

## **Agency, Opportunity and Risk: Commercialization and Human-nature Relationships in Laos**

### **Introduction**

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### **From Land-locked to Land-linked**

Laos, previously known as an isolated and land-locked country, has undergone rapid changes bringing it into the dynamic regional economy of Southeast Asia. Located strategically at the center of the region, and home to many of the region's remaining natural resources, the country is better understood now as "land-linked" [Kono *et al.* 2008]. Regional integration is proceeding at a rapid pace, driven by national policies, regional cooperation and the private sector. Each of Laos' 16 provinces has an international border. With the opening of the Lao national economy starting with the 1986 *Chinthana-kaan mai* policy, local Lao economies have begun to orient themselves towards markets in neighboring countries and beyond. Thailand, China and Vietnam are now not simply sources of commodities for the Lao population, but have become partners in trade and investment.

The larger context for these local market-based linkages is the driver to create a common economic arena on the mainland of Southeast Asia, including the provinces of Southwestern China. The Greater Mekong Subregion, a regional mechanism funded by the Asian Development Bank with significant financial backing from the Japanese government, is working to integrate communications and energy networks to promote the movement of capital, goods and people across the region [ADB 2004]. With improved road links, Chinese, Thai and Vietnamese companies are increasingly attracted to Laos as a destination for investment. This in turn has stimulated the growth of a modest domestic private sector providing basic services.

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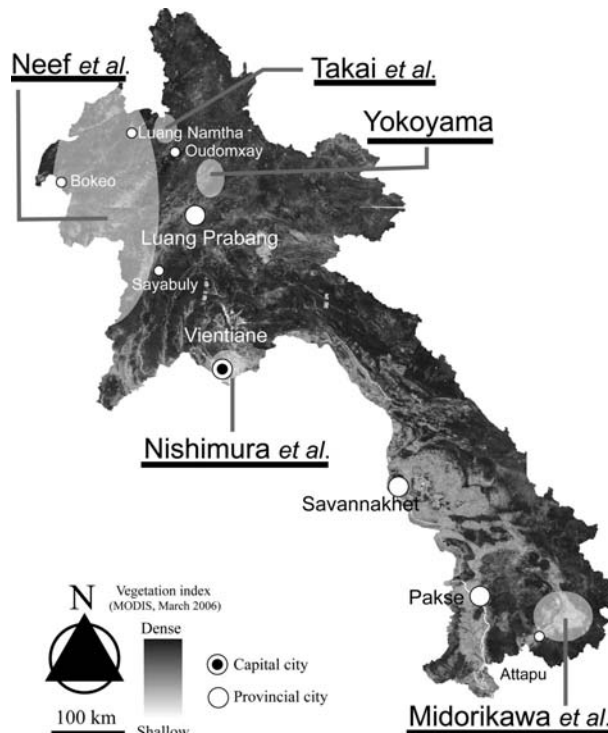
By most macro-economic standards, Laos' development in the past years has been impressive. Annual growth rates of between 7-8% and increases in foreign direct investment to 4.3 billion dollars in the first nine months of 2009, suggest that policies opening the country to regional trade under the framework of the ASEAN Free Trade Area have produced results [EarthTimes, 27 October 2009]. Much of this development, however, is based on extraction of the country's natural assets. Laos, itself a hotspot of biodiversity, has seen a continuous reduction in forest cover, from 49.2% in 1982 to 41.1% in 2002 – the product of multiple pressures stemming from logging and agriculture [DoF 2003]. Ambitious hydropower development plans aim to turn Laos into the battery of Southeast Asia, drawing upon the abundant water resources that rise in and flow through the country [GoL 2006].

At the micro-level, there are indicators that the gap between the rich and the poor is widening at a worrying rate. The benefits of economic development have been concentrated in the Mekong valley region, while the upland regions lag behind. The Participatory Poverty Assessment 2006 [Chamberlain 2007] showed that the major source of poverty in the country is insecure access to land. Behind the inadequate land situation is the government's effort to stabilize shifting cultivation and create permanent village settlements in areas where access to services is better. In terms of human development, every second child still suffers from chronic malnutrition, a situation that has not changed in ten years [World Food Programme 2008]. Running across these worrying indicators is the gross imbalance in poverty, with the ethnic minority groups that compose approximately half of the national population at a distinct disadvantage. Vulnerability of local livelihoods to shocks has emerged as one of the key threats to human development in the new economy across the region [Cornford and Matthews 2007].

