

The Trading of Agro-forest Products and Commodities in the Northern Mountainous Region of Laos

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Abstract

The purpose of this study is to clarify the trade flow of agro-forest products and commodities by analyzing commercial activities and private traders in a mountainous region. This study focused on Ngoi district of Luang Phabang province in northern Laos where there is a long history of non-timber forest product (NTFP) trading in the study area.

In the Lān Xāng Kingdom era, political coordinators called *Lām* collected agro-forest products from mountain people as tax, and private traders purchased NTFPs, mainly benzoin and cardamom. Then, under the communist regime in the period between 1960 and 1986, private traders were replaced by government-managed stores and the role of the *Lām* disappeared. After the Lao version of Perestroika or *Chintanakan Mai* in 1986, private agro-forest product trading was re-established in the study area and in addition, general stores and periodic markets appeared along the riverside. The re-establishment of agro-forest product trading resulted from the stimulation of commodity flows due to the local general stores and periodic markets, and vice versa.

During the *Chintanakan Mai* period, the NTFPs being traded in the study area were not traditional foods or medicines but rather new products being exported to foreign countries, especially China. The borders with Thailand, China, and Vietnam in northern Laos were re-opened in the early 1990s, after which Chinese traders came directly to northern Laos to purchase NTFPs. This paper shows how the stimulation of human mobility, commodity distribution, and information flow observed after *Chintanakan Mai* has strongly affected the livelihood of the mountain people.

Keywords: northern Laos, NTFP, commercial activity, agro-forest product trading, periodic market

I Introduction

Economic networks on a continental or global scale have developed, not only in urban areas but also in rural areas since the late 20th century. The mountainous region of Laos has also been incorporated into a novel market system, and this has brought about various social, economic, and cultural changes. An understanding of these changes may provide an insight into some of the effects of globalization. However, a basic understanding of the historic relationship between the mountainous and lowland regions in northern Laos is first required.

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In Laos, the products that were supplied by the mountainous regions to the lowlands were typically special kinds of forest products. Stuart-Fox [1998: 49] describes forest product gathering in the northern mountainous region in the Lān Xāng Kingdom era of the 14th century: “Valuable forest products such as benzoin and other resins, sticklac for making lacquerware, cardamom, and beeswax were collected mainly by *Lao Thoeng*.”¹⁾ In terms of forest product trading, ethnic Lao²⁾ traders, known as *Lām*, played an important role in the Lān Xāng Kingdom era of the 15th century [*ibid.*: 48–49]. According to Halpern [1958: 69], the relationship between the *Lām* and mountain people continued until the late 1950s.

Moreover, by the early 20th century, Yunnanese caravans, known locally as *Cin Ho* caravans, had constructed cross-border trade networks, and were trading between China, Burma, Thailand, and Laos. This history has been shown to date back to the Tang age (A. D. 618–907) or more [Forbes 1987]. There were three main caravan routes between Yunnan and northern Thailand through northern Laos during the late 19th century: The first was Muang Sing – Xiangkok route to Chiang Mai and Uttaradit; The second was Luang Namtha – the Houayxay route to Nan and Uttaradit; The third was Oudomxay – the Pakbeng route to Nan³⁾ [Walker 1999: 29–36]. At that time, raw cotton cultivated by Lao farmers was sold to Yunnanese caravans as a principal product.

Although trading history in mainland southeast Asia has been an object of study for a long time, there is little information so far concerning agro-forest product trading by *Lām* and the trade between Yunnanese caravans and mountain people in Laos. As a topic of research, it remains to be discussed further.

The trading system in northern Laos was greatly changed by political upheavals. In 1945, Laos became independent from France and established the Kingdom of Laos; however, at the same time, a communist-led political association called *Lao Issara* (Free Lao) was increasing its influence in the country and established a provisional government in Vientiane [LeBar and Suddard 1960: 19]. The *Lao Issara* had fought against French colonialism and American imperialism for the liberation of Laos with a coalition with the communist Vietminh. It subsequently formed a communist government called the *Pathet Lao*,⁴⁾ and the headquarters were established in Xamneua in 1951 [*ibid.*: 22]. The *Pathet Lao* controlled the area of Phongsaly and Huaphan provinces in northern Laos, designated as a liberated zone under the terms of the Geneva Agreements of 1954

1) The term *Lao Thoeng* represents the Khmu.

2) The official ethnic name for this group is “Lao,” but it is often confused with an identical word which stands for the Lao nation, that does not refer to any ethnic group. In this paper, the term “ethnic Lao” is used to avoid confusion.

3) With regard to a route to Nan, Forbes [1987: 13] suggest that caravan might visit Luang Phabang, because a large daily market was held there.

4) This means “Lao Country.” The *Pathet Lao* was reorganized into the *Neo Lao Hak Xat* (Lao Patriotic Front) in 1955 [Stuart-Fox 1998: 94].

[Stuart-Fox 2001: 190]. The *Pathet Lao* controlled the northern part of Laos from the late 1950s to the early 1960s, and had established government-managed stores called *Han Kha Khong Lat* in order to sell commodities and purchase agro-forest products.

The system of government-controlled trading continued even after the establishment of Lao People's Democratic Republic (Lao PDR) in 1975. However, it began to collapse in the mid-1980s. The government adopted the Lao version of Perestroika or *Chintanakan Mai* in 1986, and then private-managed general stores and periodic markets began to appear in rural areas that had previously specialized in subsistence farming. In addition, private agro-forest product trading was re-established.

Recent studies of trading in Laos have focused on border trade [Mya Than 2006; Khontaphane *et al.* 2006], associated distribution routes [Walker 1999], smuggled timber trading on border areas [Pholsena and Banomyong 2006: 147–154], and an overview of major agricultural crops [GoL, Department of Agriculture 2002]. There have been no studies on how commodities have been supplied from the lowlands to the mountains, on how agro-forest products have been supplied from the mountains to the lowlands, or on historical changes in these processes. In addition, it remains unclear whether globalization has had an effect on agro-forest product trading.

In the northern mountainous region, the *Lām* have supplied many kinds of products to lowland areas, and furthermore Yunnanese caravans may have directly trade a wide variety of goods with mountain people. In this respect, the northern mountainous region of Laos has been productive for a long time. However, the mountain people were merely gatherers in this context, that is, there was a clear distinction between lowland people and mountain people before *Chintanakan Mai*.

In fact, at present, the mountain people are in charge of a part of the global economy, and they are not merely gatherers. Thus, it is hasty to reach the conclusion that the mountain people of northern Laos were affected by globalization after *Chintanakan Mai*, because the trading between the mountains and lowlands has been established, and agro-forest products have been exported from the mountains to foreign countries via the lowlands since the *Lān Xāng* Kingdom era. To be precise, some mountainous areas have had a grounding in exporting natural resources on demand, and being embedded into the markets of foreign countries [Pholsena and Banomyong 2006: 131–134]. However, trading in the region has constructed a different system after *Chintanakan Mai* than the one it previously had.

Over the past years, studies have focused on an economic shift, from subsistence-based agriculture and livestock to more commercialized agriculture and wage-earnings, induced by government development policies.⁵⁾ Foreign investment from the neighboring countries such as Thailand, Vietnam, and China, have increased under the develop-

5) The Government of Laos has made it a top priority to break away from Least Developed Countries (LDCs) by 2020 [GoL 2004].

ment project of the Greater Mekong Subregion (GMS) led by Asian Development Bank (ADB) [ADB 2007]. Furthermore, China has an especially large influence on peoples' livelihood in the northern Laos [Stuart-Fox 2009], and the mountain people comply with Chinese demand for cash crops such as maize and sugar cane [Thongmanivong and Fujita 2006], and rubber production [Cohen 2009; Shi 2008; Rattanavong 2008; Ziegler *et al.* 2009], in addition to forest products. These changes are strongly accelerated by improving transport infrastructure with aid from international donors such as ADB. In particular, Asian Highway No. 3 linking Yunnan and northern Thailand through northern Laos plays a central role in the regional integration. Many researchers have described this circumstance as seeing Laos transition "from a land-locked country to a land linked country" [Jönsson 2009] or becoming a "crossroads" [Pholsena and Banomyong 2006; Lintner 2008].

It is obvious that the penetration of the global market has progressed at a rapid speed and covered a wide spatial range in Laos. Improvements in transportation and logistics platforms must be considered as one of the triggers underpinning this change, but that is not all. There is still little known about what kind of changes occur in parallel with infrastructure development in northern Laos. In order to deal with these issues, it is essential to understand agro-forest product trading and commercial activities at multiple levels, from small mountain villages to urban areas. Consequently, the purpose of this study is to clarify the trade flow of agro-forest products and commodities by analyzing the commercial activities and private traders in the mountains from spatial and historical viewpoints.

