs such as seeds and fertilisers, and other long-term land improvements such as irrigation systems.[83]

Advocates of such land titling point out that more secure tenure provided by a modern title is a benefit to the rural poor. Not only does it provide them with a market asset, it improves their standing before the law. Certainly strengthening the rights of tenure of rural communities to their traditional resources is a critical step towards ensuring the future viability of rural livelihoods.

However, in the context of southern Laos, it is not certain that modern land titles provide this security. Essentially, the problems are these:

(i) Modern land titles reflect an understanding and culture of agriculture, based on individualised, permanent plots, which is foreign to many communities in southern Laos. Land titles, as they have been pursued in Laos, cannot apply to shifting cultivation or to communal lands without destroying the social and cultural framework of these practices. Furthermore, the gaining of title to some area of land often effectively means de-recognition of rights to access other resources.

(ii) Modern land titles, especially where they are linked to agricultural modernisation, tend to simplify and homogenise structures of ownership and responsibility for management of resources. Traditional tenure and resource management, especially that of upland communities, is often heterogeneous, involving mixes of communal, familial and household decision making, and divisions of gender responsibility over various resources. Modern title and agriculture tend to encourage an effective usurpation of ownership and decision-making by the male head of the household.

(iii) Land titles require a complete conversion to sedentarised agriculture. Shifting cultivators are unlikely to quickly achieve the same productivity of established lowland farmers, and in the meantime are in danger of falling into extreme deprivation and dire financial straits, including spiralling debt.

(iv) In a cash economy, land titles represent a family's most fundamental asset. In southern Laos many communities, particularly those of the Lao Theung, have little experience in managing affairs in a cash economy, and therefore a limited grasp of concepts such as debt, interest and collateral. This makes them extremely vulnerable to making bad decisions based on insufficient understanding, or to being taken advantage of by more canny operators.

(v) Where there is poor monitoring and supervision of the titling process, local officials and village elites can easily conspire to sell-off valuable village resources to outside entrepreneurs, without community consent. Furthermore, the removal of decisions about the sale of land from a communal to an individual level, creates an environment more easily exploited by wealthy and powerful outsiders.[84]

Currently southern Laos is a land of small, independent farmers, with a remarkably flat network of land distribution. The establishment of a modern land market through land titling creates an environment where this can very quickly be unravelled. This is the experience of neighbouring Thailand where land ownership is becoming increasingly concentrated in the hands of small number of individuals and companies, particularly banks.[85]

Nevertheless, irrespective of changes to the legal basis of tenure brought by land allocation or land titling, rural communities are being confronted by a far more immediate challenge to their tenure over resources by the pace of development of the commercial resource economy, some of which is described above. More than any other industry, commercial forestry acts as a *de facto* appropriation of tenure from local communities to external business interests, often foreign companies. Across the region, villagers are finding themselves suddenly shut out from forest areas to which they had never previously doubted their right of access. Even where there has initially been some legal standing to community rights over forest, as noted above, contests with commercial interests have only resulted in a weakening of the status of local tenure. Mining projects and hydropower projects have also proved powerful mechanisms for appropriating resources away from rural communities to private interests. Collectively, forestry, mining and dam building represent a movement of enclosure that is changing the physical and social landscape of southern Laos.

Endnotes

1. This is a perception based substantially on Laos' brief decade of autarky after the Communist victory in 1975.
2. ADB, Small-scale PPTA for Energy and Transport Social and Environment Management, Vientiane, February 2001, p.21.
3. Much of the following discussion of roads is based on two Scandinavian studies into the impact of roads in Laos, undertaken in the first half of the 1990s – after a decade they are still the most in-depth inquiries into this subject in Laos. A. Hakangard, *Road 13: A Socio-Economic Study of Villagers, Transport and Use of Road 13 S, Lao PDR*, Stockholm University, Stockholm, 1992; and I. Trankell, *On the Road in Laos: An Anthropological Study of Road Construction and Rural Communities*, Uppsala Reports in Cultural Anthropology, No.12, Uppsala, 1993.
4. ADB, *PPA*, p.63.
5. For more on the GMS Initiative see J. Cornford and M. Simon, *Breaking the banks: The role of Australia and the ADB in the Mekong Region*, Melbourne, 2000.
6. ADB, Pre-Investment Study for the GMS East-West Corridor: Integrative Report, February 2001, p.66.
7. At the time of writing (2003), the rehabilitation of Route 9 was approximately 80% finished, and due to be finished by early 2004. Construction of the Mekong Bridge at Savannakhet was scheduled to be complete by 2005.
8. National Economic Research Institute (NERI), *Report on Study of Socio-Economic Impact of Route 9*, Vientiane, 1999.
9. *ibid*, p.12.
10. "461 Have Died of AIDS in Laos Since 1990", *Voice of America News*, 28 November 2003.
11. "Govt: Illegal border logging is increasing", *Vientiane Times*, 2-4 April 2002, p.3.
12. Bourdet, *Economics of Transition*, p.79.
13. An exact figure cannot be obtained due to the form of imports reporting. *ibid.*
14. See Anderson, *Lao Economic Reform and WTO Accession*.
15. Despite claiming to be a 'rules-based' system for regulating international trade, requirements for acceding new members are negotiated on a case by case basis, based on a substantial amount of bilateral bargaining and diplomacy.
16. B. Lintner, "Laos: Signs of Unrest", *Southeast Asian Affairs 2001*, Singapore, 2002, pp.179,184.
17. The benefit of 'convenience' in a rural society such as Laos can easily be underestimated from the Western cultural context. Whereas we have developed 'convenience' to an absurd level (e.g. TV remote controls), the daily tasks of many in Laos – especially women - are, by comparison, back-breakingly inconvenient.
18. ADB, Road Infrastructure for Rural Development: Final Report, p.12-12.
19. Bourdet, *Economics of Transition,* p.79.
20. ADB, *Environments in Transition: Cambodia, Lao PDR, Vietnam, Thailand*, Manila, 2000, p.12.
21. "Laos: Vanishing forests and growing corruption", World Rainforest Monitor (WRM) Bulletin Nº 35, June 2000.
22. In one district of Xekong Province situated on the Bolavens Plateau, the official logging quota in 2000 was the substantial amount of 3,000 cubic metres. In 2001 the official quota within this district was expanded to 5,000 cubic metres, in order to finance the administration's budget deficit. OCAA Laos, "Progress Report on Community Forestry and Plant Genetic Conservation Project", February 2002.
23. See ADB, *Environments in Transition*, p.12, and A. Walker, *Legend of the Golden Boat: Regulation, Traders and Trade in the Borderlands of Laos*, (pre-publication copy), 1998, p.195.
24. "Laos: Vanishing forests and growing corruption", WRM Bulletin Nº 35, June 2000
25. *ibid.*
26. ADB, *Environments in Transition*, p.12. As has been mentioned, there is a wide discrepancy between reported and actual rates of logging.
27. C. Alton & H. Rattanavong, Service Delivery and Resettlement: Options for Development Planning, UNDP Lao/03/A01, Vientiane, 30 April 2004, p.82.
28. My own observations, 2002. See also OCAA Laos, "Progress Report on Community Forestry and Plant Genetic Conservation Project", February 2002; Raintree and Soydara, *Human Ecology and Rural Livelihoods*, 2001; Alton and Rattanavong, Service Delivery and Resettlement, 2004.
29. C. Lang, *The Pulp Invasion: The international pulp and paper industry in the Mekong Region*, London, 2002, pp.27-28. The Australia government-run research agencies, ACIAR and CSIRO, have also played an active role in promoting *eucalyptus* and *acacia* for industrial tree crops in Laos.
30. ADB, Pre-Investment Study for the GMS EWC, February 2001, p.39.
31. Lang, *The Pulp Invasion*, p.34.
32. "Laos: Lies, Secrets and Tree Plantations", WRM Bulletin Nº 68, March 2002.
33. See "Forum on Commercial Plantations and Villagers' lands", *Watershed*, Vol.2, No.1, July-October 1996, pp.7-25; B. Shoemaker, I. Baird and M. Baird, *The People and Their River: A Survey of River Based Livelihoods in the Xe Bang Fai River Basin in Central Lao PDR*, Vientiane, 2001, pp. 53-54; Raintree and Soydara, *Human Ecology and Rural Livelihoods*, 2001; "Laos: Lies, Secrets and Tree Plantations", WRM Bulletin Nº 68, March 2002.
34. Raintree and Soydara, *Human Ecology and Rural Livelihoods*, 2001, pp.16-17; ADB, *PPA*, p.37.
35. For consistency "Xepon" has been used here, although virtually all the project documentation uses the "Sepon" spelling.
36. AMRC, Social and Environmental governance in the East-West Economic Corridor: A case study of the Sepon Mine development, Lao PDR, 10 March 2001, p.1;