### **Opportunity and Risk: Rural Livelihoods in Transition**

The situation of development in Laos is a complex mosaic of government and market, seemingly contradictory macro- and micro-dynamics, and widening variation across sectors of society. That said, both upland and lowland areas are clearly on the way towards a market-driven, regionally oriented economy. Natural resources are to be the mainstay of local economies, just as in the national economy. Trade in natural resources has long been an important part of local economies, and has been a central element of Laos' relationships with its neighbors [Stuart-Fox 1998]. What is different today is the rate of change, and ways of adaptation to these changes that challenge rural people's resilience.

The papers in this volume show how local people are adapting their livelihood to the rapidly deepening market economy through case studies in various parts of Lao PDR.



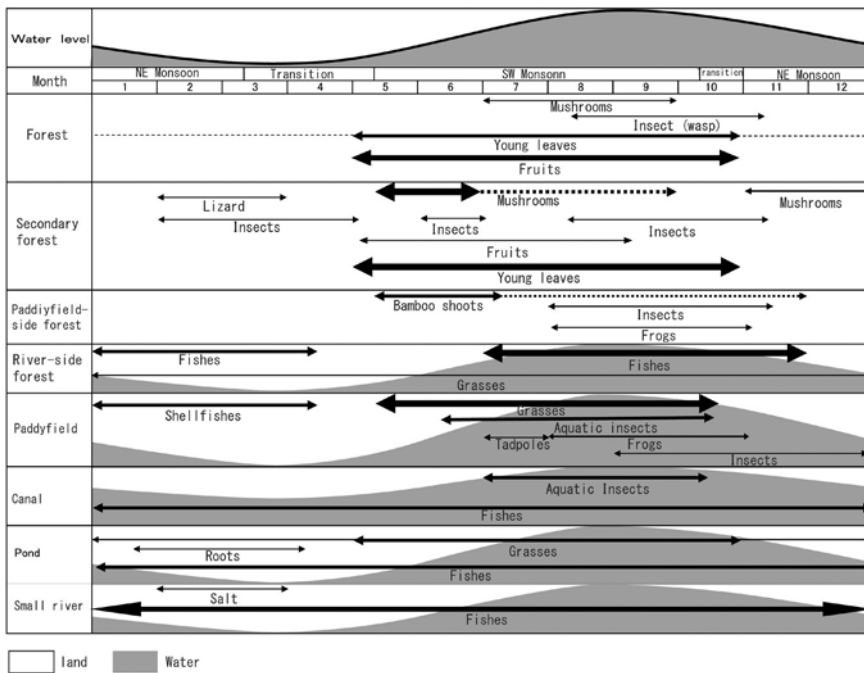
**Fig. 1** Locations of the Study Sites

(Fig. 1). Two main sets of dynamics are explored in the following analysis. First, some communities are devising new ways to engage with the market, commercializing resources they have traditionally managed as part of their livelihoods. Here, local people engage with rapidly expanding domestic markets to supply natural products that are collected or cultivated within the village landscape. These products are linked ecologically and economically with other livelihood activities; for example, a wide range of wild foods are collected from rice fields and village forests. As Nishimura *et al.* describe, responding to signals from markets in nearby urban marketplaces and more distant regional markets, rural people devise strategies for securing income based on the resources available on hand.

In a large part, these strategies are based on consideration of how to maintain simultaneously a flow of economic benefits and productive natural systems. In places located farther from markets, for example in the northern mountainous regions, local people search for ways to respond to the changes in demand for forest products. Non-timber forest products (NTFPs), long-time components of local and regional trading networks, undergo another phase of commercialization. One of the key changes in the upland economy has been the re-emergence of private traders who provide access to more distant markets, such as China. The trade in NTFPs was nationalized through

state-run trading firms until the end of the 1980s, when restrictions on private involvement in trading were released. After this, marketing chains — often linking ethnic groups and crossing boundaries — for forest products such as *Boehmeria malabarica*, called *peuak meuak* in Lao, were revived and new products available locally become commercially viable. Traders form nodes in these networks, building upon social relations in upland areas, as described in Yokoyama’s article. Neef *et al.*’s analysis shows how local dependency on these products has grown with increased international trading outlets.