In order to achieve this purpose, this study focused on Pak Luang area,⁶⁾ Ngoi district in Luang Phabang province as a representative example of the northern mountainous region (Fig. 1). Here, three ethnic groups, ethnic Lao, Khmu, and Hmong, live in the same area. Only Pak Luang village, which was an ethnic Lao village until 15 Khmu families moved there from a nearby village in 1999, is mixed. The other villages are ethnically homogeneous. There are no land vehicles in the study area because only hill footpaths are present; hence, access is only possible on foot or by boat using the Ou River. The major economic activities in the study area are swidden agriculture and gathering NTFPs (non-timber forest products).⁷⁾ Moreover, there are several kinds of commercial activities such as a general store management and agro-forest product trading, which were introduced after *Chintanakan Mai*.

6) The Ngoi district office carried out the merging of villages in the mid-1990s. As a result, several small villages in the study area merged into larger neighboring villages for administrative purposes, as shown in Fig.1. Although the administrative unit changed from village to settlement, the dwelling area did not change. Hence, to avoid confusion, the term village but not "settlement" is used to denote an administrative unit.

7) The author previously discussed NTFP gathering in the study area [Yokoyama 2004].

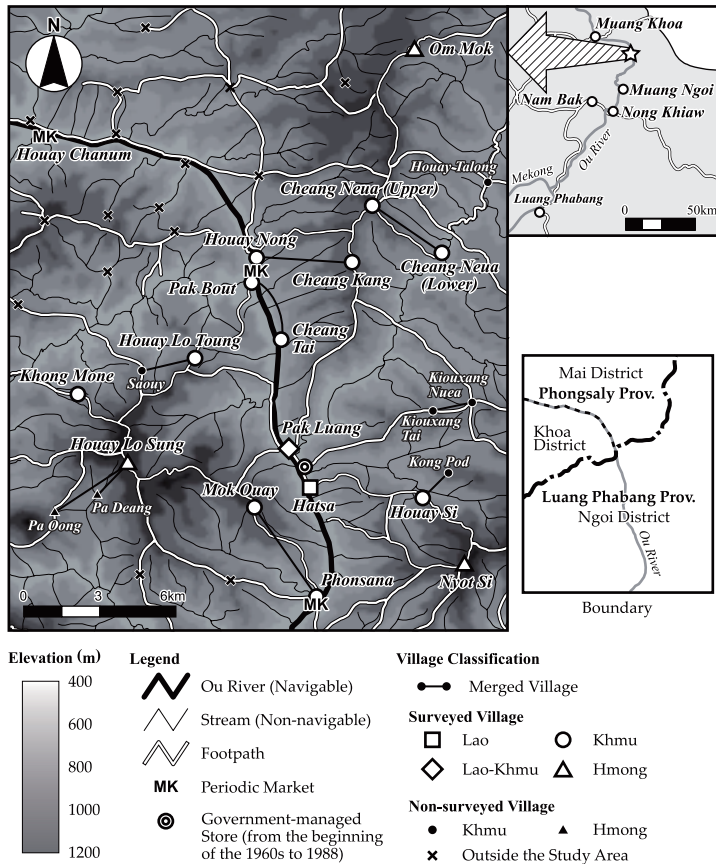


Fig. 1 Village Locations in the Study Area

Source: Surveyed by the author using GPS, and 1/100,000 Topographical maps issued by the National Geography Department, in 1983

II Commercial Activities in the Mountainous Region

II-1 Trading History in the Study Area

In the study area, the commercial activities date back about 60 years, as determined from interviews with elderly people in 2005. According to interviewees, they have never traded their products with Yunnanese caravans, but there were several *Lām* in the study area. The *Lām* were appointed by a district office, and had been present in ethnic Lao villages until the 1950s. A major role of the *Lām* was not to trade but rather to collect tax from mountain people in Khmu and Hmong villages. The purchasing of agro-forest products from mountain people was undertaken by traders called *Poka*, separately from

the *Lām*. The *Lām* usually levied rice, opium, and valuable NTFPs from mountain people as tax, and then paid tax to the district office as cash in French Indochina piaster.⁸⁾ The *Lām* received the difference between the total value of products collected from mountain people and the total tax paid to the district office. The other role of the *Lām* was to arrange for Khmu people to engage in farm work in ethnic Lao villages. The ethnic Lao people did not pay the Khmu people but sometimes provided them with a meal after work. The *Lām* had arranged a fixed partnership with at least one Khmu village. It can be said that a patron-client relationship between ethnic Lao and Khmu had been established in Ngoi district of Luang Phabang province. The *Lām* should be considered more like middlemen between mountainous villages and lowland ethnic Lao villages rather than be seen as traders.

At present, it is unclear whether *Lām* existed across the whole of northern Laos. For example, in an ethnography of the Lamet, who belong to the same linguistic family as the khmu, written by Izikowitz [1951], the existence of the *Lām* mediating between a Lamet mountainous village and an ethnic Lao lowland village was not mentioned. The Lamet transported surplus harvested rice by boat to ethnic Lao merchants in the lowlands, which was exchanged for iron products such as farming implements and sharp tools [*ibid.*: 308–315]. The function of the *Lām* as determined by the author's survey differs from the descriptions by Stuart-Fox [1998] and Halpern [1958], and the existence of the *Lām* remains unclear given the conflicting accounts provided by Izikowitz's ethnography of the Lamet. However, there is little doubt that there were *Lām* in certain ethnic Lao villages of northern Laos, and that the mountain people have had a strong relationship with lowland people for a number of centuries.

In Pak Luang village, which was established about 300 years ago, the elderly people stated that there were two *Lām* and a trader of agro-forest products in the village. The two *Lām* dealt with four Khmu villages: Khong Mone, Cheang Tai, Cheang Neua, and Cheang Kang, and collected taxes from them for the French Indochina government and then, for the Royal Lao government. A trader in the village had purchased benzoin, cardamom, and opium from neighboring villages and sold these to the Chamber of Commerce of the French Indochina government in Luang Phabang via Nam Bak until the mid-1950s. Nam Bak was then the largest town along the Ou River, because Nong Khiaw, the current commercial center and seat of Ngoi district, had not been established.⁹⁾

In the case of Hatsa village, an ethnic Lao village with a similarly long history as Pak Luang, there was only one *Lām*. He alone dealt with seven Khmu villages: Xam Noun,¹⁰⁾

8) The piaster was the official currency of French Indochina from the late 1880s to the mid-1950s, and was subdivided into 100 cents. It was called *hman* in northern Laos.

9) In 1976, the seat of Ngoi district was moved from Ngoi village to a new town named Nong Khiaw, where the Ou River crosses the road to Xamneua.

10) Xam Noun village is outside of the area shown in Fig. 1.

Kiouxang, Houay Si, Kong Pod, Houay Talong, Mok Ouay, and Taban Lam,¹¹⁾ and two Hmong villages: Houay Lo Sung and Nyot Si. He had held the *Phia*, a title of the nobility, which was the highest ranking official in the *Taseang*¹²⁾ in the era of the Kingdom of Laos. Moreover, Hatsa village had five traders until 1960 who purchased the same kinds of forest products as were bought in Pak Luang. The products were transported to Luang Phabang by boat to be sold to French traders.

Under the *Pathet Lao* regime, a government-managed store located at the Ou riverside between Hatsa village and Pak Luang village was established in the early 1960s (Fig. 1). The store replaced the local traders and purchased agro-forest products from local residents besides selling daily necessities. Mountain people sold agro-forest products such as benzoin, cardamom, opium, and sticklac to the government-managed store, then these products were sent to Xamneua. The local traders, therefore, could not continue trading with merchants in Luang Phabang.

However, the *Chintanakan Mai* period began in 1986, and the government-managed store was closed in 1988. Just before the closure of the government-managed store, privately managed general stores began to appear in Hatsa village. Then, two periodic markets on the Ou riverside were established in 1990 (Photo 1). Private agro-forest product traders also re-emerged in Hatsa village around the same time that the general stores began to open in 1985. When agro-forest product trading recommenced, the traders sold the products they purchased to the government-managed store. After the government-managed store closed in 1988, the traders started selling to other traders in the Nong Khiaw or Luang Phabang areas.



Photo 1 Periodic Markets and General Store in the Study Area

11) Taban Lam village is located near Nyot Si. However, its inhabitants moved to another village and it is now deserted.

12) This was a sub-district within the district, and contained 10 to 20 villages. This administrative unit was abolished during the *Chintanakan Mai* period [Stuart-Fox 2001: 315]. In Thailand, however, *Tasaeng* acts as an official administrative district.

II-2 *Characteristics of Commercial Activities in the Study Area*

In 2001, the general stores and agro-forest product traders were unevenly distributed in the study area (Fig. 2). The general stores are only located in Pak Luang village and Hatsa village. Many general store managers have an additional role as agro-forest product traders. There are two types of general store: permanent stores found in Hatsa village and non-permanent stores, which are only open during the periodic market, found in Pak Luang village. The first general stores in the area were opened in 1985 in Hatsa village by seven households. Two households in Pak Luang village started the first non-permanent stores in 1992. By 2002, Hatsa village and Pak Luang village had 15 and five stores, respectively. All general store managers are ethnic Lao, but not former traders or *Lām*.