Oxiana, *Sepon Project Environmental and Social Impact Assessment: Executive Summary*, September 2001, pp.1-5, 4-1; "Mining Gold in Laos Where Bombs Once Rained", *New York Times*, March 5, 2004, p.8.

37. Oxiana, *Sepon Impact Assessment*, p.1-4.
38. al "Mining Gold in Laos Where Bombs Once Rained", *New York Times*, March 5, p.8.
39. Oxiana, *Sepon Impact Assessment*, pp.1-4, 1-5.
40. Just prior to printing (after three years of mine operation) a report by noted commentator on Lao affairs Martin Stuart-Fox, gave a glowing report of the mine's contribution to the local economy and standards of living. M. Stuart-Fox, "The Paradox of Laos", *Australian Financial Review*, 18 March 2005.
41. *ibid*, 4-5.
42. See J. Atkinson, *Undermined: The impact of Australian mining companies in developing countries*, Community Aid Abroad, Melbourne, 1998; Oxfam Community Aid Abroad, *Mining Ombudsman: Annual Report 2001-2002* and *Mining Ombudsman Report 2002-2003*.
43. J. Nielson, *Technical Analysis of Environmental and Social Impact Assessment for Oxiana Resources N.L./ Sepon Project Laos*, Prepared for AID/WATCH, March 2002, p.9.
44. *ibid*.
45. *ibid*, pp.15-17.
46. at The small 45 megawatt Xe Set Hydropower project was already completed in 1991.
47. WRM Bulletin No. 74.
48. "Production of electricity for export to Vietnam is on plan", *KPL News*, 23 October 2003.
49. ADB, Regional Cooperation Strategy Program for the GMS, February 2004, p.78.
50. Private communication.
51. See World Commission on Dams, *Dams and Development: A New Framework for Decision-Making*, London, November 2000, Chapter 2; Patrick McCully, *Silenced Rivers: The Ecology and Politics of Large Dams*, London, 1996, pp.133-141; and K. Malhotra, "Economic development and sustainability issues for energy projects in Laos", in ACFOA, *Generating Power and Money: Australia and Thailand's Role in Hydro Projects in Laos*, Melbourne, 1997, pp.14-31.
52. See AMRC/NERI, "Social and environmental policy implications of infrastructure development in the Lao PDR : A case study of Australian public and private investment in Lao PDR", Vientiane, 2000, pp.23-25; B. Shoemaker, *Trouble on the Theun-Hinboun: A Field Report on the Socio-Economic and Environmental Effects of the Nam Theun-Hinboun Hydropower Project in Laos*, San Francisco, 1998; IRN, "Nam Leuk Campaign", www.irn.org, 2002.
53. Halcrow, Se Kong - Se San and Nam Theun River Basins Hydropower Study: Initial Environmental Examination, ADB, February 1998, p.3-2; B. Shoemaker, "Xe Kaman 1 Hydropower Project: Draft Report", San Francisco, 1998, p.4.
54. Cited in "Is resettlement resettlement?", *Watershed*, Vol.4, No.1, July-October 1998, p.53.
55. Protected Areas Division of the Department of Forestry, Investigations of the Xe Kaman and Xe Xou Rivers, with special reference to freshwater fish and river ecology; and a review of the potential social and environmental impacts of large dam projects being considered for these two rivers in Attapeu Province, Southern Lao PDR, January 1995, p.14.
56. *ibid*, pp.12-14.
57. This is starkly illustrated by the impacts of a Vietnamese dam along the Se San River, which flows through Cambodia before joining the Mekong. Cambodian communities along the Se San have suffered extensive impacts since the dam's operation, seemingly without much hope of recourse. Ian Baird et. al., *A Community Based Study of the Downstream Impacts of the Yali Falls Dam Along the Se San, Sre Pok and Sekong Rivers in Stung Treng Province, Northeast Cambodia*, March 2002.
58. ADB, Pre-Investment Study, p.14.
59. Under a trade agreement with the EU, referred to as GSP (General System of Preferences) privileges, Lao textiles enjoyed preferential tariff treatment and freedom from any quotas when exported to Europe.
60. ADB, Pre-Investment Stud, pp.16-17,42.
61. *ibid*, pp.49,79.
62. "Savannakhet works on developing border trade area", *Khaosan Pathet Lao News Bulletin*, November 28 2003.
63. For fuller discussion of these issues see M. Kaosa-ard and J. Dore (eds.), *Social Challenges for the Mekong Region*, Bangkok, 2003, particularly the chapters "Gender Inequity", "Migration", "Rural women migrating to urban garment factories in Myanmar", and "HIV/AIDS and drug use".
64. *ibid.*
65. This is the case even for modernised agriculture under socialist systems; the difference is only that 'the market' is one completely controlled and regulated by the State.
66. These figures are illustrative only; average yields for upland and lowland cultivation vary wildly from one locality to the next and from year to year. B. Chountavong, "Strengthening the Agriculture Extension Systems for Lao PDR", FAO Regional Consultations, September 1996, p.4.
67. In addition to cultural difficulties with converting to sedentarised agriculture, there is rarely good paddy land available for communities relocated to the lowlands. ADB, *PPA*, pp.46, 54.
68. World Bank, Lao PDR Agricultural Sector Memorandum, Report No. 13675-LA, 23 March 1995, p.ii.
69. Shoemaker, Baird and Baird, *The People and Their River*, p.56.
70. *ibid*, p.57.
71. J. Rigg, *Southeast Asia: the human landscape of modernization and development*, London, 1997, pp.262-264.
72. OCAA Laos, Study of Coffee Trading Systems on the Bolavens Plateau and Influencing Factors on Coffee Prices, Vientiane, May 2002, p.2.
73. Villagers from Ban Phalang Dtai in Xekong Province reported that whereas once a sack of coffee would buy 5

