

Juth Pakai



ISSN 1813-360

New Thought

Issue 6



Perspectives
on Lao development

**Ecotourism, ethnic development,
soybeans and organic branding**

Juth Pakai

Issue 6

Letters	4
Community-Based Tourism in Laos: <i>Challenges and Opportunities for Local Communities</i> Corinne Neudorfer	6
Economic Integration and Social Development of Ethnic Minority Communities in Laos: <i>Case Studies from Luang Namtha and Savannakhet</i> Andrew Wells-Dang and Buasawan Simmala	16
Promoting Soybean as a Cash Crop: <i>Determinants and Possible Impacts</i> Blesilda M. Calub, Daniel Talje and Khampou Phouyyavong	28
The Lao PDR: Certified Organic? Rick Dubbeldam	39

Sharing Information to Stimulate Development

The Editorial Board of *Juth Pakai* firmly believes that the objectives of alleviating poverty and stimulating development in the Lao PDR will be better pursued if information and innovative thinking are shared. The articles presented here challenge our current way of thinking and/or contain information that has not yet been published. We sincerely hope that *Juth Pakai* will stimulate an active development debate and will contribute to a better understanding of the development challenges in the Lao PDR.

Editorial

Welcome to the Sixth Edition of *Juth Pakai*. In this issue Corinne Neudorfer provides a critique of the successful ecotourism activities evolving in Luang Namtha, with some suggestions on how to improve the share of the benefits accrued by the Ahka villagers whom the tourists go to see. This article has already been reviewed by other tourism-sector development professionals, who have made it clear they will challenge the methodology the author used to draw her conclusions.

On a wider scale, Andrew Wells-Dang and Buasawan Simmala discuss how ethnic communities are sharing in the major economic developments occurring in two parts of the country affected by Greater Mekong Subregion 'Economic Corridors'. The last two articles in this edition examine exciting agricultural possibilities. Soybean trials among rural communities in the north are the subject of a contribution from Lao-Swedish agricultural advisors, while the huge potential of the organic food market is explored by Rick Dubbeldam.

Readers may notice that a new spelling system has been adopted to refer to ethnic groups. We are pleased to report that the invaluable work of the National Institute of Cultural Research (www.laoethnicculture.org) has led to a standard Romanised spelling for the main ethnic groups, following a linguistically researched pattern that caters for both French and English language phonetics. While no standard can please everyone, it is important to try to achieve consistency and *Juth Pakai* will henceforth follow these guidelines on this matter. We are indebted to Jacques Lemoine for pointing us to this work.

Juth Pakai is conceived as a journal to which everybody should be able to contribute. While we encourage all readers to submit articles or letters to the editor on any topic related to Lao development, we also recognise that not everyone is in a position to contribute in this way. With this in mind, Edition 6 includes a survey to allow you to comment on *Juth Pakai*. Your feedback will help us ensure this journal remains an interesting and practical forum for the discussion of development in the country.



Finn Reske-Nielsen
UN Resident Co-ordinator

Letters

Bilingual education

Colleagues,

I recently read the last three issues of *Juth Pakai* and was happy to discover two articles that touched on teaching to ethnic minorities.

The paper by Suksavang Simana in Issue 2 was particularly interesting. It struck me that a bilingual education system is actually already implemented in Laos, though not in the context described by Mr Simana. In 1992 the Ministry of Education introduced a Lao/French bilingual education system in Vientiane and later extended it to Savannakhet, Pakse and Luang Prabang. While these Lao/French bilingual schools are somewhat for the elite and are sponsored by the French Ministry of Foreign Affairs, this system could be used as a pilot for ethnic minority dual language education.

The bilingual courses start in grade 3, after two years of teaching the Lao mother tongue. During the remaining primary grades 3-5, French is given in language lessons and Mathematics. In the subsequent secondary education (*collège* and *lycée*), Physics, Biology and Chemistry in French are added. The beginning of this bilingual cohort has now joined the National University at Dongdok.

To avoid losing time and money 'reinventing the wheel', lessons from this system could be applied to ethnic minorities. Bilingual education is not new in Laos, but implementing it in the provinces with the mother tongues of minorities as a starting language would benefit everybody. A second language, as Lao is for the minorities, has to be taught alongside the mother tongue and not instead of it. The article by Richard Noonan in Issue 3 of *Juth Pakai* also demonstrates that it might not be too costly.

Congratulations to your team for this journal.

Name and address supplied

The United Nations in the Lao PDR is supporting the production of *Juth Pakai, Perspectives on Lao Development* with the aim of stimulating dialogue on all issues related to development in the country. The Editorial Board has reviewed the articles presented in this issue. The views expressed in this publication are those of the authors and do not necessarily represent those of the United Nations in the Lao PDR.

Millennium Development Goals

Colleagues,

Many congratulations for the continuing success of *Juth Pakai*. From speaking to my colleagues in the Lao development community, it is clear that awareness and interest in the journal is progressively increasing.

Building on Michael Victor's letter in Issue 5 about thematic areas, and on the editor's response to that, I would like to suggest a clearer and better defined link between the development themes discussed in *Juth Pakai* articles and the eight Millennium Development Goals (MDGs) launched by the UN in 2000.

Whilst specialist issues tackling specific themes would be of great interest, I would also advocate that the journal more explicitly explain how the core issues discussed in each article relate to the achievement of the MDGs in Laos by 2015. Whilst maintaining an academic level of argument, this thematic link would improve the readability of the articles in the context of the current development situation in the country. A prominent MDG theme would also make the global MDGs more understandable in the local Lao context.

If any of your readers would like further information on the MDGs and/or the UN Country team in Lao PDR, they can access further information at the following website: www.unlao.org.

I look forward to receiving Issue 6.

CJ Ozga, Advocacy Officer & UN MDG Focal Point, UN Office of the Resident Coordinator, Lao PDR.
christopher.ozga@undp.org

Community-Based Tourism in Laos: Challenges and Opportunities for Local Communities

by Corinne Neudorfer

This paper gives a critical overview of current tourism activities in Muang Sing District, Luang Namtha Province. It finds that the critical relationship between the Ahka host communities and guides from other ethnic groups is a major and growing source of conflict in a community-based tourism project. The presented findings are the result of anthropological field research conducted from January to August 2004.

Tourism is expanding worldwide, with more and more people and societies, willingly or not, drawn into this development. Like no other branch of industry, tourism influences everyday life and acts as an agent of change upon existing socio-cultural structures. If implemented sensibly, tourism can help to reduce poverty, to create income and, thus, allow for self-determination of marginalised groups. In order to use this potential ideally, concepts such as community-based tourism (CBT) have been developed.