A periodic market is held on the riverbank at two places, Phonsana village and Pak Bout village. In addition to these, Houay Chanum periodic market in Phongsaly province, which is outside the study area, is included in this study because the general store managers and agro-forest product traders in the study area use this market.

Agro-forest product trading differs greatly in the nature of the activity according to the spatial range of trading. Thus, in this study, agro-forest product traders are classified into three levels (Table 1). While only Level-1 traders

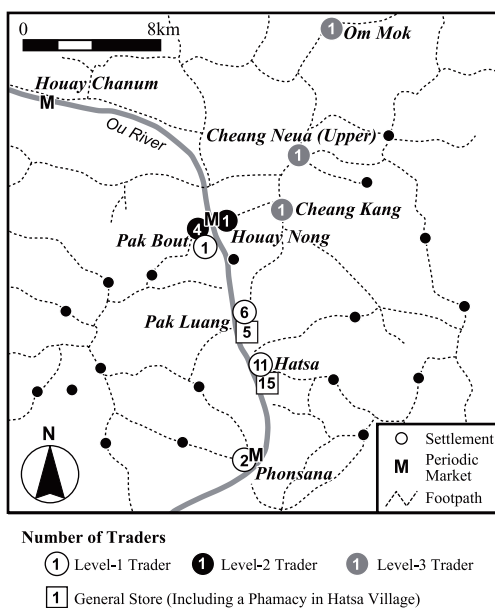


Fig. 2 Distribution of Agro-forest Product Traders and General Stores in the Study Area, 2001

Source: Surveyed by the author

Table 1 Classification of Agro-forest Traders According to Spatial Range of Trading

Trader Type	Range of Product Purchasing	Selling Destination	Trading Permit
Level-1	Forest product gatherers, agricultural product growers, Level-2 traders and Level-3 traders in the market and the village	Traders or exporters living outside study area	District permit
Level-2	Forest product gatherers and agricultural product growers in the market and the village	Level-1 traders	Village permit
Level-3	Forest product gatherers and agricultural product growers in the same village	Markets and Level-1 traders	Village permit

Source: Surveyed by author

who have a motorized boat trade outside the study area, the range of activity of Level-2 and Level-3 traders is limited to the study area. Additionally, traders must pay a fee for an annual trading permit to Ngoi district office. Annual trading permits are of four types: domestic permits, provincial permits, district permits, and village permits. The domestic permit allows unlimited transportation of goods within Laos, and also allows the export of products. The cost in 2001 was 1,500,000 Kip/year (about 166.7 US\$/year). The provincial permit, district permit, and village permit cost 700,000, 500,000, and 200,000 Kip/year (about 77.8, 55.6, and 22.2 US\$/year), respectively. Traders with a village permit can sell products purchased in the village at the periodic market. In the study area in 2001, no trader had a domestic permit or a provincial permit. Level-1 traders have a district permit, and Level-2 and Level-3 traders have a village permit. All traders shown in Fig. 2 have an official permit of Ngoi district.

Agro-forest product trading has extended beyond ethnic Lao villages appearing in Pak Bout village in 1994 and Phonsana village in 1997. These are both Khmu villages located along the Ou riverside. Afterwards, traders appeared in Cheang Neua (Upper) and Cheang Kang villages, which are Khmu villages in the mountains, and Om Mok village, which is a Hmong village, also in the mountains. In terms of geographical location, although Level-1 and Level-2 traders are only in the Ou riverside villages, Level-3 traders are limited to the mountain villages.

Commercial activities in the study area after the start of the *Chintanakan Mai* period were initiated by ethnic Lao households located along the river where accessibility to urban areas has been comparatively good since the mid-1980s. Later, these activities spread to the Khmu households located along the river, then, finally to the Khmu and Hmong households located in the mountains. However, Level-1 traders and general stores are found only in riverside households. In the study area, geographic village location, influenced by traffic networks such as the river, greatly contributed to the initiation of commercial activities.¹³⁾

III Trading System of Agro-forest Products and Commodities

III-1 *Periodic Markets and Commodity Supply*

In the study area, two periodic markets were started in 1990 whereby many stalls were opened by general store managers in both Hatsa village and Pak Luang village. All merchants of Hatsa village had both a store open in the village and a stall in the periodic markets. The periodic markets and general stores at Hatsa village are, therefore, the only commercial outlets available for mountain people.

13) Yokoyama [2001] discusses the way in which the economic activities were newly introduced to the villages are related to the village location, as the major effect of new information is obtained from surrounding villages through the road link.

Commodities sold comprise daily necessities, clothes, and food, all of which are made in Thailand, Vietnam, or China. The general store managers travel to Luang Phabang and Muang Khoa areas at least once a month to purchase commodities to sell in their stores and stalls.¹⁴⁾ Moreover, they ask friends or relatives resident in those areas to send commodities whenever possible. From 1997, the five general store managers of Hatsa village sometimes traveled to Mengla, Xishuangbanna in China to purchase Chinese commodities at a low price by sharing a truck hired in the Muang Khoa area.¹⁵⁾ However, they stopped these journeys in January 2000 because Chinese merchants started to sell a large amount of cheap Chinese commodities in the periodic markets from that time.

Periodic markets have been seen in many places through out the ages. There are many similarities between periodic markets throughout the world, for example, they are held at regular intervals based on the local calendar and act as a place for social interaction [Ishihara 1987: 16–34; Skinner 1964]. The periodic markets in the study area follow this pattern. A market is held once every 10 days in accordance with the Khmu calendar.¹⁶⁾ Phonsana periodic market and Pak Bout periodic market are held on the third day (*Kat*) and the tenth day (*Huay*) of this ten day “week,” respectively.

The number of stalls and their patterns of flow to the periodic market are shown in Fig. 3. In Pak Bout periodic market on 29 November 2001, 47 stalls originated from four villages. From the study area, Hatsa village and Pak Luang village contributed 19 stalls and 3 stalls, respectively, and from outside the study area, Muang Khoa area (Khoa district, Phongsaly province) and Hatpon village (Mai district, Phongsaly province) contributed 24 stalls and 1 stall, respectively. Stalls originating from the Muang Khoa area are more numerous than those from inside the study area.

Because many people come to Pak Bout periodic market, it is held on both banks of the Ou River at different times. The Pak Bout side on the west bank of the river holds the market from around 6 a.m. to 8 a.m. It then moves to the Houay Nong side on the east bank of the river and lasts from around 8 a.m. to 10 a.m. The Phonsana periodic market on 25 April 2001 was relatively small, with 18 stalls from three villages. From the study area, Hatsa village and Pak Luang village contributed 14 stalls and 3 stalls, respectively; from outside the study area, Sop Khing village (Ngoi district) contributed one stall. In Houay Chanum periodic market, which is held every ninth day (*Hap*), on 8 March 2001,

14) The general store managers buy Thai and Chinese products from the Luang Phabang area, and Chinese and Vietnamese products from the Muang Khoa area. Chinese products can be bought in both areas, so managers can choose to buy where the price is lower.

15) Regarding long-distance trade in northern Laos, Walker [1999: 138–162] illustrates that women traders known as *Mee Kha* play a central role in trading commodities. In the study area, women traders also traveled to buy commodities in China.

16) The calendar of Khmu that has one cycle every 10 days is as follows; First day: *Mung*, second day: *Puk*, third day: *Kat*, fourth day: *Kot*, fifth day: *Huang*, sixth day: *Tao*, seventh day: *Ka*, eighth day: *Kap*, ninth day: *Hap*, and tenth day: *Huay* [Chazée 1999: 64].

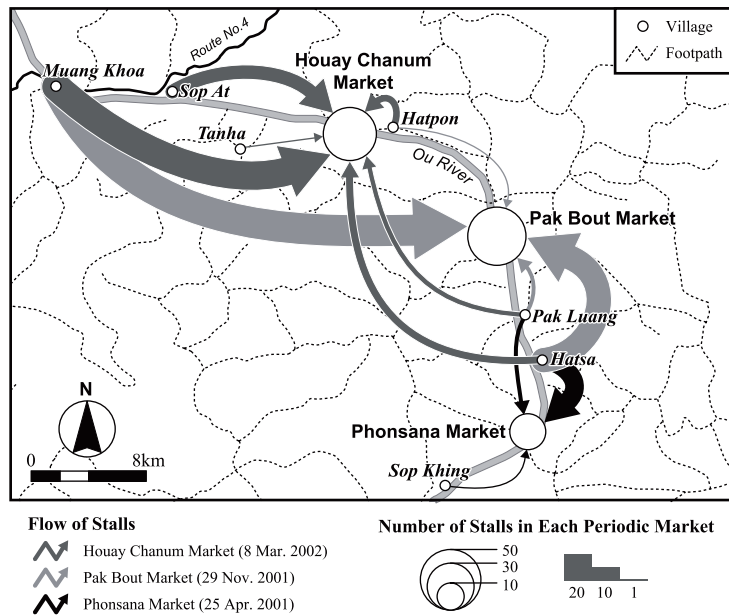


Fig. 3 Stall Flows of Periodic Markets

Source: Surveyed by the author

Table 2 Characteristics of Stalls in Periodic Markets

(Unit: Stalls)

Commodity Category	Commodity Sub-category	Phonsana Market 25 April 2001	Pak Bout Market 29 November 2001	Houay Chanum Market 8 March 2002
Sundries	Daily Necessities	6	11	12
	Clothes and Bedclothes	8	20	11
	Lamp Oil and Gasoline	0	1	2
	Medicine	1	2	4
Appliances	Electrical Products	0	2*	1*
	Tools	0	2*	1*
	Watch Repairer	1	1	1
Foods	Noodles	1	4	4
	Confectionary	1	4	3
Total		18	47	39

Source: Surveyed by the author

Note: * Chinese merchants

four stalls originated from Halsa village and three stalls originated from Pak Luang village. The number of stalls in Houay Chanum periodic market was 39, which makes it the second largest periodic market along the Ou riverside, after that at Pak Bout.