sacks of rice in 2002, by 2002 it would only buy 1 sack of rice. Field visit 2002.

74. In the first decade of the Lao PDR there were some attempts at collectivisation of agriculture, but with a few exceptions these generally failed to override traditional systems, and only ever affected a small number of the population anyway.
75. ADB, *PPA,* p.46.
76. Even areas delineated as village forest in Land-Forest Allocation were not immune to the later granting of logging concessions to forestry companies.
77. ADB, *PPA*, pp.34,47.
78. *ibid*, pp.34-35.
79. For a discussion of how this came to be, see Raintree and Soydara, *Human Ecology and Rural Livelihoods*, pp.20-24.
80. *ibid*, pp.24-27. In 2002 I found that this was exactly what was happening, particularly on the Bolavens Plateau.
81. There are no institutional links between the World Bank's Land Titling Program and the ADB's EWC Project, however both programs were well aware of each other and their objectives were closely in harmony.
82. World Bank, Lao PDR Land Titling II Project, Project Inception Document, Report No. PID11303, 18/6/02, Section 4, p.8. My emphasis.
83. World Bank, News Release: Lao PDR: Second Land Titling Project, 24 June 2003.
84. For accounts of this in Cambodia see J. McAndrew, *Indigenous Adaptation to a Rapidly Changing Economy*, CIDSE Cambodia, December 2001; in Thailand, see R. Leonard and K. Narintarakul Na Ayutthaya, "Taking land from the poor and giving it to the rich", *Watershed* Vol.8, No.2, November 2002, pp.14-25.
85. R. Leonard and K. Narintarakul Na Ayutthaya, "Taking land from the poor and giving it to the rich", *Watershed* Vol.8, No.2, November 2002, pp.14-25.

The Coming Challenges

We will now summarise some of the major challenges which southern Laos is likely to face in the coming years, based on the current trajectory of change, resulting from the cumulative effect of the forces described above, and others. In describing these 'challenges', which by nature focus on the negative aspects of change, it is not suggested that these represent the sum total of the experience of change in southern Laos, or even that they constitute the dominant narrative of change. Advocates of forestry, mining, free trade, modernisation and industrialisation will protest that there are positive effects which outweigh the negative impacts. The assertion being made here is that, whatever one's final judgements about such changes, *there will be real and significant human costs to such change*, and that this needs to be seen clearly by those involved in the work of development and poverty alleviation. Human suffering is always greater when those with power refuse to accept the reality of the experience of those suffering, or choose to place the blame on the shoulders of the sufferer.

Ethnic Inequality

Perhaps the greatest social challenge facing southern Laos is that of widening ethnic inequality. The growing divide of opportunity between Lao Loum and Lao Theung in southern Laos is already clearly visible, and all trends indicate that this will deepen. More than any other group, Lao Theung communities who depend on swidden agriculture and forest gathering face the rapid decline in the viability of their livelihoods, caused by a number of forces pressing in on them all at once. Most significant, of course, is competition for their traditional resources from the expanding town-based modern economy, in particular from the forestry and mining sectors. Whether through widespread deforestation by commercial loggers, or the enclosure of "unstocked land" for plantations, or the alienation of land within a mining concession, swiddeners are being locked out from the agricultural land and forest-based resources which represent the pillars of their livelihood.

Lao Theung attempts at commerce on Route 9. (The bird on the upturned basket is the item for sale)

In the struggle against these new and powerful forces, swidden agriculturalists are confronted by the absence of any meaningful legal tenure to their resources, which is the basis of proprietorship in the modern economy. Moreover, their mode of living is one that, as a matter of government policy, has been targeted for eradication. While facing these unprecedented pressures, swidden agriculturalists also have to cope with the needs of growing populations.

A Lao Loum shop on Route 9.

Like forests, rivers are a fundamental component of a region's natural ecology, and a critical household and agri-

In the standard script of development planners, the loss of traditional livelihoods will be compensated for by new commercial opportunities within the modern economy. The reality is that many Lao Theung communities face serious impediments in taking up such opportunities. Lao Theung entering the marketplace are invariably transacting with lowland Lao entrepreneurs who have much more experience of bargaining and understanding of market value, and who are often able to exploit multiple sources of supply to keep prices down. On top of this, many Lao Theung, especially women, are at an immediate linguistic disadvantage, forced to transact in a language not their own, and with which they often have very little familiarity. With whatever income they may obtain, Lao Theung from more remote communities may then suffer from lack of experience in stewarding their money. By contrast, the predominantly town-based Lao Loum traders are fully exploiting their headstart in cornering the opportunities of the new economy. Thus, far from realising personal advancement, the experience of many Lao Theung entering the monetary economy is one of being relegated to the most marginal activities with the lowest remuneration.

Trade, gender and ethnicity: Two pictures

For many female Lao Loum traders, the opportunities created by an expanding trading economy in southern Laos - the product of improved transport routes and new goods flowing into the country - have often provided a means of advancement and empowerment. By contrast, the experience of many Lao Theung women participating in the market economy is often one of powerlessness and exploitation.