Although not very widespread, tourism in Northern Laos is constantly growing. In the district of Muang Sing the first negative side effects have appeared, including opium-tourism, the inappropriate behaviour of some tourists and the tourism industry towards villages, local aggression towards tourists, and prostitution or begging.

In order to respond to those problems, national authorities have worked together with international development organisations to set up a framework for more sustainable and community-based tourism in Muang Sing. This paper gives a critical overview of current tourism activities in the Muang Sing area, arguing that CBT is a very complex instrument for community development and that the interaction of different stakeholders can be a constant source of tension.

The author of this article used anthropological research methods to discover and understand these tensions, focusing on growing conflicts between one Ahka host community and the guides of the Muang Sing Tourism Information and Guide Service (TIGS). Data was collected through participant observation in an Ahka village and from the TIGS between January and August 2004. This included staying in one CBT-village for several one to three-week periods and taking part in the daily activities of the villagers, as well as accompanying trekking tours and observing the guides' work in Muang Sing and the villages. During fieldwork, the most appropriate interview techniques were found to be non-formal, combining guided interviews with participatory methods such as guided discussions between several stakeholders.

Theoretical Framework: What is Community-Based Tourism?

The term 'community-based tourism' is recent and, as with terms like 'ecotourism', its meaning is not quite clear. In development cooperation CBT is always considered a tool that integrates the goals of the general concept of sustainable development. This means that CBT has to fulfil criteria that make it economically sensible as well as socially, culturally and ecologically compatible with the communities in which it takes place. The active participation of the population in CBT plays an essential role in successful improvement of living conditions. Participation is a major challenge while realising this project, because it implies effective communication in goal-setting, as well as communication of ideas and desires among the single actors (institutions, dispensers, project-team and target group).

Laos has announced a desire to become a "world-class ecotourism destination" (NTA, 2003) and the Lao National Tourism Administration considers CBT a promising way of satisfying both local interests and the demands of international tourists. Alternative tourism forms such as CBT and ecotourism in general have been given an important role in national tourism strategy planning and 20 new CBT projects are currently being developed with financing from the ADB (LNTA, 2005).

*Laos has announced a desire to become a
"world-class ecotourism destination"*

In 2002 CBT was integrated into the Rural Development of Mountainous Areas (RDMA) Programme supported by German Technical Cooperation (GTZ). The project helped train guides in Muang Sing and organised a tourism awareness workshop for public sector representatives, for example from the District Governor's Office, District Planning and Cooperation Office, Lao Women's Union and Lao Youth Union.

The aim is to achieve the economic potential of tourism through an approach that is culturally sensitive to the local ethnic mountain population. Furthermore, plans are in place to support village communities in identification and expansion of income-creating measures in tourism and nature conservation (Schipani, 2003). It is important to note that CBT is a concept that was created in western societies and is closely linked to Western ideas of environmental protection, equal rights and sustainable development. Additionally, CBT is directed toward the Western markets, from which most of the clientele come.

As a consequence, Lao people working on the implementation of CBT might perhaps have to meet more requirements than are necessary in other development projects. The abilities required encompass fluent English, a comprehensive understanding of the CBT 'philosophy', and a good grasp of tourists' needs and wishes. Discussions with foreign experts reveal that even after two years of working in schemes like the Namha Ecotourism Project, staff and project teams do not really understand the principles of CBT and have difficulties in keeping the projects running.

Thus in any project working with CBT, much attention must be devoted to CBT awareness training. Constant monitoring and follow-up training is essential for staff, guides and villagers taking part in CBT.

Target Group: the Ahka

The target group of the German-Lao *Luang Namtha Rural Development Programme* is the Ahka of Muang Sing district. The Ahka are an ethnic group living in the mountainous regions of Southwest China (Yunnan), Myanmar, Thailand and the Lao PDR. Their language belongs to the Tibeto-Burman branch of the Sino-Tibeto linguistic family. In Muang Sing district, the Ahka are the major ethnic group, comprising 65% of the population. According to Schipani (2003), they number around 24,000.

Traditionally the Ahka live in autonomous mountain villages. Social organisation is patrilinear, and political life takes place at the village level (Tooker, 1996). Nowadays, political decisions are taken by the village chief, the *naiban*, and a council of elders representing the different clans of a village.

Because of their geographical isolation and weak contacts with other societies, the Ahka were for a long time able to withstand attempts at assimilation and integration. This also means that only a few 'outsiders' know the Ahka way of life. Language is certainly a considerable barrier for people from other ethnic groups who wish to make contact with the Ahka. There is also their traditional culture, consisting of ancestral offerings and belief in spirits. The Ahka are considered 'backward' by the other groups in the Lao PDR (Mansfield, 2000), and have the dubious reputation of being conservative, inflexible, very resistant to modern changes and suspicious towards foreigners. These prejudices do seem widespread and hardly facilitate interaction.

However, the Ahka are ready to accept changes, but only if they are sure that these will be useful and beneficial. If in doubt, they prefer not to take any risks and to stick with reliable methods. In the villages visited during this study, there was an especially high demand for education. Young men in particular were eager to attend school classes and tried to learn Lao and English by themselves.

Trekking Tourism in Muang Sing

Muang Sing is mainly visited by young backpackers. Wealthier, older tourists have begun to visit this area as well, but they tend not to spend as much time in Muang Sing and the surrounding areas as the younger travellers. The TIGS in Muang Sing offers different trekking tours, mostly to Ahka villages. The manager of the TIGS estimates that about 40-50% of all visitors take part in an organised trekking tour.

The TIGS is supervised by the Luang Namtha Provincial Tourism Office (PTO). The TIGS manager has to report regularly to the PTO and gives account of tourism arrivals and income through trekking. New treks have to be approved by the PTO before the TIGS can offer them to tourists.

In 2003 about 25 participants attended ecotourism guide training, designed by the Namtha Ecotourism Project. For three months, the participants took courses in English, guiding principles, ecotourism, the history of Muang Sing, first aid, and the culture of specific villages and ethnic groups. Unlike in the provincial capital of Luang Namtha, where trekking is oriented towards nature as well as ethnic minorities, the main focus in Muang Sing is visits to remote Ahka villages.