Stalls deal mainly in small commodities such as sundries, appliances, and foods (Table 2). Although the commodities are difficult to accurately categorize because of the

large variety present, many stalls primarily sell daily necessities and clothes. Additionally, there are noodle stalls and confectioners. Note that the general stores at Hatsa village are not considered in Table 2, where many kinds of commodity, though not electrical products, can be bought.

Among the general store managers, a number of Chinese merchants have opened stalls dealing in electrical products and tools at Pak Bout and Houay Chanum markets since 2000. They run general stores in the Muang Khoa area. By the time that the general store managers of Hatsa village had stopped traveling to China as mentioned above, Chinese merchants had already reached the northern mountainous region of Laos.

III-2 *Purchasing of Agro-forest Products in the Mountainous Region*

The function of these markets is not only to facilitate the selling of commodities, but also to facilitate the purchasing of agro-forest products from individual people. Moreover, some people barter their products for commodities. The products traded in the study area are mainly NTFPs: cardamom, benzoin, *Puack Muack*, paper mulberry, rattan fruits, galangal fruits, and tiger grass (Table 3). In terms of agricultural products, cash crops are limited to sesame and the opium poppy, while other crops including upland rice, maize, and cassava are grown for consumption, not for sale. Opium is sold directly to foreign traders and its distribution flows are difficult to follow: therefore, it is excluded from the category of agro-forest product trading in this study.

Table 3 Characteristics of Non-timber Forest Products in the Study Area, 2002

Name (Scientific)	Type	Season	Destination for Export	Buying Price (Kip/kg)	Selling Price (Kip/kg)	Use
Cardamom (<i>Amomum villosum</i>)	Fruit	Aug.-Sep.	China, Vietnam, Korea	15,000	20,000	Medicine
Benzoin (<i>Styrax tonkinensis</i>)	Resin	Apr.-May	France, Germany	45,000	55,000	Flavor, Fragrance, Medicine
<i>Puack Muack</i> * (<i>Boehmeria</i> sp.)	Bark	Year-round	China	2,000	2,500	Glue for Incense Stick
Paper Mulberry (<i>Broussonetia papyrifera</i>)	Bark	Year-round	Thailand	2,000	2,500	Paper
Rattan (<i>Daemonorops</i> sp.)	Fruit	Aug.-Sep.	China	4,000	5,000	Medicine
Galangal (<i>Alpinia galanga</i>)	Fruit	Jul.-Sep.	China	4,000	5,000	Medicine
Tiger Grass (<i>Thysanolaena latifolia</i>)	Flower	Mar.-Apr.	Thailand	2,500	5,000	Broom

Source: [Yokoyama 2004]

Note: * In some regions, "*Puack Muack*" is called "*Nan Nyao*" or "*Sapan*."

Agro-forest product trading is carried out at both the periodic markets and the traders' houses. As shown in Fig. 4, three trading territories have been formed: there is an overlap between parts of trading territory B and C. This means that people sell products to both areas. In trading territory A, there are nine traders in five villages. Only one Level-1 trader exists at Pak Bout village, and the others are Level-2 and Level-3 traders. Level-2 traders living in Pak Bout and Houay Nong villages sell almost all their products to the Level-1 trader. However, Level-3 traders living at Om Mok, Cheang Neua (Upper), and Cheang Kang villages on the east side of the Ou River sell their products at Pak Bout periodic market. Level-3 traders living in the mountain villages cannot transport their agro-forest products to Pak Bout village on the opposite bank because they have no boat.

On the day of the Pak Bout periodic market centering on trading territory A, and Phonsana periodic market centering on trading territory C, many agro-forest product traders with abundant funds living in other villages, such as Hatsa village and Pak Luang villages, come to purchase products, and a competition for products occurs between the traders. To facilitate this, Level-1 and Level-2 traders living in Pak Bout and Houay Nong villages offer free accommodation to mountain people on the day before the periodic market,¹⁷⁾ the traders then purchase products from the mountain people who have stayed at their home. This method of purchasing was introduced in 1998. Mountain people have no obligation to sell the agro-forest products to the trader who offers the accommodation. However, in most cases, a relationship of regular trading has been built between the traders and the gatherers. Consequently, although traders offer their houses at no charge, this method is advantageous because of the easier access to agro-forest products.

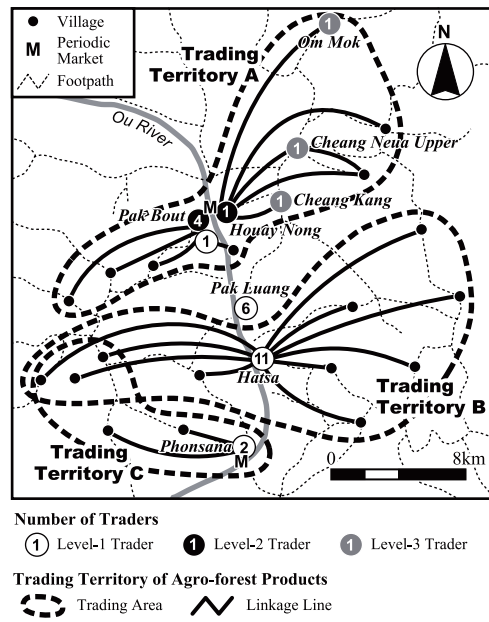


Fig. 4 Trading Territory of Agro-forest Products in the Study Area, 2002

Source: Surveyed by the author

17) People in Om Mock, Houay Lo Sung, and Khong Mone villages take about four hours to reach the Ou River on foot. In order to be on time for the periodic market, which is only held in the morning, they have to leave the village at midnight and walk along a pitch black road.

Moreover, a Level-2 Khmu trader at Pak Bout village visited three Khmu villages, Houay Lo Toung, Saouy, and Khong Mone, ten times in 2001 in order to purchase NTFPs. He employs mountain people as porters to carry the NTFPs that he acquires. The advantage in purchasing in the mountains is that products can be obtained at a cheaper price than if bought at the Pak Bout periodic market, even with the extra porter charge.¹⁸⁾ There are few traders who employ this method, but there are many who make contracts with gatherers and pay cash in advance in order to ensure a reliable supply of NTFPs. This method is particularly common for purchasing benzoin and cardamom because these products generate larger profits for traders than the other products, as shown in Table 3.

Hatsa village, which functions as a center of trading territory B, is an important center for the purchase of agro-forest products in the study area, even though a periodic market is not held. The main reason for this is that Hatsa village meets the daily demands for both the purchasing of agro-forest products and the selling of commodities. Hatsa village is very convenient in comparison to the periodic markets which are held only once every 10 days. Meanwhile, Pak Luang village is not located in any trading territory despite there being six Level-1 traders and five general store managers in the village. All Pak Luang merchants carry out most of their business at the periodic markets, so no store is open in the village. Accordingly, mountain people do not trade in Pak Luang village, but instead choose Hatsa village as the best location for agro-forest product trading.

It has been clarified that both commodity sales and agro-forest product trading are centered on Pak Bout periodic market, Phonsana periodic market, and Hatsa village. These activities are closely associated (Fig. 5). The trader purchases agro-forest products from mountain people, and pays them cash. Mountain people buy commodities from the general store using this money. Thus, a circulation of cash as money is passed from the trader to the mountain people, and finally to the general store manager. The agricultural products, cash, and commodities end up in the hands of the trader, general store manager, and mountain people, respectively.

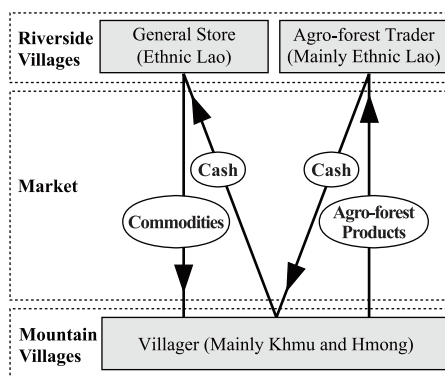


Fig. 5 Circulation of Agro-forest Products, Commodities and Cash

18) Hmong people in the study area dislike reducing the price of their products so they do not sell forest products in the village. The Khmu trader could not buy any forest products in the Hmong villages, although he went on buying trips in 1999.