Scene 1: Toumlane Town, Salavan, is an outpost of Lao Loum officials and traders in a district with an otherwise 95% Katang (Lao Theung) population. A teenage Katang mother comes into town from an outlying village, baby slung on her back, trying to sell some produce: wild mushrooms, lemons, chillies, mangoes. She negotiates with a Lao store owner, a woman in her forties, fully schooled, and a recent in-migrant from Salavan Town. The Katang girl knows few Lao words other than numbers. Finally she exchanges five bundles of forest mushrooms for some tobacco and MSG, worth a total value of 2000 kip. She does not know that a single bundle of these mushrooms will be sold for 2000 kip at the market in Salavan.

Scene 2: A young Ta Oy (Lao Theung) woman boards a local bus going between Thateng, Xekong Province, and the provincial centre. She is carrying an assortment of fruit and vegetables and some small mammals hunted in the forest, which she is hoping to trade at the market. She is immediately accosted by an older Lao woman - her husband owns the bus, and she buys and sells along the journey (such husband/wife partnerships in trading/transport operating are common). The Lao woman turns out all the goods for inspection, making derisive comments which cause all the other passengers to laugh. She shows little interest in a purchase, but maintains a loud commentary. The young Ta Oy woman is clearly uncomfortable and intimidated. After half an hour of this, the older woman perfunctorily offers a small amount of money for all the young woman's goods. She accedes and gets off the bus, never having reached the market.

Finally, for a full understanding of the obstacles faced by those forced out their traditional livelihood, we must consider the cultural/psychological shock experienced by people who are losing, or have lost, a way of life. The despondency and disorientation associated with such a shock is in itself a major barrier to finding an adequate livelihood within the new economy. This is a matter that receives no consideration at all within development planning.

The structure of opportunity within a rapidly changing southern Laos is biased entirely toward town-based traders and sedentarised agriculturalists who already have a significant degree of integration into the monetary economy. It should be noted that advantages and disadvantages do not correlate exactly with ethnicity; there are Lao Theung elites who do very well, and Lao Loum communities who are as poor as any remote Lao Theung group. Nevertheless, the nature of this socio-economic distinction is such that it is no exaggeration to call it an ethnic divide, which in terms of population virtually represents a 50/50 split. Thus, the momentum of change within southern Laos is in the direction of a two-tiered society.

Environmental Decline

Southern Laos is not only in the midst of profound social change, it is also being subjected to profound ecological change. This is most visible and readily apparent in the form of deforestation. There is an insufficient appreciation amongst policy makers and development planners of the extent to which deforestation does not just mean fewer trees. Besides the obvious relationship to greenhouse gases in the atmosphere (which is generally treated as an abstracted consequence, with remedies left to global 'carbon trading'), deforestation, especially on the scale occurring in southern Laos, results in multiple, immediate, direct (and indirect) ecological flow-ons which are felt throughout the whole natural system.

It is evident throughout East Asia that deforestation of watersheds results in increased frequency and severity of flooding. Natural cycles of flooding which restore and renew ecological productivity are transformed into events far more damaging to nature and humans. Soil run-off, erosion and siltation associated with deforestation have large impacts on the quality of water in creeks and rivers, changing the riverine ecology and impacting the habitat of fish and other aquatic animals. Furthermore, the loss of soil equates to a loss of fertility in the land.

Forests are nature's bank of ecological diversity and their loss results in the loss of hundreds of plant and animal species. The sheer ecological abundance and diversity of some forest areas in southern Laos is of enormous natural heritage value to the world. But more importantly, the forests are the powerhouse and regulator of the agro-ecological systems upon which humans have relied. Their loss means the loss of plant and animal resources valuable to humans, and, as diversity declines, plant and animal pests are likely to proliferate, with a severe threat to human agriculture.

cultural resource. Should hydropower development follow the course planned for it, the health of rivers in southern Laos may be irreversibly compromised, and in particular, the extraordinary diversity and productivity of the region's aquatic life may be seriously threatened. Everything about the natural cycle and flow of a river and its water quality is affected by large scale dams. And thus, all the forms of life - plant, animal and human - which have adapted to, and come to depend on the river, are affected.

Beyond deforestation and hydro development, the expansion of modern agriculture with its chemicals, irrigation, and mono-crops has its own ecological consequences, affecting soil quality, water quality, water tables, salinity, incidence of pests, and other impacts too numerous to be mentioned here. Should the mining sector undergo expansion in southern Laos, there is real potential, as evidenced throughout Southeast Asia and the Pacific, for catastrophic environmental impacts.

In summary, the environmental changes facing southern Laos are those which much of the developed and developing world has already undergone. There is a logic that suggests that southern Laos should also have the opportunity to experience such 'progress'. What is generally concealed within this viewpoint is the real human cost associated with such environmental degradation. As the natural productivity of agro-ecological systems declines, the only apparently viable forms of agriculture will be intensive, high-input forms. Many will be pushed out of independent farming to become itinerant rural labourers or industrial workers in the towns; others will experience systematic pauperisation and decline. And, as discussed below, decline in the natural environment correlates closely to a decline in the human environment.

Breakdown of Community

The effects of social and economic change on human community and culture are both difficult to conceptualise and difficult to quantify, and therefore receive little attention in development policy and planning. And yet, to the ordinary observer at ground level, this is always one of the most striking aspects of change. For all their nebulousness, 'community' and 'culture' are really just nouns which describe a realm of things, small and large, which bind people to each other and to the earth, and which have a powerful effect on human wellbeing.

In southern Laos, the momentum of change will place the bonds of community and culture under increasing strain. The change is most stark for those who lose their traditional livelihood. The loss of a traditional livelihood is more than just an economic blow, it involves the weakening or loss of family and communal structures of labour and governance which are built around that livelihood, and the weakening or loss of cultural and spiritual frameworks that have provided the psychological warp and weft by which people interpret the events of their daily lives. This experience is quite different from that of people who have been able to adapt a traditional livelihood to the purposes of the modern economy, such as some lowland agriculturalists. Although these too will, over time, shed many aspects of community and culture, this is not experienced as the shock that it is for those denied a livelihood. The psychological trauma of such an event is felt most acutely when enforced relocation means the loss of a linguistic community, which is no less than the loss of the ability to think

and communicate in one's own tongue. The experience of indigenous (or 'Fourth World') peoples the world over is that such loss undergirds the most entrenched forms of poverty and marginalisation.

Even in those parts of the rural landscape which will not be affected quite so dramatically, change will take its toll on family, community and cultural life. While there are many aspects to this, from gender roles to community reciprocity to religious observance, it will be most acutely felt in generational divides. Those growing up within the influence of the modern economy, will develop different aspirations and senses of responsibility from those of their parents. Inevitably, some will abandon their parents' way of life for the towns, where they will face those particularly urban social problems already well in evidence in Vientiane - drug use, crime, delinquency and other anti-social behaviours. These are inevitably roundly condemned, with much energy invested in enforcing sanctions against them. There is often little understanding of the powerful social and economic forces driving them.