These case studies illustrate how economic sustainability at household-level is intricately linked to ecological sustainability at the farm level, even as markets take producers and products into larger scales of economic activity. Simultaneously, rural lifestyle, or more concretely speaking, people’s time allocation, is deeply linked to the ecological seasons and daily rhythms of the rural landscape, as Nishimura *et al.* describe (Fig. 2). Small-scale, incremental changes are born out of the daily decision-making



**Fig. 2** Non-rice Products of Paddy Landscape and Their Seasonality at a Village in the Vientiane Plain

Note: A wide range of non-rice products including fishes, insects, weeds and tree products are caught/collected at mosaic landscape of paddy fields, forests and water body for home consumption and commercial purposes. Availability clearly depends on seasonal hydrological patterns.

strategies of local people.

Second, other communities are experiencing rapid transformation of livelihoods and lifestyles. Takai *et al.* show how a conflict between agriculture and livestock has arisen in response to market opportunities. Farmers, anxious to take advantage of demand for cash crops, have expanded agricultural production areas. This means that fallow fields, where livestock had previously been kept under customary management institutions, come under multiple demands. The result has been a tightening of land use restrictions not only from government agencies but also from inside the community. In the end, previously diverse production systems have been transformed into more simplified ones. Buffalo, traditionally a popular strategy for livelihood security, have been sold off, even as consumer demand may be growing in urban areas.

With these changes, some of the basic assumptions of life have been challenged, such as the allocation of time and labor to agriculture-based livelihood activities. Nishimura *et al.* show how the peri-urban people take advantage of opportunities to engage in wage labor in Vientiane municipality. Where the rhythm of daily life was centered previously on agriculture and collection of natural products, people are now faced with a range of options for off-farm income generation. Foreign investment in Vientiane municipality creates a pull-force, which comes just as prices for traditional agriculture and other natural products experienced drops. The advent of wage labor brings about a drastic change of the rhythm of daily life, from ecological to artificially predetermined rhythm, reflecting the changing idea on the productivity of their time. This diversifies the lifestyle even within a family, particularly between on-farm workers and wage laborers.

Thus, the agency of local people is expanding with the opening of new opportunities ushered in by the market. However, opportunity is accompanied by risk in the process of transition. The risk stems from uncertainty in both the market and policy, in addition to environmental degradation.

The government hopes to concentrate more dispersed communities near roads where it is hoped they will have better access to markets and social services. While access may be improved through basic infrastructure, communities are often not equipped for the changes that can result from being resettled along roads and with other communities from unfamiliar ethnic groups, often in areas where productive land is in severe shortage [URDP 2007]. Another key concern is health, as is shown by Midorikawa *et al.*'s findings about the interrelationship between water, livelihoods and health. In the relocated community studied, high levels of malaria and parasites were observed, despite the potential access to improve health care services. The research shows that information gaps are still substantial, raising the risk of infection among relocated people.

Many ethnic minority groups rely on NTFPs for cash income. These commercialized forest products are, however, largely bought and sold as raw products. The hopes for success, in terms of raising local incomes, are pinned on the creation of sustainable production, processing and marketing mechanisms. Potentially high-value products,

such as paper mulberry, are constrained by the difficulty in developing ways to add value and thereby increase the benefit to harvesters, as shown in the article by Neef *et al.* Here as well, the unsure land tenure situation adds a layer of uncertainty and risk to these communities.

### **Agency and Balance: Negotiating the Human-environment Relationship**

The changes described in these papers represent a significant shift in the role of local people in determining their livelihood and economic activities. This new form of “agency” means that rural people have more options at hand, when it comes to improving their well-being. After two decades of state-directed development, markets are providing the signals upon which people act. With the market come other actors, domestic and foreign. By any standard of governance, one must welcome the increased role for local decision making.