The spread of the agro-forest product trading resulted from the stimulation of commodity flows through local general stores and periodic markets, and vice versa. One of the noteworthy features of trade in the mountainous area is that buying and selling transactions occur concurrently. Selling commodities is the role of the ethnic Lao, and buying them is chiefly carried out by the Khmu and Hmong people. A close relationship between commodity sales and agro-forest product trading has been built up in market places. Although it appears relatively simple, commodity dealing and agro-forest product trading in the mountains are part of a complex system influenced by transport conditions and ethnic relations based on regional history.

III-3 Spatial Characteristics of Income from Non-agricultural Activities

In order to determine household income¹⁹⁾ from non-agricultural activities including trading and general store management, the author conducted interviews with 160 households in 12 villages in the study area. To avoid gathering biased income data, the household income was broadly classified into three levels based on the information of the village administration committee and randomly sampled households from each level.

The calculated results of income from non-agricultural activities are shown in Fig. 6.

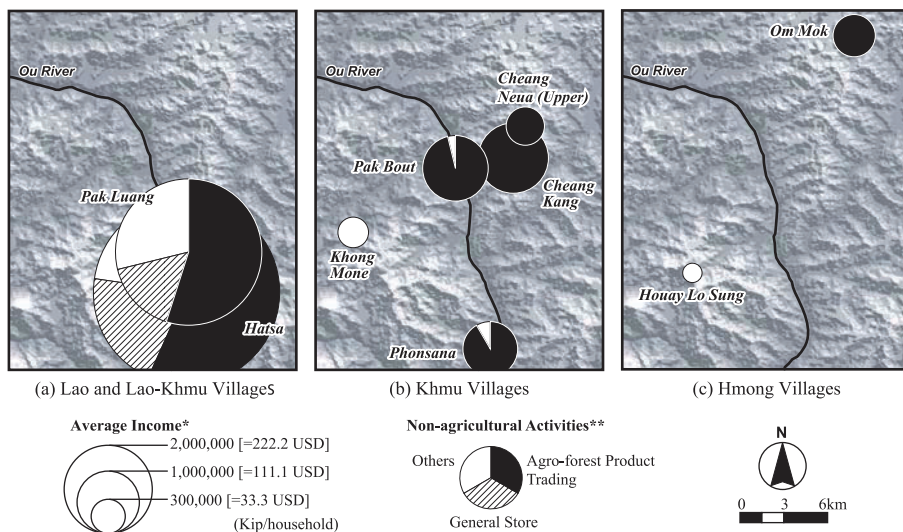


Fig. 6 Income from Non-agricultural Activities, 2001

Source: Suveyed by the author

Note: * 1 U. S. dollar (US\$) was equivalent to 9,000 Kip as of December 2001.

**Number of sampled households was 160 settlements, 12 villages.

19) The incomes listed in this paper refer to gross revenue, for which wholesale cost is deducted from commodities sales.

Since four mountain villages, Cheang Neua (Lower), Mok Ouay, Houay Si, and Nyot Si, were not involved in any non-agricultural activities, their income was zero. In addition, in other villages, income varies among households in the same village. In the case of Hatsa village, six out of 19 interviewees were not involved in non-agricultural activities. The difference between minimum and maximum income of non-agricultural activities among those engaged in such activities in the village was about 28,592,000 Kip (about 3176.9 US\$). This variation is not evident in Fig. 6, which only shows the village average. However, differences between various geographical locations and ethnic characteristics can be observed in the map.

It was found that residents of ethnic Lao and Lao-Khmu villages, Hatsa village and Pak Luang village, obtained a large income and that the inhabitants of both villages initiated non-agricultural activities at an early stage compared with the others in the study area, and gradually expanded the scale of trading. The average household income from non-agricultural activities was as follows: Hatsa village, 8,912,211 Kip (about 990.2 US\$); Pak Luang village, 5,506,941 Kip (about 611.9 US\$). The income included in the Others component shown in the figure refers to public servants' salary, drugstore sales, and technical workers' earnings.

Among the Khmu villages, the average household income of Cheang Kang village, where only one Level-3 trader resided, was larger than those of Pak Bout village and Phonsana village where Level-1 traders resided.²⁰⁾ The income of the trader in Cheang Kang village came from three tons of benzoin trade even though the trader was only classified as Level-3. Furthermore, benzoin is the most profitable NTFP of the study area, as shown in Table 3.

The income included in the *Others* component in the Khmu villages was as follows: a public servant's salary in Khong Mone village and a Video CD show²¹⁾ in Pak Bout and Phonsana villages. The Video CD show was given by a trader who had a TV and a Video CD set. It was provided for mountain people who stayed with the trader on evenings before the day of the periodic market. In 2001, the owner of the device earned a show fee of 500 Kip/person (about 0.06 US\$) from the audience. Children were charged half-rate. The Video CD show is a special activity which is found only in villages with a private electric generator, as in the study area.

20) There is a Khmu trader in Houay Nong village, but data on his cash income could not be obtained because he was absent when the survey was carried out. Therefore, data relevant to this could not be included in the data of Fig. 8.

21) Although Yokoyama [2001] reports on income from a VCR show in the rural village of Oudomxay province, this show was not found in the survey of the study area as of 2002. It is thought that the VCR show changed to a Video CD show. Video CDs have become commonplace in Southeast Asia because of the ease with which people can burn Video CDs on CD-Rs using their PCs. Video CDs, such as movies, are often bought in the Nong Khiaw and Muang Khoa areas. The generator for a thresher is used as a power supply.

In the village of Hmong, income from non-agricultural activities comprised income from the agro-forest product trade in Om Mok village and a pension in Houay Lo Sung village.

According to the second Lao Expenditure and Consumption Survey (LECS 2) carried out for the 1997–1998 fiscal year, the average household commercial income of seven northern provinces was 1,860,000 Kip [GoL, National Statistics Centre 1999]. For comparison, the commercial income in 1998 was converted to the price level for 2001 using the consumer price index.²²⁾ As a result, the commercial income in 2001 was determined to be equivalent to 5,730,043 Kip (about 636.7 US\$).²³⁾ The commercial income of Hatsa village was 6,888,948 Kip (about 765.4 US\$). Clearly, Hatsa village had a commercial income higher than the average for northern Laos. This is surprising for a remote area with no roads.

III-4 *Ethnic Contrast and Trading System*

It is generally ethnic Lao living in the Ou riverside who purchase agro-forest products, and Khmu and Hmong people living in the mountains who sell them. This, in addition to commodity dealing, may exhibit a clear ethnic contrast.

However, it is a mistake to believe that ethnic Lao are born as traders or merchants. Ethnic traits must be created through a history of relations with other ethnic groups. In northern Laos, the Khmu, a Mon-Khmer-speaking group, are regarded as one of the native peoples that preceded the Lao [LeBar *et al.* 1964: 113]. Hmong emigrated from southern China to the Luang Phabang area around 1847–50 [Culas 2000: 36]. Although the Khmu have a long history of living in northern Laos, their political position has been very low. Ethnic Lao referred to the Khmu as *Kha*, meaning “slave,” until the *Pathet Lao* era. It is not difficult to imagine that the ethnic Lao that ruled the country maintained control over the Khmu in the northern region. Halpern also refers to the fact that “often the Khmu lack sufficient goods to trade, and they are forced to work for the Lao settlements as coolies or servants” [1959: 123]. This can explain the existence of the *Lām* who made arrangements to force Khmu people to engage in farm work in ethnic Lao villages without pay.

In this historical context, it is understandable that ethnic Lao engaged in trading in order to control valuable NTFPs gathered by Khmu people. Few other options were available for ethnic Lao, who arrived in the region more recently and were unfamiliar with the natural environment in the study area. The ethnic contrast regarding commercial activities seen in the study area may have been inevitable given the history that

22) When the consumer price index in 1995 was set as 100, the consumer price indexes in 1998 and 2001 were 275.2 and 847.1, respectively [IMF, Statistics Department 2002].

23) The LECS 2 survey includes the urban area. If it had included only rural villages as the object of study, the average income might have been lower.

Laos, a complex multiethnic country, has experienced.

IV The Trading Flows of Agro-forest Products and Commodities

IV-1 *Changes in Agro-forest Product Exports and Political Situation*

Let us now attempt to examine the agro-forest product distribution channels between the mountainous region of northern Laos and foreign countries. Export points of NTFPs were greatly affected by the prevailing political regime. We have only limited information on trading of agro-forest products during the Lān Xāng Kingdom era. However, it may safely be assumed that products were sent to the former capital Luang Phabang and then shipped to Thailand or Vietnam, namely, to ports from which the products could be exported to European countries. In the days of French Indochina from the late 19th century, the products were initially exported to Saigon via Vientiane, but this shifted from Saigon to Bangkok in the 1950s because of the warehousing facilities constructed with American aid at both Thadeua in Vientiane and Bangkok [LeBar and Suddard 1960: 220; Vercouttre 1959].