It is important to understand community and cultural breakdown not just for reasons of social sensibility and 'sentimentalism', but because it is a matter of practical importance to the work of poverty alleviation. As any grass roots development worker will tesify, the resilience and strength of community bonds is one of the critical resources needed to find new ways through difficult times. Understanding the forces acting on communities and cultures will be central to any response.

Urban/Rural Divide

As the modern economy grows in the towns of southern Laos and expands more deeply into rural areas, it is inevitable that there will be a growing division between town and country. The nature of the division will be most obvious in economic terms, for it is endemic to the nature of the modern economy that wealth flows towards the cities and towns. As is already evident in southern Laos, net wealth will increase in the towns at an exponentially greater rate than in rural areas. Exactly how this wealth will be distributed remains to be seen; it seems almost certain that there will be pockets of prosperity which will begin to enjoy an affluence known not even by the royalty of half a century ago.

As the modern economy expands in southern Laos, the net wealth of rural areas will also grow. This is inevitable because net wealth is itself a measure of the modern economy. Nevertheless, as discussed above, there will be a growing number of people from rural society who know the destitution of dispossession. These, like the resources they once cultivated and harvested, will have little option but to flow to the cities and towns, where they will become the raw material of a fledgling industrial economy. However, even those sectors of rural society that do experience rising living standards – as measured by consumption rather than monetary turnover – will become increasingly aware of the discrepancy between their means and the means of many in the towns. This is significant in that it is generally poorly understood by development planners that wellbeing is more than a matter of meeting absolute needs; for in human society, contentment with one's lot in life is as much *a matter of comparison* as it is of attainment. Hence, the growth of urban/rural inequality is in itself a quality of life issue.

The division between town and country will not only be economic. As the interests of urban and rural areas diverge, the division between the two will also become, and already is, increasingly political. In so far as political power in Laos is not derived from a popular constituency, but is tightly bound to commercial opportunity in the new economy, this can only mean that political power in Laos will be overwhelmingly expressive of urban interests, even when the population is still largely rural. More than that, as is the case with development the world over, the division between town and country will increasingly also be one of sentiment. As the fortunes of urbanites rise, their affluence will begin to acquire the illusion of independence from the rural world. As *urban culture* becomes further and further abstracted from *agriculture*, the modes of life and thought of rural people will seem increasingly backward and ignorant, and will attract less and less sympathy from those who wield real power.

Declining Terms of Trade

Much of what is described above can be summarised as part of a broad trend of declining terms of trade which cuts across society, economy and geography in southern Laos. This means that the value of one group's product perpetually declines in relation to the value of the product of another group, resulting in a corresponding decline in power. Where such a decline has been marked, the weaker party is often reduced to a position of dependency upon the latter (actually the true nature of the relationship is one of co-dependency).

Thus the terms of trade between ethnic groups in southern Laos, always unequal, are growing ever further apart, as the exchange-value of highland goods steadily deflates against lowland goods. Likewise, as the town-centred modern economy grows in power, it is able to access the products and resources of rural areas increasingly cheaply. Ironically, in seeming defiance of the principle of supply and demand, the more voraciously industrial and urban expansion has required natural resources, the more their comparative value has declined. This is the well-known subsidy of progress paid by developed and developing nations the world over. There are many other ways in which declining terms of trade could be identified: between what is natural and what is manufactured, between what is traditional and what is modern, between culture and technology, and even between generations.

All these are shifts within the socio-economic fabric of southern Laos. However the region itself, and the nation, seem likely to face declining terms of trade with the rest of the world, and most notably with its largest neighbours, Thailand, Vietnam and China. Whether through improved transport access, trade liberalisation or bilateral trade arrangements - and whether because of international pressure or political sponsorship - Laos is increasingly opening its borders to the goods of foreign countries. So far this has involved predominantly manufactured goods from the large neighbours; should Laos ever accede to the WTO, it remains to be seen to what extent it might involve agricultural produce. In turn, Laos was a source of timber, minerals and power for these nations, while providing an extra market, albeit a small one, for their goods. Thus, just as rural areas in southern Laos were forming more distinctly into peripheral resource economies for expanding urban economies, so the region itself was becoming entrenched as a peripheral resource economy to its larger, industrialised neighbours.

While there is such open access for the industrial goods of Thailand, China and Vietnam - and the trend seems only towards greater openness – it appears unlikely that Laos will ever be able to compete in the production of a whole raft of goods upon which it is now becoming dependent. Thus it is trapped into trading resources of low and declining exchange value for goods (and services) that it will find increasingly hard to afford. In the short term, the strong temptation will be to escalate the mining of those resources – particularly timber and minerals – which are so easily at hand.

For the whole of the last century, Laos has lived with a chronic structural trade imbalance. At the turn of the millennium this showed little sign of abating, and many signs of deepening.[1] In 1999, Laos exported US$39.3 million worth of goods to Thailand through the EWC border crossing at Savannakhet/Mukdahan; the value of goods coming the other way was US$391 million - an imbalance of 1000%.[2] While the majority of the population remained ensconced in subsistence living, this trading deficit had little relevance to the lives of most people. As more and more people in southern Laos are drawn into the monetary economy, the significance of this imbalance will only grow in enormity.

Responding to Change

Recognising the implications of the current trajectory of change, the great question is, *what should be done?* Of course the first step towards any effective response to social and economic upheavals is to understand both the causes and significance of change. Too often humanitarian and development work has proceeded without proper understanding of the circumstances of distress, or even the exact nature of distress, and so has aggravated the problems experienced by the poor and vulnerable. Therefore action must be well-informed, and this can only mean that practitioners must be in touch with the people who are the supposed beneficiaries of humanitarian work.

Nevertheless, even with good information and understanding, the question of what should be done remains a difficult and complex one. In Laos, as in most developing countries, there are many actors who affect change under the mandate of 'development'; the Government of Laos, international financial institutions (such as the World Bank and the ADB), aid agencies of foreign governments, and international NGOs, all claim a purpose of improving life and relieving poverty. None of these actors, nor even all of them together, can exert *control* over the process of social and economic change in Laos – it is too diffuse a force for that. Nevertheless, cumulatively they hold significant power to influence outcomes. The capacities of each of these actors are enormously varied, and the most appro-

priate forms of response to change are also quite different for each of them. However all have the responsibility to ensure that their work benefits the poor.