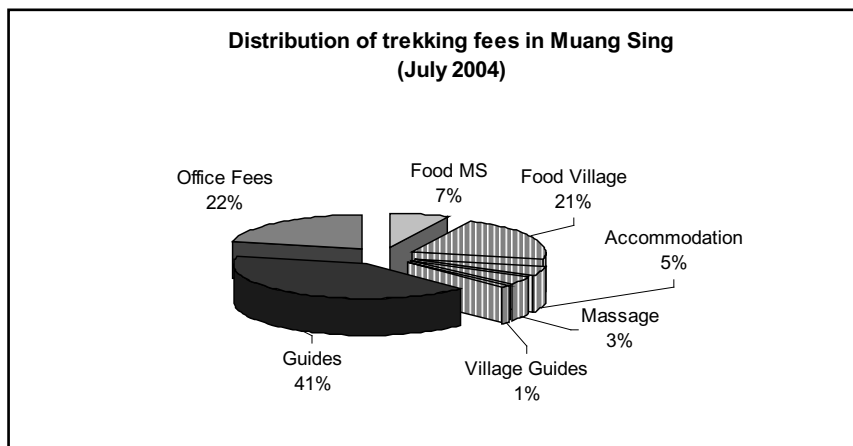
While villages from other ethnic groups, including the Tai Neua, the Hmong, and the Yao, are involved in the ecotourism programme, tourists stay overnight in Ahka villages only. For this purpose, simple guesthouses have been built at the edge of the villages. The villagers received financial support from the tourism office to build these bamboo huts and are paid for each tourist staying a night. Families follow a rotational system for cleaning the hut and bringing water when the tourists arrive. In January 2004 these families, referred to as ‘local guides’, were paid between 17,000 and 20,000 Kip each time someone visited. However, the fees paid to them began to decrease and in July 2004, TIGS staff reported that they were paying the local guides only 10,000 Kip per visitor.

Additionally, villagers sell rice and vegetables to the tourists, and sometimes handicrafts such as the traditional ‘shirts’ worn by the women are on offer. However, in the villages where tourists stay overnight, there is as yet almost no special production of handicrafts for tourism. In one village in the mountains, two or three women began to offer tourists some of their traditional clothes and small items to buy, but the women are rather unsure how to approach the tourists.

Income from the tourism is supposed to be distributed according to the Namha Ecotourism project concept. In all, villagers should receive about 26% of the fees paid by the tourists, with the provincial guides earning 29%, provincial businesses (transport and food bought in town) taking 22%, and administration costs being covered by 23%. Massages given by Ahka women on the trek are not included in this reckoning of fees, as tourists should pay extra for this service.

Figure 1 shows the distribution of trekking fees in Muang Sing as reported by the TIGS for July 2004. The system is slightly different from that used by the Namha Ecotourism Project. Massages, for example, are already included in the fees paid by the tourists. The ‘office fees’ total combines expenditure for local transport, taxes, administration costs and trekking permits.

Figure 1: Distribution of trekking fees. Hatching indicates village income.



Source: TIGS report, July 2004.

According to the guides, this reckoning of the amount of food bought in the village is inaccurate. The figure of 21% of fees being spent on village food would mean that about 42,000 Kip per tourist was spent in the village on a two-day trek. However, observations and interviews with villagers show that the guides usually bring a lot of food with them and spend a maximum of 20,000 Kip per tourist in the village. It is also clear that compared with the conceptual distribution proposed by the Namha Ecotourism Project, the guides earn much more than initially planned.

Impact of Tourism on Local Culture

Many tourists express concern about the negative influence on local communities. Some participants felt that tourism is responsible for the cultural changes they observed in the villages, like people wearing t-shirts and jeans instead of traditional clothes, or the presence of radios, tape recorders and even Video-CD and DVD-players. They often wonder if it is a good idea after all to participate in a guided trekking tour to remote villages.

Ahka villages, though, have always had contact with local markets and traders, buying goods and also selling products like fruit, vegetables, wild honey and so on to lowland people. It is clear that those contacts also influence the everyday life of the Ahka and that cultural changes are not related to tourism only, but to a growing market economy as well.

Tourism has certain influences on the economic behaviour of local people: some Ahka women from villages near Muang Sing have begun to go into town to sell handicrafts like bracelets, belts and hats to tourists. These activities depend on the season: during the low-tourism period from May to June, the women prefer to work in the rice fields rather than sell handicrafts in Muang Sing - only a few of them can be seen in town. When tourism arrivals rise however, the number of saleswomen grows. Some women (particularly the older ones) travel to Luang Namtha and stay there for two or three days, because they find more tourists there.

Tourists visiting Ahka villages sometimes complain about begging children. While some of them do indeed ask for sweets or pens when tourists enter the village, this can also be seen as a game or a way of approaching the foreigners (Lyttleton and Allcock, 2002). Normally the children cease asking when they are told that there are no sweets. In some of the Ahka villages there is no interaction at all with passing tourists, except in the case of sick villagers who ask for medical help. This practice makes tourists sometimes feel that their presence turns the Ahka into beggars. Ahka society has a different attitude, however, towards what other societies would consider as begging: there is nothing wrong with asking apparently wealthier people for help and the Ahka will often try to reciprocate with small gifts such as food or handicrafts.

In these situations, the role of the guides as intermediary becomes crucial, because they can explain such behaviour to tourists. Lyttleton and Allcock (2002) suggest that careful monitoring and the giving of feedback to villagers could reduce such occurrences.

Conflicts between CBT Stakeholders

Theoretical models suggest that tourists are most likely to be a source of conflict. The United Nations Environment Programme (UNEP), for example, considers direct and indirect relations between host communities and tourists to be a source of negative socio-cultural impacts. “The impacts arise when tourism brings about changes in value systems and behaviour and thereby threatens indigenous identity. Furthermore, changes often occur in community structure, family relationships, collective traditional lifestyles, ceremonies and morality” (UNEP, 2002). In the Muang Sing area, visitors are carefully informed about cultural etiquette, while official regulations ensure that trekking occurs only with a licensed guide. The most crucial interactions in Muang Sing, however, are those between the villagers and the guides. The villagers are the reason why most tourists come to Muang Sing at all and the guides are the connecting link between the villagers and all other interested parties.

Ahka Villagers

In point of fact, CBT is not an important source of revenue for the participating villagers. In the period March 2003 to March 2004, 67 tourist-groups came to the observed Ahka village, bringing an estimated income of 3,900,000 Kip. This is a ‘best-case’ calculation, assuming that each tourist spends about 10,000 Kip on accommodation (this goes to the village fund), 5,000 Kip for a massage, 10,000 Kip on food bought in the village, and 4,000 Kip buying handicrafts, which are actually rarely available. Additionally, a local guide earns 10,000 Kip for each visit. In fact not every tourist has a massage or buys handicrafts, while the total spent for food in the village is sometimes lower than 10,000 Kip per tourist.