During the French Indochina period, the rivers played a central role in the transportation of people. LeBar and Suddard describe the transportation conditions at the time: "Throughout the centuries the natural waterways of Laos — the Mekong and its tributaries — have been supplemented only by the most primitive trails and tracks, but communication by boat is well developed and Lao villages are for this reason usually located near water courses" [1960: 215]. Areas with only river access are considered to be isolated from the outside world by present day standards. In fact, the opposite is true. Areas with river access were geographically most convenient for communication with the outside world. Roads were not involved in the transportation of products for traders in northern Laos, as noted in more detail below: "Laos has about 3,500 miles of roads and tracks of which only about 1,200 were surfaced in 1957, mostly in the south. The remaining mileage which was unsurfaced could not be used in the rainy season" [*ibid.*: 217]. In order to engage in trading in northern Laos, it was necessary for ethnic Lao traders to be located in villages on the river.

Under the communist regime of the *Pathet Lao*, government-managed stores sent all products they purchased in the mountains to Vietnam via Xamneua. After the establishment of Lao PDR. in 1975, the products began to be exported to foreign countries from Vientiane, namely, a shift from Vietnam to Thailand occurred again.

During the *Chintanakan Mai* period, several borders with Thailand, Vietnam, and China were opened in order to improve relations with neighboring countries in preparation for a decrease in foreign assistance from the former Soviet Union and the Eastern bloc. In addition to this, the transport infrastructure was being improved by foreign assistance, as mentioned in Chapter I. As a result, cross-border trade was re-established.

The question we have to ask here is how this cross-border trade made the mountains change. In addition to the trade flows of agro-forest products, brokerages of private traders and changes of natural resource gathering needs to be examined in detail. These are questions to be considered in this chapter.

IV-2 *The Export of Agro-forest Products from the Mountains*

Agro-forest products from the study area are exported from four export points: Boten²⁴ on the Chinese border, Houay Xay and Vientiane on the border with Thailand, and Tai Chang on the border with Vietnam (Fig. 7). Among these, Tai Chang is a local border

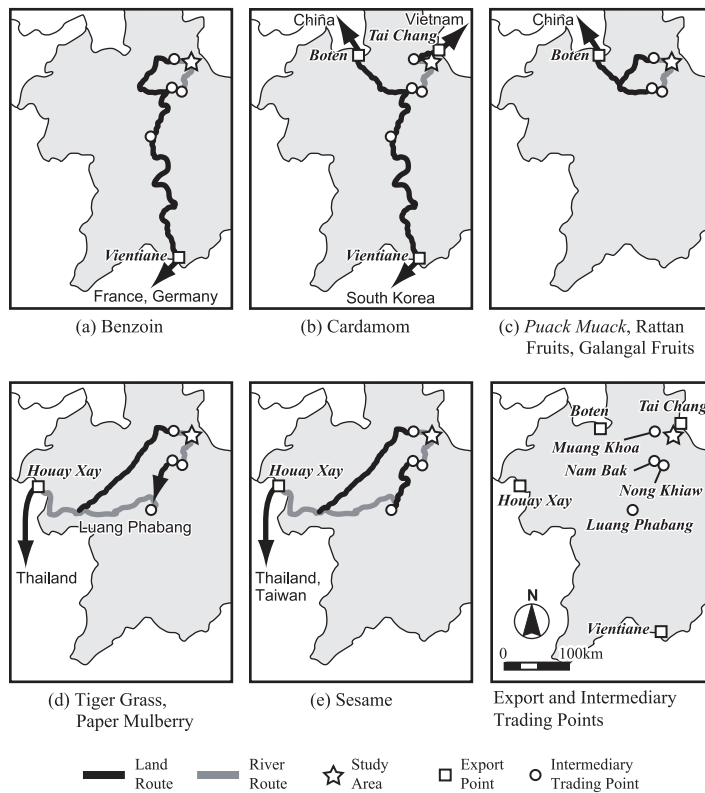


Fig. 7 Distribution Channels of Agro-forest Products
Source: Surveyed by the author

24) After the mid-2000s, two local border checkpoints, Meo Chai (Namo district in Oudomxay province) and Phang Hai (Muang Sing district in Luang Namtha province), were mainly used for cross-border trading between northern Laos and southern Yunnan, instead of Boten, which is an international border checkpoint.

which is used only by Lao and Vietnamese nationals. These borders were opened one after another between the late 1980s and the early 1990s. The stimulation of human mobility and information flow that occurred through the opening of the borders greatly contributed to the formation of various agro-forest product trade flows.

Benzoin (a) is transported to the exporter in Vientiane over land, and then by plane to France or Germany. Cardamom (b) is exported to China, Vietnam, and South Korea. Cardamom is the agro-forest product with the greatest variety of channels in the study area. All cardamom exported to Vietnam over land passes through a trader/exporter in the Nam Bak area, and other products exported to China over land pass through a trader/exporter in the Muang Khoa area. The trader/exporter in the Nam Bak area exports the cardamom to South Korea in addition to China. This trader/exporter separates the cardamom into two groups according to the fruit size; large fruits are sent to China and small fruits are sent to South Korea via Vientiane.

All *Puack Muack*, rattan fruits, and galangal fruits (c) are exported to China from Boten over land. As for tiger grass and paper mulberry (d), the trader/exporter in the Muang Khoa area directly exports them to Thailand using a combination of land and river routes. On the other hand, the shipments dealt with by the traders/exporters in the Nong Khiaw and Nam Bak areas are transported to an exporter in the Luang Phabang area, who then transports them to a paper mill in Thailand by boat. Much of the tiger grass is transported to Thailand without being processed, but some of it is processed by the company in the Luang Phabang area. The company started operating a small-scale paper mill in 1999 after obtaining paper-making machines from Chiang Mai, Thailand. Although the company purchased about 300 tons of paper mulberry bark, about 200 tons was exported to Thailand without processing because the processing capacity of the paper mill is only 100 tons a year.

Sesame (e) is exported without processing by the same route as tiger grass and paper mulberry bark via the Luang Phabang area. Some sesame sent to Thailand is transported to a sesame oil factory in Thailand, and the remainder is exported to Taiwan.

So far, the author has described the distribution channels and methods of trade of agro-forest products from the study area to foreign countries. As for the actual routes used for the distribution of the agro-forest products, the land transportation route was used only by the exporter from Vientiane who transports benzoin and cardamom between Luang Phabang and Vientiane where the road is paved, and over a short-distance to China or Vietnam. All the other agro-forest products exported to Thailand or by way of Thailand were sent on the Mekong river. In northern Laos where the roads are underdeveloped, the river played an important role as a distribution channel of the agro-forest products, as described above.

IV-3 *Interconnection between the Mountainous Region and Urban Areas*

The trading flows of agro-forest products from the study area to various destinations are

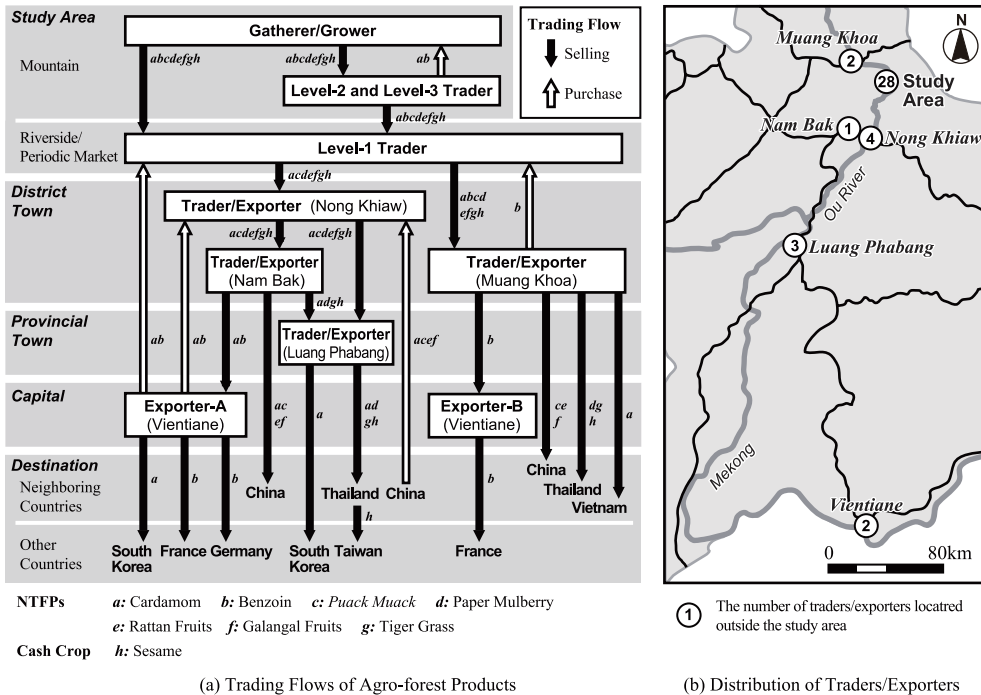


Fig. 8 Trading Flows of Agro-forest Products and Distribution of Traders/Exporters