The Needs of Communities

If we wish to respond to change in ways that benefit the poor, we must begin by considering the needs of the communities in which they live. And the first thing that we must affirm is that the needs of each community are particular to the circumstance and context of that community. Nonetheless, there are a number of generalisations which can helpfully instruct action in Laos.

Human wellbeing is dependent upon the achievement of a sustainable livelihood. In Laos, a sustainable livelihood overwhelmingly requires the practice of sustainable agriculture and sustainable access to the common resources of forests and rivers. And given the context of most rural communities, the achievement of a sustainable livelihood requires the achievement of local food security. *Therefore, protecting local food security where it exists, and assisting communities to attain food security where it does not, must be central to the task of those seeking the benefit of the rural poor.*

Here, the terminology of 'sustainability' denotes a number of different characteristics. Firstly it suggests that productive activities must be ecologically sustainable, and therefore not deplete or degrade soils, waterways and forests. Secondly, a sustainable livelihood requires that the productive activities of farmers and communities be financially sustainable, and not dependent upon external support or subsidy, or expose farmers to dangerous levels of financial risk. Thirdly, an essential precondition of a sustainable livelihood is secure tenure over resources. In Laos this requires significant recognition and protection of village usufructory rights over forests and rivers. It also means that official recognition of tenure needs to harmonise with the cultural understanding and practise of tenure.

The last component needed for a sustainable livelihood is that the skills and knowledge needed to maintain and manage its various components are located within the local community, or easily accessible to it. This firstly means that any technology introduced to a village is appropriate to the materials and know-how which the villagers are able to draw on for its operation and maintenance.[3] The most sustainable technologies are those that can be replicated and passed on by farmers themselves without external 'expert' assistance. Besides technical knowledge, the other critical component is that villages have the structures and organising skills needed for fair communal management of a resource, facility or productive activity.

A sustainable livelihood system means that a community is able to provide for itself. However alleviation of hardship in rural communities also requires the provision of certain basic services. Most essentially in Laos, basic health services, especially those which support mothers and children, can provide significant improvements to the quality of life and safeguard families against calamity. As the outside world increasingly impinges on the life of the village, villagers are also increasingly in need of basic education – literacy, numeracy and basic commercial skills - that will allow them to deal with new pressures and opportunities on a more equal footing. Beyond individual learning, forms of education are also required which will strengthen *village institutions* and so enhance their capacity to arrive at collective and cohesive solutions to problems.

Together, sustainable livelihoods and basic support services add up to communities which are more resilient in the face of change. From such a base, villages can engage change from a position of greater empowerment and choice; where this base has been undermined, communities are thrown into desperation and are at the mercy of new and perplexing currents. The protection of livelihoods and the provision of services seems like a simple equation to work towards, but its realisation in southern Laos will not come without enormous striving and re-orientation of effort.

The Role of Government

The most important role in supporting communities to respond to change is that of government. Despite all the emphasis on the transnational nature of global economic change, governments are still the single most important factor in determining how global forces are mediated to a national community. It is the government that decides on what basis goods, services and investments enter and leave a national economy. It is the government that legislates how land and other natural resources are used, owned and exchanged. It is the government that is responsible for the provision of essential infrastructure and social services. It is the government that retains the power to enforce compliance to law. It is the government that holds the mandate to allocate resources for the benefit of its people.

One of the defining trends of globalisation is that governments are being coaxed or cajoled into relinquishing these rights and roles to forces and institutions which maintain no responsibility or accountability for the welfare of a population. Economic policies are increasingly being determined by prevailing international orthodoxy, rather than by the particular needs and circumstances of a national community. The primary driver of this trend in Laos is the conditional lending of the World Bank, the IMF and the ADB. Should Laos accede to the WTO, the constraints upon the decision making power of the national government will increase to a new level.

The nature of the forces and challenges facing southern Laos demand the response of effective and empowered government, and without it, there is no remedy to the sub-

stantial threats facing rural communities. For so long in Laos, emphasis has rightly been placed on the need for the removal of the interference of Stalinist controls in the economy. However the baby is in danger of being thrown out with the bath water. It is ironic then, that we should now need to call for support and recognition of *the proper role of government in ensuring the wellbeing of the population*. Ultimately, this means allowing governments the freedom to determine economic policy on the basis of benefit for its people rather than the interests of a global market.

The great challenge of government in Laos is to provide essential social services without resorting to modes of raising revenue which produce poverty. Currently, the focus of the Government of Laos and of most major donors is so singly directed towards raising revenue that the full implications of Laos' development trajectory are not being honestly considered. It is on the basis of this imperative to increase revenue rapidly that hydropower, mining and forestry are being pursued with such vigour. Central to this discourse is the mantra that Laos *simply has no other options.* At the same time, the plight of poverty in Laos is used to demand that something must be done *now*.

This is an insidious argument on three counts. Firstly, and most obviously, it seeks to legitimate the pursuance of elite economic interests from a moral basis of poverty alleviation. Secondly, it advances a characterisation of poverty that does not accurately accord with the actual experience of poverty in Laos. As cited in Chapter 1, the ADB's own study of poverty in Laos found that, "it is clear that poverty in the Lao PDR is 'new poverty', not an endemic condition. *Poverty is the result of events external to the villager over which he or she has no control*".[4] In southern Laos, it is the progress of growth-driven development that is perhaps the greatest threat to the wellbeing of rural communities. Thirdly, this argument does not bother to ask what it is that actually makes for the wellbeing of those regarded as poor. Technocratic decisions about transforming a rural labour force into an urban labour force are made without any consideration of the enormous implications that this has for people's lives. Although the mechanism is different, this equates to social engineering on scale similar to that attempted by the Communists.

The Government of Laos certainly does need to raise revenue to provide basic supportive services to rural communities. Moreover, it is true that this is no simple matter, and no easy solutions to this conundrum will be offered here. However it would seem that a blind rush towards 'economic-growth-by-any-means' *is no answer*.

The Role of External Support

There are three significant impediments to effective and responsible governance in Laos in the face of major social and economic pressure: (i) the serious shortage of financial, human and intellectual resources within government bodies; (ii) the imbalance of power and resources between central, provincial and district government, and (iii) the commercial interests of the political elite. External support to Laos ostensibly serves the purpose of overcoming the first of these impediments; however it has often unwittingly played a role in exacerbating the second and third. Currently, the Lao Government's revenue shortfall is financed by external support in the form of loans and grants from international financial institutions (IFIs), United Nations agencies, foreign governments, and NGO development and humanitarian programs. Such external support can play a critical role in assisting government agencies and communities in Laos to respond to change. However it has also been the Trojan Horse through which many of the forces of change described here have been unleashed.