*The Village Chief will not accept tourists who just
pass his village without staying overnight*

Men and women from the Ahka villages who were interviewed on this issue said that everybody in the village would benefit from a higher number of tourists. It also became clear that villagers expect that a higher number of tourists would mean increased income through the selling of food, handicrafts, and services like massages.

There are several reasons why villagers would like to increase the number of tourists. Not only do they get some income through tourists who stay the night, but they also have the opportunity to sell products to them. This means that villagers can avoid the hard and time-consuming walk to the markets of Muang Sing or Ban Mom, where they usually sell their products. “With the tourists, the market comes to us and we don’t have to leave the village”, said one village chief. Asked whether they could imagine what more visitors and a better tourism infrastructure would mean to their village, another chief replied, “a road and big buses with many tourists coming would be of advantage to our village. The more tourists come, the more we can sell”. He stressed though that he would not accept tourists who just pass his village without staying overnight. “Tourists have to spend some time and sleep here, otherwise we can not profit from them. We need that time to sell them something”.

In the village studied, people emphasised their wish to sell more food to tourists. Some complained that the guides brought too much food from the market. Not only does this mean that the villagers cannot sell their own food, but the Ahka sometimes also feel uncomfortable about food brought from outside: this food is thought to bring diseases to small animals and cattle. Even when the guides are told not to bring meat to the villages, they still do so – a practice which does not encourage confidence. This is one reason why the villagers prefer the guesthouse to be built outside the village.

In general, villagers felt that the distribution of income was not just: guides were earning very much from tourists, and some of them were even keeping the money that was supposed to be spent buying food in the villages. Some of the younger men in the village expressed a desire to study and become guides. One of the main obstacles to becoming a guide is a lack of knowledge in Lao language. Those not able to speak Lao cannot follow the training courses. Another problem is that young Ahka already speaking Lao have little access to information regarding guide training. Announcements for guide training were not made in remote Ahka villages, and as most Ahka are illiterate, they had no access to written notices advertising the training in Muang Sing market.

All the Ahka interviewed expressed very high expectations for future tourism development. Such anticipation is partly due to the initial visits made by TIGS staff to the villages. The staff sought to convince villagers that tourism was a good thing, rather than discussing realistic prospects. TIGS staff have reported that it is sometimes hard to persuade villagers to do certain things like help maintain trails or take care of the guesthouse. In such cases, the staff and guides try to persuade the villagers that cooperation will result in higher tourism numbers and therefore higher profit.

Unfortunately, there is no system for dialogue with the villagers. Even when trekking was established by the TIGS, the villages were only informed about the project, rather than asked about it beforehand. Villagers thus had no opportunity to express their opinions, and no tourism-awareness training was held for them. In fact, it is not quite clear where the responsibility for communicating with the villages lies: the staff of the PTO stated that it was the TIGS's duty to organise and take care of village monitoring, but the TIGS did not see themselves as responsible for this at all, and were even not quite sure how such a task could be performed.

Thus there is no working flow of information between the tourism offices and the villages. This can have obvious consequences, as for example in March 2004, when the people of one Ahka village decided to move their village closer to the road and a nearby river. During the moving period no strangers are allowed to enter the area for ten days, as this is believed to bring bad luck to the new village. The villagers reported that they sent someone to the TIGS office to inform the manager that during this time no tourists should approach the village. Nevertheless, the office sent a group of tourists to the village, even telling them they were extremely lucky to be the last visitors to stay overnight in the 'old' Ahka village. The experience turned out to be very bad for the tourists: the villagers were shocked and angry when the group approached. The group had to leave at once, and as they were far away from Muang Sing they had to go to another village, where they were supposed to stay overnight the next day. Instead of a three-day tour, they thus got only a two-day tour.

Incidents like this are not only harmful to the relationship between villagers, the TIGS and the guides, but also have negative effects on tourists' perceptions of trekking in Muang Sing. Communication between villagers and the TIGS needs to be improved.

Guides

Guides are a critical link between project and village communities (SNV Netherlands Development Organisation, 2003). Most of the guides in Muang Sing wish to improve their English and there is actually a strong need for this: lack of language competence increases the risk of misunderstandings between guides and tourists. Problems arise especially when guides are asked to explain the cultural patterns or religious beliefs of the different ethnic groups visited.

It is quite difficult for some of the guides to act as cultural interpreters for the tourists. Being originally from the region of Muang Sing does not mean that a guide will know and understand the culture of other ethnic groups like the Ahka. Additionally, some of the guides feel uncomfortable asking the villagers for information they do not know. One Ahka reported that guides often simply invent stories about the Ahka people. This is not only a problem when tourists ask questions about the culture and tradition of the Ahka, but also when rituals and festivals take place in the village. There are some restrictions on foreigners (people who are not Ahka) attending Ahka rituals, and it is difficult for a guide to say if tourists are allowed to see a ceremony or not. There is very little knowledge about celebrations other than the renowned swing festival or about when such events occur, as the Ahka organise their annual calendar differently to the Lao (for example, the week has twelve days instead of seven) and dates for important festivals move from year to year. Guides tend to try and satisfy the needs of tourists rather than taking care that villagers will not be disturbed by visitors. This can lead to tensions between guides and villagers.

*Some Ahka feel that tourism is a sector in which they
have no possibility of participating*

On one occasion, a group of five tourists arrived in a village and the guide learned that the older men of the village were about to hold an important ceremony outside the village. The assistant guide, an ethnic Tai Lue, brought the visitors to the ceremonial place. There, the *naiban* told the guide that he would not be allowed to attend the ceremony, because it was closed to foreigners. The villagers felt that the behaviour of the guide in bringing the tourists was not appropriate.

There are currently no Ahka guides working in Muang Sing. Ahka who had formerly worked as guides explained that the wish to attend guide training had decreased in Ahka communities. Training is regarded as time-consuming and worthless because afterwards people from other ethnic groups will be chosen to guide the tourists anyway. The Ahka who were interviewed claimed that they were eager to work as guides, but that because of the presence of guides from other ethnic groups they had no

opportunity to do so. They felt that tourism is a sector in which they have no possibility of participating. There are however some young Ahka who have already brought tourists to their villages and showed them around, independently of the tourism office.