very complex, as illustrated in Fig. 8 (a). On the one hand, we can see complex flows that reach destinations via five brokerages; on the other hand, there are simple flows in which a trader living in an urban area purchases products directly from traders on site in the mountains. We will take the example of benzoin (*b*) to illustrate the flows. It is possible to classify these flows into three types. First, there is “Direct Trading,” in which Exporter-A in Vientiane makes a trading contract with a Level-1 trader in the study area and goes to purchase directly from that trader. Second, there is “Consignment Trading,” in which Exporter-B in Vientiane entrusts the purchase of benzoin to a trader/exporter in the Muang Khoa area. Here Exporter-B does not go to the study area. Finally, there is general “Phased Trading,” in which benzoin is transferred in stages from a Level-2/Level-3 trader to Exporter-A in Vientiane via the Nong Khiaw and Nam Bak areas. In the case of traders/exporters in district and provincial towns, the purchased NTFPs are exported to China using self-owned trucks. This trading system, which involves several traders, is recognized as “Phased Trading.”

A method of trading similar to “Direct Trading” was observed for cardamom, *Puack Muack*, galangal fruits, and rattan fruits. As shown in Fig. 8 (b), there are four traders/exporters in the Nong Khiaw area, and three of them trade directly with China. According to traders/exporters in the Nong Khiaw area, Chinese traders come to purchase

NTFPs at regular intervals of two to three weeks from August to October, during the gathering period for cardamom, galangal fruits, and rattan fruits. At other times, traders/exporters in the Nong Khiaw area sell NTFPs to other traders/exporters in the Nam Bak or Luang Phabang areas.

One can safely state that the agro-forest product trading on demand in foreign countries is widespread across the country from the provincial towns to the remote villages. The important point to note is that the cross-border trading made it possible for Chinese traders and exporter in Vientiane to carry out "Direct Trading." This is one of the characteristics of the NTFP trading after *Chintanakan Mai*.

IV-4 *Income and Expenditure of Benzoin Trading*

In the study area, income from agro-forest product trading was larger than retail income, such as that from general stores. It may be said that this is specific to this study area where particularly valuable NTFPs such as benzoin are gathered.

In the case of agro-forest product trading, the income is large, but the costs are also large. Here, clarification of the realities of agro-forest product trading is provided through an explanation of the relationship between the trading price and the cost at every trade point from the gatherer to the exporter. Here, the benzoin trade is focused on here as an example. It is comparatively easy to follow the trade flow of benzoin because there are only three export companies in the country.

The trading price and the cost at every trade point in 2002 are shown in Fig. 9. The trading price of benzoin in the gathering area is set at a price in Laos Kip equivalent to 4 US\$ every year. However, sometimes the benzoin trading price fluctuates owing to competition among traders.²⁵⁾ Even though the purchase price in the study area rises, traders cannot increase the trading price accordingly because of pressure from foreign customers. Therefore, the exporter's profits²⁶⁾ decrease when the local price increases.

The gatherer does not incur costs from gathering benzoin. There is no direct cost, although the land tax for the swidden field might be considered as a cost because benzoin is gathered in fallow swidden plots.

The Level-1 traders sell benzoin purchased at 38,000 Kip/kg (about 4 US\$) to traders in the Nong Khiaw area or Exporter-A at 42,000 Kip/kg (about 4.4 US\$). The profit obtained is 4,000 Kip/kg (about 0.4 US\$). However, it is necessary to pay a fee of 500,000 Kip (about 52.6 US\$) for an annual trading permit to the district office, which is the equivalent of income tax. If the trader deals only in profitable NTFPs such as benzoin,

25) In the study area, a group related to Exporter-A and a group related to Exporter-B competed strongly over the purchase of benzoin in 2001. At the beginning of trading, the price was 35,000 Kip/kg (about 3.9 US\$/kg) in March, but reached 55,000 Kip/kg (about 6.1 US\$/kg) in May.

26) In this paper, family labor, which has an opportunity cost, is included.

Trade Point	Trading Price*	Cost*
Gatherer or Market in Study Area	38,000 Kip/kg (4 US\$/kg)	<ul style="list-style-type: none"> ■ Land Tax for Swidden 17,000 Kip/ha (1.8 US\$/ha)
Level-1 Trader (Ou Riverside)	42,000 Kip/kg (4.4 US\$/kg)	<ul style="list-style-type: none"> ■ Trading Permit Fee (Income Tax) 500,000 Kip/year (52.6 US\$/year) ■ Shipping Charge to District Town
Trader (Nong Khiaw)	45,000 Kip/kg (4.7 US\$/kg)	<ul style="list-style-type: none"> ■ Trading Permit Fee (Income Tax) 700,000 Kip/year (73.7 US\$/year) ■ Shipping Charge to Luang Phabang
Exporter-A (Luang Phabang/Vientiane) <i>Luang Phabang head office takes charge of purchasing benzoin from gatherers or traders and shipping it to Vientiane branch.</i> <i>Vientiane branch takes charge of cleaning and sorting the benzoin, and exporting it to foreign customers.</i>	Grade A: 10.5 US\$/kg Grade B: 9 US\$/kg Grade C: 8.5 US\$/kg Grade D: 7 US\$/kg Grade E: 6 US\$/kg	<ul style="list-style-type: none"> ■ Trading Permit Fee (Income Tax) 1,500,000 Kip/year (157.9 US\$/year) ■ Shipping Charge between the Village and Vientiane Office ■ Packaging and Shipping Charge to Foreign Customers in France and Germany ■ Electricity Charges (Air Conditioning for Storehouse) ■ Personnel Expenses (Cleaning and Sorting) ■ Bank Interest (Loan for Purchase Fund) ■ Export Tax

Fig. 9 Trading Price and Cost of Benzoin at Trade Point, 2002

Note: * 1 U. S. dollar (US\$) was equivalent to 9,500 Kip as of April 2002.

the balance becomes a deficit unless 125 kilograms (about 500 US\$, 4,750,000 Kip) of benzoin are traded. If a trader deals only in less profitable NTFPs such as *Puack Muack* and paper mulberry bark, and makes a profit of only 500 Kip/kg (about 0.05 US\$), one ton of trade is needed. In the study area, only a few traders with sufficient financial resources are efficiently purchasing agro-forest products by specializing in benzoin, and the majority of traders mainly deal in NTFPs with a low unit price. It seems that the net profit of trading is not so great even though the amount of cash income is large. Of particular note is that traders who deal mainly in heavy, low-profit NTFPs have to bear the costs of transport, and so the profits decrease even further.

Traders in the Nong Khiaw area, which is the seat of Ngoi district office, are in almost the same situation as the Level-1 traders. Nevertheless, their trading permit fee is large compared with that for a Level-1 trader. In addition to this, the shipping charge for agro-forest products greatly affects the profit. The charge for transportation by truck from the Nong Khiaw area to the Luang Phabang area is 100,000 Kip/ton (about 10.5 US\$). The period of benzoin trading is limited to three months, and the shipping charge is not expensive because the product is lightweight. However, the traders transport three tons of other products once a week on average. The annual shipping charge of all products amounts to 14,400,000 Kip (about 1,515.8 US\$).

Exporter-A in Vientiane exports the benzoin to France and Germany, at 15 tons to

each country per year. When exporting, the benzoin is divided into five grades from A to E according to the size of the resin. Little high-grade resin remains after cleaning and sorting. The trading permit fee that Exporter-A has to pay is 1,500,000 Kip (about 157.9 US\$). Other charges in addition to this are the cost of transport between the mountain villages and the Vientiane office, and the costs of packing and transport to foreign customers in France and Germany. Moreover, many other costs are incurred compared with other traders, such as personnel expenses to pay workers for the benzoin grading, the cost of electricity for air-conditioning in a storehouse,²⁷⁾ bank interest,²⁸⁾ and export tax.

For the NTFP gatherers in the mountains, the only cost is the land tax, so the more gathering that is done, the more the gatherer profits. On the other hand, the agro-forest traders must process a considerably large amount of product to make a profit because they have to pay high trading permit fees. The cost of trading in benzoin increases exponentially from remote areas, to provincial towns, to large cities. The international trading price of valuable NTFPs such as Siamese benzoin is also high, and the domestic trader requires considerable capital to carry out the purchase.