The influx of development assistance to Laos during the 1990s was perhaps the single greatest stimulus to the emergence of a capitalist class amongst the political elite of Laos. Wherever there have been large sums of money available for rapid disbursement, especially where the provision of infrastructure work has been required, there have been opportunities for those in authority to position themselves to receive maximum personal benefit. This was largely made possible because the development predilections of the major donors were largely in harmony with the commercial predilections of the political elite. Moreover, external assistance has generally been disproportionately captured by the central government in Vientiane, and more specifically by the powerful economic agencies of central government. These have received training and resources which put them leaps and bounds ahead of their colleagues in less prestigious areas of government. This has meant that those in government whose understanding and sympathies are least aligned to the interests of the rural poor, have developed a disproportionate capacity for the implementation of their agendas.

Of course external support is rarely explained entirely by the altruistic language in which it is clothed. IFIs such as the World Bank and ADB have a clear agenda to build a particular sort of global economic order, which they advance wherever they go, whatever the context. Bilateral donors often also identify their own interests with the advancement of a particular economic order, as well as being concerned to advance their country's commercial interests more directly. Some NGOs bring with them ready made prescriptions for addressing poverty, seeking a market for their 'product'.

Whatever the form of assistance, external support will be less than fully helpful when it comes with a prior agenda, and often it will be detrimental to the interests of the poor. To play a more constructive role, external support must begin with the particular and unique needs and issues obtaining in Laos. This is true whether it is the World Bank providing assistance on macroeconomic management, a bilateral donor providing assistance to a social service ministry, or an NGO providing assistance to a remote village.

With this in mind, there are three forms of assistance that could and should be a particular priority for external support in Laos. The first of these is support for agencies, processes and projects which more fully *seek to understand the needs of rural communities*. It is essential for the movers and shakers in Vientiane to have a much clearer idea of the things that *actually* negatively impinge on the lives of rural communities, and the things that *actually* form their hopes and aspirations. Support for those institutions and agencies in Laos which have the ability to *speak upwards* from the village level is critical to building the foundations of effective governance.

Secondly, and related to the first, external assistance needs to prioritise the support of district government in Laos. It is district government that is best placed to be an arbiter of benefit for rural communities, although it currently lacks the capacity to do so. This is the level of government most directly in contact with those who are considered poor, and for good or for ill, it is the primary agent and implementer of policy towards them. It is the district administration that bears much of the burden for the provision of basic health and education services. It is essential therefore, that district governments have the skills and the financial resources to ensure that good policy does not become bad practice, and that bad policy is quickly recognised as such.

Thirdly, it is essential that external support (especially that of IFIs, UN agencies and bilaterals) seek to give more support to those agencies in Laos which are mandated to provide a check and balance to the more avaricious impulses of capitalist development in Laos. For so long emphasis has been placed upon loosening the bonds of economic expansion, that commerce and industry in Laos have developed far beyond the government's capacity to regulate them. This is most clearly evident in the cases of hydropower and mining, which require enormously complex social, environmental and economic technical assessment and monitoring, the skills or resources for which are simply not present in sufficient quantity within the relevant government agencies. Currently, the Government of Laos is not equipped to make critical and responsible decisions about the multitude of large-scale high-impact development projects to which it is presently committed; the role of external support in contributing to this imbalance needs to be corrected.

Directed along lines such as those suggested here, external support *could* play an important role in alleviating poverty in Laos, and assisting Laos to respond to the numerous and complex pressures to which it is now increasingly subject. However, we must finish here on a bleak note. At the present time external support in Laos, especially that of the IFIs and the bilaterals, is primarily in the service of the prevailing global economic order, not of the Lao people. Of course all the language and rhetoric of these agencies is directed towards affirming the unity of these two purposes. The evidence of this book suggests otherwise. Currently, external support to Laos is as much an impediment as a benefit in helping to see clearly the implications of globalisation and change in Laos.

Endnotes

1. Perhaps the only contrary sign is the still distant possibility that Laos might be granted Normalised Trading Relations (NTR) with the USA, which would remove tariffs of up to 40% on Lao textiles, thus potentially opening a significant new market.
2. ADB, Pre-Investment Study, p.18.
3. For example, the introduction of a diesel irrigation pump may be fine in a village with some mechanical know-how and income levels able to cover diesel costs; neither of these things are present in many villages.
4. ADB, PPA, p.33. My emphasis.

Conclusion

Change is under way in southern Laos and it is gaining pace. We cannot say exactly how it will proceed or precisely what the outcomes will be, but the future will be determined by choices that are being made now. We can feel sure that the land and people of southern Laos is in the midst of a watershed in its history.

Currently there is little in the trajectory of change – should it continue along its present course - that can give us confidence that life in southern Laos will become more fulfilling, just, equitable or ecologically sustainable for the majority of its inhabitants. The advent of internationalised transport systems in combination with a radical redefinition of the nation's external trading arrangements has brought a new and voracious economy into social and economic spaces which are ill-prepared to meet these new forces. Closely associated with this, the continuing escalation of a widespread and intensive program of natural resource exploitation – particularly in the forms of forestry, mining and hydropower – is in direct competition with the livelihood base of rural communities. Not only does such resource extraction limit, deplete and degrade the ecological resources of land, forests and rivers, it effectively represents a systematic process by which ownership and tenure to resources is transferred from rural communities to urban and foreign elites. Finally, the overriding drive of government and donor policy towards agricultural modernisation and urban industrialisation operates in multiple ways to devalue the cultural and communal practices of much of the population, especially non-Lao minorities. The crucial determinant of who wins and loses in this brave new world hinges largely upon who, by virtue of circumstance or ability, is able to make the transition to new forms of work and production.

Together, all of these forces of change accumulate into a series of critical challenges which are already evident in southern Laos and promising to grow. The great social challenge facing southern Laos is the rapid widening of ethnic inequality. It is the livelihood base of remote non-Lao communities which is most threatened by the factors mentioned above, while the structure of new opportunity in southern Laos disproportionately favours the Lao Loum. Given that ethnic 'minorities' make up virtually half of the population in southern Laos, this ethnic divide has significant implications for the form of society that evolves.

More generally, rural communities in southern Laos are already confronting the effects of environmental degradation across the ecological system. At the precise time when populations are set to increase rapidly, the once abundant resources of southern Laos' forests and rivers are beginning to fail, along with a dramatic decline in the productivity of shifting cultivation. Less immediately evident, but showing the first signs of strain, the productivity of sedentarised agriculture is also threatened by depletion of the soils and increased vulnerability to pests.