Conclusion

A rough and basic system for CBT already exists in Muang Sing. The concept is well adapted to the needs of arriving tourists, and there is a high demand for culturally and environmentally sensitive tours. Overall, tourists were quite satisfied with the treks, and welcomed the fact that they can contribute to helping the villagers.

Nevertheless, conflicts are occurring between villagers and guides, mainly due to weak communication between the different stakeholders. There is evidence of mutual misunderstandings between guides and Ahka villagers and it is clear that overall communication must be improved in order to respond to practical problems. In the case of Muang Sing, more Ahka must be actively involved in the CBT process and be part of a coordination team. Trained Ahka guides could work as intermediaries between villagers and the other stakeholders, and could help the other guides to improve their knowledge of Ahka culture. It would be an advantage to integrate into the CBT project those Ahka who already have experience with tourists.

Some Ahka women living near Muang Sing sell small handicrafts to tourists everyday and are quite successful in this. However, these women are considered almost as beggars, and are not integrated into the tourism projects. Their experience and knowledge of tourists' wishes and needs could make them a helpful link between guides of different ethnic groups and Ahka villagers. Village-awareness training and monitoring must be taken more seriously by the parties involved, and should be set up immediately to create more realistic expectations about CBT. Regular meetings where problems and ideas can be exchanged should be institutionalised. Transparent distribution of income and regular meetings with all stakeholders to report this could help to avoid future conflicts about unjust income distribution.

About the Author

Corinne Neudorfer (neudorfe@uni-trier.de) is a Ph.D. candidate in cultural anthropology. She currently works at the department of Social Sciences (Cultural Anthropology / International Relations and Development) at the University of Trier, Germany.

References

- Eshoo, P. 2004. *Implementing a Public-Private Partnership with Ahka Villages in Sing District* (Year 1). GTZ. Muang Sing/Vientiane.
- Lao National Tourism Administration. (LNTA) 2005. *Ecotourism in Lao*. <http://www.ecotourismlaos.com/ecotourismprojects.htm> (16.01.2006).
- Lyttleton, C. & Allcock, A. 2002. *Tourism as Tool for Development*. UNESCO - Lao National Tourism Authority / Nam Ha Ecotourism Project.
- Mansfield, S. 2000. *Lao Hill Tribes: Traditions and Patterns of Existence*. Oxford University Press. Shah Alam, Selangor Darul Ehsan, Malaysia; New York.
- National Tourism Authority of Lao PDR (NTA). 2003. *National Ecotourism Strategy and Action Plan 2004-2010. Summary Draft for Final Consultation*. NTA.Vientiane.
- Schipani, S. 2003. *The GTZ Community Based Ecotourism Programme in Muang Sing*. GTZ. Vientiane.
- SNV Netherlands Development Organisation. 2003. *Sustainable Tourism Development in Nepal, Vietnam and Lao PDR*. SNV Public Relations & Communication Unit. Den Haag.
- Tooker, D. 1996. "Putting the Mandala in its Place: A Practice-Based Approach to the Spatialization of Power on the Southeast Asian 'Periphery' -- The Case of the Ahka." *The Journal of Asian Studies*, No. 55 (2): 323-358.
- UNEP. 2002. *Negative Socio-Cultural Impacts from Tourism*. <http://www.uneptie.org/pc/tourism/sust-tourism/social.htm> (16.11.2005).

Economic Integration and Social Development of Ethnic Minority Communities in Laos: Case Studies from Luang Namtha and Savannakhet

by Andrew Wells-Dang and Buasawan Simmala

As economic growth and international integration bring Laos increased development and prosperity, new communication networks will rapidly change the socio-economic environments of communities in the countryside. Through interviews with individuals in two provinces and research into the contemporary literature, the authors explore the impact that these changes have on ethnic minority groups, who in general account for the poorest people in the country. Transformation is rapidly occurring around rural villages, and the residents of these settlements have had little time or education to prepare for the new environments that are evolving. This paper contends that improved efforts will be required to ensure that remote ethnic communities share in the advantages of economic development.

Economic Transition

The Lao People's Democratic Republic stands at a point of economic transition. After the intense effects of the Asian financial crisis, Laos has now posted several years of strong economic growth. In late 2004, the country was granted Normal Trade Relations (NTR) by the United States, ending the last vestige of post-war isolation from the international community. Laos is now joining regional economic cooperation through the Greater Mekong Subregion (GMS), the ASEAN Free Trade Area and other projects. The GMS, in particular, has become "the vehicle by which landlockedness can be transformed from a national liability into a national asset" (Jerndal & Rigg, 1999).

At the first GMS Summit in 2002, regional leaders endorsed a ten-year strategy with 11 flagship programmes. The first three of these are 'Economic Corridors', two of which – North-South, linking Bangkok to Yunnan province, China, and East-West, linking Myanmar to Vietnam - pass through Laos. While road construction is a key aspect of the projects, Economic Corridors are not just about roads, but also "connectivity and cross-border facilitation of people and goods" (ADB, 2004). This formulation has since been simplified into the 'three Cs': enhanced Connectivity, increased Competitiveness, and a greater sense of Community in the region. The stated aim is to support pro-poor and sustainable growth (ADB Review, 2004).

Localised Effects

Taking these claims at face value, what are the Economic Corridors bringing to the lives of people who live along their routes? In Laos, these peoples are primarily from ethnic minorities in three provinces: Bokeo, Luang Namtha, and Savannakhet. This paper examines the opportunities - and threats - offered

by regional economic integration among ethnic villagers in two of these provinces. Luang Namtha lies in the far northwest of Laos, bordering Myanmar and China. Savannakhet is a large south-central province bordering Thailand and Vietnam. Given the geographical, economic and ethnic diversity in Laos, no single area can be representative of other areas or of the whole. Hence, research was conducted in a case-study format, aiming to gather a wide variety of information from observation and interviews with villagers, government officials, international NGOs and donors. Through 49 interviews with 81 respondents from 11 ethnic groups, as well as expatriates living in Laos, a picture arose of how social, political and economic development connect together in Laos.

The most interesting aspect is the mismatch between physical/economic and social developments in Laos, resulting mainly from limited access to education and a non-updated education system. While all Lao citizens are affected by rapid changes in the regional and world economies, the evidence suggests that those in isolated rural areas, i.e. members of non-Lao ethnic groups, face more challenges in taking advantage of these changes than do those near urban centres. This is not always the case and reality is multifaceted and complex. However, if education access were reformed and widened to respond to the linguistic and cultural needs of ethnic minority students (especially girls and women), it would significantly help the government in its goal of lifting the nation from the list of least-developed countries by 2020 (UNICEF, 2005; Simana, 2004).