In the study area, although there were 28 agro-forest product traders in 2001, only 15 traders bought more than 125 kilograms of benzoin, which represents a value equivalent to the trading permit fee. Three traders did not purchase benzoin because they had insufficient funds, and a lot of benzoin was purchased by traders outside the study area. The traders in the remote area cannot obtain loans from banks because they are unable to obtain a mortgage. Exporter-A in Vientiane can obtain a bank loan, but the loan amount is small. Moreover, even if Exporter-A purchases agro-forest products by taking out a large bank loan, the high interest on the loan is prohibitive.

In a developing country such as Laos, agro-forest product traders and exporters face considerable difficulty in the raising of funds. If the exporters reduce funds for purchasing agro-forest products from traders, the traders, who are at a subordinate level to exporters, must in turn reduce the quantity of products they purchase. Then, the NTFP gatherer is forced to decrease the amount of products gathered. As a result, the cash income of mountain people decreases drastically. A shortage in purchase funds among the traders immediately results in a decrease in the income of the agro-forest product gatherers in the mountains.

27) Benzoin has a milk white color when gathered, then changes to brown when it oxidizes. It is necessary to cool the product for dehumidification in storehouses to prevent oxidation before export.

28) Bank interest is greatly affected by the exchange rate of the Lao Kip to the US dollar. The Kip loan interest rate in 2002 was high, at about 30%.

V Changes in Agro-forest Product Trading and Natural Resource Use

Changes in agro-forest product trading and natural resource use in the northern mountainous region of Laos are shown in Fig.10. On the basis of the discussion in the preceding section IV-1, the patterns of trading and resource use can be classified into three groups. During the colonial period, private traders and *Lām* purchased agro-forest products from mountain people. These products were sent to traders in the former capital Luang Phabang and shipped to Thailand or Vietnam. Under the communist regime, the agro-forest products were purchased by governmental traders stationed in the governmental-managed store. These NTFPs were then exported to Vietnam via Xamneua during the *Pathet Lao* government period and to Bangkok via Vientiane during the Lao PDR period. Then, during the *Chintanakan Mai* period, the borders with Thailand, China, and Vietnam began to be opened from the late 1980s, and cross-border trade was re-established. Private trading was revived in both urban and rural areas.

The gathering of the NTFPs shown in Table 3, excluding benzoin and cardamom, started being gathered after the opening of the borders. Information about demand in foreign countries received through the domestic traders led to the gathering of new NTFPs in the mountains. A network of private domestic traders has been expanding throughout the country, and has played an important role in the transmission of information to the northern mountainous region of Laos since the *Chintanakan Mai* period.

The trading flows of agro-forest products from the study area to various destinations are very complicated. Agro-forest product traders appeared in various urban areas after the *Chintanakan Mai* period. It has been clarified that traders in smaller urban areas have engaged in “Direct Trading” with Chinese traders, and have thereby gathered new types of NTFPs in the mountains. These agro-forest products started to be exported directly to

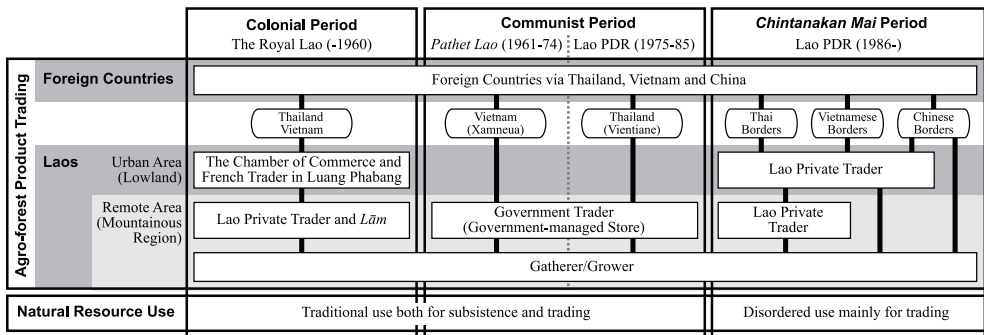


Fig. 10 Changes in Agro-forest Product Trading and Natural Resource Use in Northern Laos

China from mountainous areas.

For the time prior to the colonial period, and because the functions of mountains and lowlands differed, it is considered that the social structure of northern Laos in that period can be represented as a dichotomy between the mountain people as gatherers and the lowland people as traders. This structure is explained by the relations between ethnic groups that were historically established by the *Lām*, who had strong ties with mountain people, especially the Khmu, who were used for manual labor by the lowland people. Mountainous regions experienced commercial activities, such as periodic markets, general stores, and agro-forest product traders, under the communist period, and were directly affected by the Chinese economy after the *Chintanakan Mai* period. As a result, it has become more difficult to understand the social structure of northern Laos in the context of this dichotomic typology. Additionally, from a spatial viewpoint, the northern mountainous region of Laos has not been isolated but connected with the lowlands by a longstanding and well-established river transportation system. The social structure in northern Laos, therefore, must now be considered within the context of the globalization of agro-forest product demand, and beyond local ethnic relations. Such changes in the social structure have been triggered by the opening of borders that accompanied the *Chintanakan Mai* period.

Regarding the challenges of globalization for the northern mountainous region of Laos, the sustainable use of natural resources is a key issue. Although mountain people traditionally used natural resources mainly for subsistence before the *Chintanakan Mai* period, their use has sometimes been disordered when related to trading. None of the newly gathered NTFPs, which have been exported to China since the 1990s, are traditional goods used as food or medicine. These NTFPs are plants that had previously been gathered in China, but are not any more. It is particularly surprising that gatherers and traders do not know the intended use of the newly gathered NTFPs. Local people, especially the Khmu people who know a lot about NTFPs, had little interest in the species until they started to gather them for sale. Therefore, they know little of the resource potential and reproductive power of the plants. Although newly gathered NTFPs in the study area are not precious species, there is a possibility that excessive gathering will lead to their drastic decline. All surveyed farm households, except those engaged in commercial activities, are gathering the NTFPs for export. Even though local gatherers and traders do not know how these NTFPs are used in China, they unquestioningly accept the information provided by foreign traders on this issue.

The government prohibits the gathering of certain natural resources such as Chinese cinnamon (*Cinnamomum cassia*) [GoL., NAFRI, NUoL and SNV 2007: 330], and the export of certain ornamental plants such as orchids is regulated by quotas set by district and provincial offices [*ibid.*: 375]. Regulation, however, has yet to be effectively enforced. Effective local governance regarding natural resource management will be needed in the future. A field study on natural resources in the northern mountainous region of Laos

and a survey of foreign demand for NTFPs, especially with regard to China, might be required.

VI Conclusion

This paper has introduced the history of agro-forest product trading in the northern mountainous region of Laos showing how trading can be traced back to the Lān Xāng Kingdom era. In this era, *Lām* collected agro-forest products from mountain people as tax. In addition, private traders were involved in the purchase of products from them. However, during the *Pathet Lao* period, government-managed stores located along the Ou River replaced the private traders, and purchased agro-forest products and sold commodities at the same time. During the *Chintanakan Mai* period, the government-managed stores were closed and private traders re-emerged from ethnic Lao households located on the river. Agro-forest trading spread to the Khmu households along the river, then finally to the Khmu and Hmong households in the mountains. However, general stores are currently only operated by ethnic Lao households on the riverside. In addition to this, agro-forest product traders who trade outside the study area are found only in riverside households.

Even in areas without road access, people in the study area could initiate commercial activities using navigable rivers as Laos has had a developed river transportation system for a long time. In northern Laos where there are many mountainous areas, major roads are being constructed with foreign aid, but many roads remain in a poor condition. Therefore, traders still rely on rivers to export products.

After the closure of the government-managed stores, two periodic markets were held on the Ou riverside, and permanent general stores are located in an ethnic Lao village. These provide the opportunity for mountain people to buy agro-forest products and to sell commodities. The supply of natural resources from the mountains to lowlands once began with a brokerage form via *Lām*, before transforming into private traders including Chinese merchants. Although the mountains of northern Laos seem to face the powerful tide of globalization at the present stage, as pointed out in Chapter I of this paper, the trading between the mountains and lowlands has always existed for a long time and the form of trading has varied across the ages.

The trading networks are in the process of spreading throughout the country, and the flows of agro-forest products and commodities are increasing. It seems reasonable to suggest that the private traders serve as an important driving force in the development of agro-forest product trading. They obtain information regarding demand of foreign countries and encourage the mountain villages to gather NTFPs on demand from foreign countries. Although it was conceivable that the ethnic minorities such as the Khmu and the Hmong did not engage in commercial activities before *Chintanakan Mai*, the traders

were always the ethnic Lao. However, after *Chintanakan Mai*, the Level-2 and Level-3 traders started to cover remote villages without road access. In addition to this, in some cases, Chinese merchants are also engaged in trading in the study area. This paper has also shown that not only road maintenance and improvement led to the transformation of the nation from being “land-locked” to “land-linked-,” after *Chintanakan Mai* but it has also made clear that private traders, regardless of national and ethnic distinctions, appeared. As a result of these ongoing changes, the mountains of northern Laos have been and continue to be further pulled into the global market at a rapid speed and as such require more scrutiny in further studies.

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