Yet, the flip-side of this new range of opportunity is uncertainty and risk, and there are signals that the market as it currently operates is far from producing efficient outcomes. Farmers lack negotiation skills to engage with agribusiness, price information is slow to reach producers and the government still struggles to provide the necessary support mechanisms. Contracts are very difficult to enforce, and have very little meaning in terms of ensuring that a farmer’s product will be purchased. Informal networking among farmers and local traders is yet immature. Furthermore, competition between traders may mean higher farm-gate prices, but at the same time communities may find themselves in competition with other communities. Market demands dictate quality, quantity and timing of supply, which mean that the conditions for production are fixed outside of the producers’ livelihood.

Farmers who are empowered by the changes going on around them are faced with a range of dilemmas. The short-term prospect of increased cash income is a main concern for rural people who are faced with an ever-longer list of expenditures, from agricultural inputs to school uniforms and modern medicines. Farmers have learned that market prices for cash crops are unstable. The drop in maize prices in 2008–09 was a particularly strong shock for many areas, for example. There is a strong incentive to capitalize on opportunities when they present themselves, which can lead to over-exploitation of resources. Farmers are also learning that over-supply drives prices down. On the other hand, many of the products being sold have been a component of traditional livelihood strategies for generations. Knowledge of management, harvesting and use of natural products may exist in communities. If the need for short-term cash overrides the benefit of a longer-term management regime, not only will the resource be depleted, but indigenous ecological knowledge is also eroded.

This dilemma is also reflected at the national level. Short-term benefits from a

resource-extraction economy become more tentative when considered in a longer-term perspective of sustainability. In the market economy, the main strategy for providing support is to identify one product that draws on the local ecological and economic situation, and focus on this as the main route to development. As seen in the paper by Takai *et al.*, the homogenization of production systems may bring some immediate economic benefits, but the overall sustainability of the system is likely to be reduced and the vulnerability of the producers enhanced.

Clearly Laos is undergoing remarkable changes with integration into the regional economy. The interface between local and regional markets is complex and dynamic. Farmers find themselves with more power to make their own decisions, but the dilemmas they face are increasingly difficult and their bargaining position remains weak. Economic reforms promoting market-oriented production have stimulated new strategies to production which reflect a greater range of options than have been available in the past. More locally appropriate and sustained government support is needed to help bridge gaps in information and experience, reduce risk by encouraging diversification and providing an institutional and regulatory framework that mediates the interactions between diverse stakeholders.

### **Micro-analysis and Policy Feedback Loops**

As these papers demonstrate, micro-level analysis is indispensable in maintaining the feedback loops to inform policy. In “policy,” the volume editors refer to the full spectrum of actors making decisions that impact local livelihoods and landscapes. This includes government policy makers, who are in need of information regarding the outcomes of development interventions. Furthermore, the donor community, which usually works in close concert with government agencies to implement programmes and projects, is important not only because of the direct impacts of its activities on the local level, but also because it maintains dialogue with government and other actors. Finally, international organizations, which work at both policy and implementation levels, are well positioned to make use of research findings.

Biodiversity is one of Laos’ greatest resources. More broadly speaking natural resources will continue to be the backbone of development in Laos. There is now no question about whether Laos will be integrated into the regional economy, assuming a fully developed central position as a land-linked country. How this process of integration proceeds depends on a mixture of both policy-level development interventions and local-level, individualized decisions about how to engage with market opportunities. This collection of papers shows that at the local level, there remain steep challenges to maintaining a balance between the aspiration of improving one’s economic wellbeing in the short-run and the imperative of sustaining the productive natural systems upon

which livelihoods depend. Furthermore, while farmers are making more decisions about their economic activities, they are at considerable risk when they venture down the path of commercial cropping.

Research, such as presented in the papers included in this volume, should be of use to decision-makers at all levels. Additionally, this analysis should contribute to the constant re-creation of a research agenda that addresses the key challenges faced by Laos. Domestic Lao researchers and foreign researchers alike have a key role to play in providing policy-relevant analysis to a broad range of actors. Empirical data based in the daily dilemmas of decision making faced by local people should form the foundations of policy debate on pathways towards economically viable, ecologically sustainable and socially acceptable development outcomes.

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