The above two challenges are becoming increasingly apparent to all observers. However, as the social and economic landscape is reshaped in southern Laos, other major challenges are in danger of escaping much attention. The breakdown of community and the division between town and country are the inevitable corollary of the upheavals underway – they are essential ingredients of progress. The qualitative and subjective nature of these concerns means that they are generally ignored in the calculations of experts; nevertheless, the common experience of ordinary people suggests that these factors play an enormous role in determining quality of life.

Finally, the other great challenge facing southern Laos is the danger that it will become trapped into forms of exchange with the rest of the world where the comparative value of its goods is perpetually in decline. This is most evident in the region's position as a resource supplier to the huge manufacturing economies of its immediate neighbours, Thailand, China and Vietnam. As Laos makes the transition to a fully integrated node of the global economy, it is in danger of doing so with an inherent economic flaw which cannot be sustained without great cost.

The question for those interested in the welfare of people and the health of nature (as two sides of the same coin) is, *what to do*?

There are two temptations which must be avoided. The first, is the temptation to adopt the obstinacy of King Canute, who stood on the beach and tried to hold back the tide, which is really a form of denial. Whether for good or ill, change is being thrust upon southern Laos and it must be faced. The second temptation, which is the opposite of the first, is to adopt an attitude of fatalism and inevitability which readily submits to that ubiquitous but little-challenged mantra, "There is no alternative". This attitude leads directly t o complicity ("if you can't beat 'em, join 'em") and is the making of all self-fulfilling prophecies.

The first task for any interested in a constructive and proactive response to change, which is the concern of this book, is not so much to see ahead, but to see *through* the mass of information and dis-information, and to understand the really important issues affecting human wellbeing, especially the wellbeing of the poor and the marginalised. As the demands of change become more pressing and more complex, seeing below the surface will require much work and inquiry; understanding change therefore requires a serious commitment from concerned bodies – it will not happen by accident.

Laos is a sovereign state, and like all such entities, it must find its own way in the world. The role of the Government of Laos in negotiating and mediating the powerful and complex forces now at work within its borders, will be the most critical factor in determining the shape of things to come. The manner in which forces of elite interest and forces for responsible government unfold within the Lao state thus holds the key to the nation's destiny. This is a contest which is immensely difficult for outsiders to penetrate or perceive. The Lao people must confront this great issue with the means they have available to them, and in the manner they consider appropriate.

However external actors have a great influence on development in Laos for which they should assume responsibility. Most importantly, if external support is to play a constructive role in Laos and is really concerned with alleviating poverty, then it must extricate itself from policies and practices of development which have effectively financed the pursuance elite interests. The imbalances and distortions of governance in Laos are in large measure a product of external support. Although Laos is a sovereign state, it is no monolith; it is possible for external actors to re-focus support in ways that build community resilience through support for and protection of sustainable livelihoods, and the provision of basic services. This requires strengthening the local level of government and those agencies charged with responsibility to provide checks and balances to economic development.

Ultimately, however, any effective response to change in southern Laos is dependent on re-asking the question, 'What is good for people?' The direction and effects of change in southern Laos are not an accident, nor are they are solely the product of elite interests. This process of change operates to a clear logic, and that logic is derived from a value-base about what is good for people. This value-base underpins all debates about globalisation, development and economic policy, and yet is rarely articulated or challenged. In the great contest over globalisation and change, this is where the debate must begin. And it would be pointless to pose such a question, if people were not given some means of answering for themselves.

Update

Since this text was written, there have been a number of significant developments which are worth noting:

Mining

- As envisaged, the financial success of the Sepon Mine has paved the way for a raft of other mining investments to follow in Laos. In September 16, 2004 the Wall Street Journal reported on this in article entitled “Laos is Looking Like a Gold Mine to Foreigners”.
- On the 20th of June, 2005, shortly after beginning operations, a cyanide spill occurred at the new Phu Bia gold mine in northern Laos, operated by Australian company Pan Australian Resources. The cyanide consequently killed fish in the nearby rivers and poisoned villagers within at least 3km of the mine site. See Mineral Policy Institute website: http://mpi.org.au/campaigns/cyanide/phubia_cyanide/

Hydropower

- In 2005 the flagship Nam Theun 2 Hydropower Project in central Laos was finally approved for development by the World Bank and Asian Development Bank.
- In 2005 the Xekaman 3 Hydropower Project in southern Laos, owned by the Vietnam-Laos Joint Stock Power Company, began construction, to be completed by 2010. Significant progress was made towards the development of Xekaman 1 and the Xepian-Xenamnoy projects.

Agricultural Policy

- Since 2000 a long line of studies, some of which have only recently become publicly available, have highlighted the disastrous humanitarian impact of widespread involunatary relocation of upland swidden agriculturalists across Laos. The most recent of these, in August 2005, highlighted the role of international donors in financing the Lao Government’s systematic program of resettling upland groups. See I. Baird and B. Shoemaker, Aiding or Abetting?: Internal Resettlement and International Aid Agencies in the Lao PDR, Probe International, August 2005.

JC, January 2006

Select Bibliography

Asian Development Bank, *Participatory Poverty Assessment: Lao PDR*, Vientiane, 2001.

Alton C. & Rattanavong, H. Service Delivery and Resettlement: Options for Development Planning, UNDP Lao/03/A01, Vientiane, 30 April 2004

Cornford, J. and Simon, M. *Breaking the banks: The role of Australia and the ADB in the Mekong Region*, Melbourne, 2000.

IUCN, "Sekong Province, Lao PDR: economic returns from conserving natural forests", *Case Studies in Wetland Valuation #8*, October 2003.

Hakangard, A. *Road 13: A Socio-Economic Study of Villagers, Transport and Use of Road 13 S, Lao PDR*, Stockholm University, Stockholm, 1992.

Lang, C. *The Pulp Invasion: The international pulp and paper industry in the Mekong Region*, London, 2002.

Protected Areas Division of the Department of Forestry, Investigations of the Xe Kaman and Xe Xou Rivers, with special reference to freshwater fish and river ecology; and a review of the potential social and environmental impacts of large dam projects being considered for these two rivers in Attapeu Province, Southern Lao PDR, January 1995.

Raintree J. and Soydara, V. *Human Ecology and Rural Livelihoods in Lao PDR*, Vientiane, 2001.

Shoemaker, B., Baird, I. and Baird, M. *The People and Their River: A Survey of River Based Livelihoods in the Xe Bang Fai River Basin in Central Lao PDR*, Vientiane, 2001.

Trankell, I. *On the Road in Laos: An Anthropological Study of Road Construction and Rural Communities*, Uppsala Reports in Cultural Anthropology, No.12, Uppsala, 1993.

Vandergeest, P. "Land to some tillers: development-induced displacement in Laos", UNESCO, Oxford, 2003.