Background and Literature Review

Ethnic Policy

Laos is officially recognised as a multi-ethnic society. The Constitution provides for equality of all ethnic groups, a provision elaborated on in the 1992 *Resolution of the Party Central Committee Concerning Ethnic Minority Affairs in the New Era*, signed by President Kaysone Phomvihane. This is the basis for ethnic policy and many other policies relating to highland areas, “to change the ‘natural’ or ‘semi-natural’ economic system towards one of production of goods, to promote and expand the strengths of upland areas and improve the quality of life of the citizens”. Other government policies follow seamlessly from this statement (Alton & Rattanavong, 2004).

Resolution No.7 of the Lao People’s Revolutionary Party, issued in 2001, identified three objectives for national development: poverty eradication by 2020, opium eradication cultivation by 2005, and eradication of slash-and-burn farming. Partly as a result of these policies, and partly as a reaction to regional economic change, many Lao villages have moved closer to roads and district centres over the past decade. While it can be difficult to draw the line between voluntary and pressured relocation (Alton & Rattanavong, 2004), government officials emphasise the objectives of reducing poverty and providing basic services. External observers may also note secondary goals of making ethnic groups more ‘modern’ in their ways of life or (re-)establishing state control of areas and groups that may have posed security problems. All of these are commensurate with ideologies of nation-building and national development, which can also be used as defensive measures against perceived losses of cultural identity or state authority.

Perceptions of Ethnicity

The post-1975 revolutionary government adopted a tri-partite division of ethnic nomenclature – *Lao Loum* (lowland), *Lao Theung* (midland) and *Lao Soung* (upland). Following the 1992 Central Committee resolution on ethnic minority policy, this division was shelved in favour of a listing of 49 groups broken down into ethno-linguistic categories (Tibeto-Burman, Mon-Khmer, Lao-Tai, and Hmong-Mien). International experts have identified even more groups: Chazée (1995), for instance, finds 130. Some government ministries, notably the Ministry of Education, still use the tripartite division in their documents, while many Lao use *Lao Loum* to mean ethnic Lao or *Lao Soung* as shorthand for Hmong in everyday speech.

International documents frequently avoid mention of ethnicity as a key variable in development, preferring euphemisms such as ‘those in remote areas’ or ‘disadvantaged communities’. To be clear, ‘remote areas’ in Laos are inhabited largely by non-Lao ethnic groups, who also tend to be relatively more disadvantaged than those living in lowland areas. Ethnic minorities make up 93% of the poor in Laos (UNDP, 2001), and this disparity is growing (Kakwani, 2001; ADB, 2002; CPC, 2002). Hence, speaking of ‘poverty eradication’ in Laos is essentially the same as ethnic development. The variety of ethnic cultures in Laos, however, means that different groups in different locations will benefit differently from reductions in poverty. This does not mean that all ethnic Lao are well off and all non-Lao are disadvantaged, simply that poverty in Laos has a clear ethnic dimension that should not be overlooked (Participatory Poverty Assessment (PPA), 2001; UNDP, 2001).

*Ethnic minorities make up 93% of the poor
in Laos and this disparity is growing*

Inter-ethnic group comparisons are difficult to carry out, given the unavailability of disaggregated socio-economic data by ethnicity in Laos. Detailed national statistical surveys do exist, but the breakdown of data presented is entirely geographical by province (CPC, 2004). Officials at the Lao Front for National Construction, the main Party-affiliated organisation responsible for ethnic concerns, explain that data collection will be implemented following the standardisation of ethnic nomenclature across the country.

Effects of Change on Minorities

Perceptions of relative well-being may in any case matter more than statistics. The PPA conducted in 2000 found that many communities define poverty by food security rather than income terms. Economic development that does not also provide secure food supplies and livelihoods might therefore bring them more income but less well-being. Dr. Leebor Leebouapao, a Hmong who is vice-chair of the National Economic Research Institute, argues that reform and development in Laos should not be narrowly understood as higher GDP or growth rates. If it is, the environment and traditional knowledge will suffer, and “competition will endanger the stability of the Lao economy” (Leebouapao, 2003).

Asked which ethnic groups they saw as relatively better equipped to take advantage of opportunities offered by economic change, most respondents interviewed for this paper identified larger groups with more secure identities (such as Kimhmou and Hmong) and groups culturally closer to lowland Lao (such as the various Tai groups). Some of these groups are also largely Buddhist. Less well-positioned groups were identified as those with lower education levels, with less cultural similarity to larger groups, and/or groups of smaller size. In the minds of many respondents however, location is more important than ethnicity. Significant differences may exist within the same ethnic group depending on whether a village is located near a road or district centre, remains intact in its original location, or has been relocated.

A joint study conducted by UNICEF and the Ministry of Social Welfare concluded that ethnic minority children are at higher risk of being trafficked to neighbouring countries if their villages have recently relocated. After Lao-Tai groups (62%), Mon-Khmer are at highest risk (27%), followed by Tibeto-Burman (10%), with only a small number of Hmong-Mien (1%) trafficking cases reported (MLSW, 2004). Trafficking routes closely follow the Economic Corridors, and the report concludes that effects of modernisation, rather than poverty, are the key driving forces behind child trafficking.

*Both Lao and expatriate sources
identify education as a key factor in
ethnic development*

HIV/AIDS is also a growing concern, with the most vulnerable including those working in the hospitality, transport, trade, construction, and manufacturing sectors (ADB Review, 2004). These are precisely the areas poised for growth through the Economic Corridors. According to ADB specialist Paul Chang, “minority peoples, especially the women, are at risk because of poverty, a lack of access to education and health care, a lack of culturally appropriate information in their own languages, cultural and social breakdown in some communities, non-traditional drug use, human trafficking, and involvement in the sex trade” (ADB Review, 2004).

Education and Declining Differences

Both Lao and expatriate sources identify education as a key factor in ethnic development. Ethnic students who do not understand Lao will learn little in classrooms where Lao is the sole language of instruction and may have difficulty participating in a national market economy when they become adults. On the other hand, ethnic students who ‘become’ Lao and reduce usage of their native language run the risk of cultural dislocation.

A common thread through interviews is that ethnic relations are improving as groups have more contact with each other. At the same time, clearly marked differences between groups (through clothing, language, or lifestyle) may be declining. This complex pattern of social interaction and change is being expressed differently in various parts of the Lao PDR.

Luang Namtha and Savannakhet: Economic Integration at Different Stages

Savannakhet

Of the two economic corridors, progress towards completion of the East-West project is more advanced (ADB Review, 2004). Route 9 across Savannakhet has been completely paved since 2003, reducing a ten-hour journey to less than three hours. A Mekong river bridge, Laos's second, is now under construction between Savannakhet and Mukdahan; Vietnamese-Thai trade along Route 9 is already booming.

Savannakhet is Laos's most populous province, with an above-average economic growth rate. The province has extensive industry and resource extraction activities including timber, mining and scrap metal (the last related to its high level of UXO contamination). Savannakhet contains ethnic Lao in lowland areas near the Mekong, Brao (Katou and other Mon-Khmer groups) and Tai in the mountains. Provincial officials are largely ethnic Lao and Tai, while upland districts are governed by the locally dominant ethnic groups; in Phin district, Brao make up more than 60% of the population and close to 100% of the district leadership. Compared to those in northern Laos, ethnic groups in Savannakhet are more mixed together, even in the same villages, and cultural differences are not so apparent at first sight. This might be a consequence of shared war experiences, in which most ethnic groups in Savannakhet fought together on the side of the Pathet Lao.

Luang Namtha

Luang Namtha, in the northwestern corner of Laos, is one of the most ethnically diverse parts of the country. The province has no ethnic majority: 22 non-Lao groups make up 70% of the population. The largest group, particularly in the northern districts of Long and Sing, is the Ahka, a Tibeto-Burman group related to the Lolo in southern China (Alton & Rattanaovong, 2004). Two important roads pass through the province. Route 3, from Thailand to China, is currently being upgraded as part of the North-South Corridor; construction will be completed at the end of 2006. Another all-weather road, built with a World Bank loan in the late 1990s, crosses from Xiengkong on the border with Myanmar to Xishuangbanna, China. Both Sing and Long have received significant international development assistance over the past decade.

A growing Chinese presence is immediately noticeable in Luang Namtha. Chinese migrants run businesses and restaurants. Investors rent land for industrial and agricultural use. The level of trade and exchange with China has increased dramatically since 2002, on the basis of provincial policy (with central-level approval) to welcome Chinese technical support and development experience. Thus, while the Economic Corridor project is further along in Savannakhet, in other respects Luang Namtha seems further down the path of economic change. This is mostly due to its location on the Chinese border and the huge market that China represents. Farmers are producing for export to China, many of them through their ethnic cousins on the other side of the border. Chinese companies are hiring contract farmers and renting land to grow produce and raise livestock. In Savannakhet, by contrast, local people are producing little for export.

Luang Namtha, but not yet Savannakhet, also has a substantial tourist industry, with dozens of guesthouses, trekking companies, and ecotourist facilities. While most tourists are presently Western backpackers coming from Luang Prabang and Thailand — a stream that is likely to increase once Route 3 is complete — the larger market is surely Chinese. Indeed, Chinese developers are currently constructing a ‘cultural village’ and resort complex, including a casino and golf course, near the border at Boten. Provincial officials say that they are aware that tourism might bring negative impacts along with positive, but that to date the benefits seem greater, and that tourism has brought substantial revenue that is distributed among various groups in the province.

Case Studies: Three Villages

Model Village: Ban Nam Keo Noy

Nam Keo Noy is a Lue village in Sing district, Luang Namtha province, located about 5 km along the main road from the district centre, with abundant water sources. The area is multi-ethnic, with smaller Ahka and Kor villages under the administration of Nam Keo Noy. According to the village chief (*naiban*), villagers’ lives have improved substantially since the mid-1990s, when the village began to produce a surplus of rice and export it to China. Before that, Nam Keo Noy residents had been subsistence farmers only. Trade is facilitated by contacts with relatives on the Chinese side of the border. Villagers bring rice to the border, about 15 km away, where it is purchased by Chinese middlemen. With trade, the village has prospered. Houses are large and well kept: most are relatively new in Tai-Lao style, with just four traditional Lue houses remaining. Many families own motorbikes or Chinese-made trucks. Electricity arrived in 2000 and satellite television dishes are now common.

*Instead of taking risks on new agricultural products,
many villages simply follow what others are doing,
often without adequate market information*

Nam Keo Noy’s success has made it an example, not only for the district but in other provinces. It is easy to see why this village would be an attractive model in Laos. The Lue are sedentary farmers, not shifting cultivators. They are Buddhists, and their language and culture are relatively close to that of lowland Lao. Their lifestyle and choice of crops match the government’s cultural and agricultural targets. The *naiban* attributes their success to government encouragement, plus improved knowledge of the market. Less clear is how easily transferable this model is. Every village and ethnic group is different, and what works in one place may not apply directly to another. Not all villages have the natural advantages of land, water and human resources that Nam Keo Noy has, or access via family connections to export markets across the border. Villages that have relocated to new areas, usually from the uplands to the lowlands, tend to lose some of their cultural resources as well. Forming community spirit and unity takes a long time, especially in a new place. Instead of taking risks on new agricultural products, many villages simply follow what others are doing, often without adequate market information.

Taking a Chance on Rubber: Ban Done Ngeng

Done Ngeng is a relatively well-off Ahka village a short distance from Long district centre along the all-weather road from Myanmar to China. The village chief speaks Lao and Ahka, while most other villagers, particularly women, speak only their native language. Done Ngeng was consolidated from a number of upland Ahka villages and moved to this location about ten years ago. About half of the villagers live solely from agriculture. The villagers have limited land available for rice production, as they no longer have full access to their former swidden fields in the mountains. Many people tend livestock in the upland areas behind the village.

As with other villages in the area, the primary crop used to be opium. This stopped in 2001 and resulted in an immediate income loss. Some residents have made up this income through other activities, but not all. According to the *naiban*, about half the 61 households are poor. Those with access to good land are able to grow different crops year-round and have more stable incomes than others. Villagers sell agricultural and non-timber forest products like bamboo grubs at the district market nearby. Some rice is exported to China and other markets in Luang Namtha through intermediary traders. Villagers state that these intermediaries sometimes give what they consider to be a fair price and sometimes do not, as there is often a problem of oversupply — people copy what others are doing and the price goes down. Villagers appear to have little knowledge of market prices outside their immediate vicinity.

*The environmental effects of large-scale
rubber production have not yet been
measured in Luang Namtha*

Like many other villages in Luang Namtha, Done Ngeng is beginning to experiment with rubber production. In 2005, villagers will begin planting 30,000 rubber trees with technical assistance from provincial and district agricultural extension workers. The potential future payoff from rubber is large, as shown in the example of a Hmong village, Ban Had Nyao in Namtha district, which began to plant rubber trees in 1994 (Alton, 2005). Using a combination of astute market planning, government loans, and technical assistance, Had Nyao villagers have planted over 400 hectares of rubber over the past decade. Their success is attracting increasing attention and villages all along the roads in Luang Namtha are in various stages of clearance for planting rubber during the 2005 dry season.

The risks of rubber cultivation are also large. Trees planted today may begin to be tapped only after seven to eight years of growth, provided weather conditions remain suitable. Provincial officials believe the current Chinese market for raw rubber is insatiable, although they accept that the demand and price may change over time. However, the fact that one village successfully exports a product does not mean that others can necessarily copy their success. Moreover, the environmental effects of large-scale rubber production have not yet been measured in Luang Namtha. It is not promising to see areas of the Nam Ha National Protected Area being cleared for rubber cultivation, as is happening in Ban Had Nyao and many other villages along the road from Namtha to Sing.

Ahka are the majority ethnic group in Long district and are well represented in the district government. Despite this, there is a common perception among Ahka and non-Ahka that this group is relatively less advantaged compared to others. While no income or welfare statistics are available for each ethnic group, it is clear from NGO studies that Ahka villages have not benefited substantially from international exposure (ACE, 2003). Nevertheless, Alton and Rattanavong (2004) find that “the human capacity of the Ahka . . . is increasing. Their Lao language literacy and numeracy is improving. They are acquiring new skills in the areas of sedentary agriculture . . . [and] about health and sanitation. The question is if this is enough for them to adapt themselves to their environments in order to survive and compete more effectively.”

Ban Kang, Muang Phin, Savannakhet

This originally Brao village was founded in 1903 along a stream in central Phin district, about five kilometres from Route 9. During the Second Indochina War, the villagers fled to the mountains and returned afterwards, joined by several Phou-Tai families displaced from other areas. At present, the village is composed of these two groups, and villagers stress the solidarity and equality among them, saying that ethnic relations are better than they were in the past.

Ban Kang possesses adequate land for agriculture, but insufficient water — an especially acute need during the drought in early 2005. Electricity does not yet reach the village. Many new and more permanent houses have been constructed in recent years, though villagers say that traditional materials and structures are cooler and more appropriate. Health and education services have changed dramatically since the opening of a new health centre about two kilometres away in 2002 and expansion of the village school, which now teaches grades 1-4. Villagers produce a mixture of rice, cash crops (cassava, potatoes), and livestock (ducks, chickens, buffalo). Most agriculture is subsistence based, with little trade or cash economy in the village, but some households now own inexpensive two-stroke tractors. These economic and social changes have not, however, been enough to ensure food security. Some families only have enough rice for six to nine months of the year.

Several kilometres away, trade along Route 9 is expanding rapidly. Large trucks from Thailand and Vietnam travel in both directions. Smaller vehicles from Savannakhet and other cities also bring goods to the market at Xethamouk, near the junction where the secondary road originates. This dirt road was widened after the paving of Route 9 as part of the road construction projects associated with the GMS East-West Corridor. Logging trucks travel up and down the dirt road by the village, as do trucks carrying scrap metal collected from surrounding areas. Ban Kang villagers say the logging does not involve them at all. Some attractive handicrafts and textiles are produced by women in the village, mostly for their own use and not for sale. The leader of the local women’s group says that women have more market awareness and knowledge than in the past, but that this is still quite limited. There does not appear to be much local market for these products: the Xethamouk market is largely filled with Thai, Chinese and Vietnamese textiles, and Phin district has no significant tourist market.

The Economic Corridor has thus brought little direct benefit to local villagers to date. More noticeable have been the effects of government social services, an evaluation of which is outside the scope of this paper. There is, nevertheless, an indirect relationship between economic development along the road and government attention to nearby areas. Infusions for infrastructure projects might open up other streams of revenue that could benefit local residents. These benefits, however, need to be balanced with potential environmental, health and social costs. An infrastructure-dominated approach to development is unlikely to bring about poverty reduction by itself.

Conclusion

The extent and speed of economic and social change in both Luang Namtha and Savannakhet is astounding and cannot be overemphasised. However, the limited access to education for linguistically different minorities creates a mismatch between social and physical/economic development. Villages and indeed entire districts that until 2000 had no road access, virtually no involvement in a market economy, and few modern services, are now watching satellite television, exporting agricultural products, and purchasing consumer goods. Culturally speaking, ethnic villages are moving from the 19th century to the 21st within the space of a few years. Although the GDP growth rates reported in Laos might not match those elsewhere in the region, countries such as China or Vietnam have had a generation or more to prepare for this growth. In Laos, the process is beginning and accelerating rapidly. This fact in itself ensures that the outcomes of economic development in Laos will be qualitatively different from those in other Asian countries (Evans, 1999).

*An infrastructure-dominated approach
to development is unlikely to bring about
poverty reduction by itself*

Most provincial and local government officials interviewed for this study appeared aware of both the opportunities and potential risks of economic integration for ethnic communities in their provinces. Given their position, the best they can do is to maximise the opportunities and limit the risks of rapid change. The success of government management will depend on available funding, but also on sensitivity to ethnic cultures and local concerns. Unless programmes are explicitly aimed at specific ethnic groups, they may either not reach the targets at all, or else do so in a way that unconsciously erodes cultural identities.

Indeed, the social consequences of economic integration may prove more far-reaching than economic developments. Changes in culture and social habits take longer to become visible than economic effects, are harder to quantify, and may be impossible to reverse. Traditional education and awareness-raising campaigns that may have been effective in the immediate post-war period now compete with messages from the market and television, and from across borders. Language is also a key issue: educational

messages or HIV/AIDS campaigns that are conducted only in Lao will not reach ethnic people at risk. Moreover, even where social adjustment programmes are effectively implemented, they may take years to show any impact. The Economic Corridors and regional economic integration, however, are not waiting: there is a serious time lag between economic change and social catch-up. This affects everyone in Laos, and will be felt by the more remote and culturally separate ethnic groups most of all.

Clear connections can be drawn between economic integration and economic growth. However, there is no automatic link to poverty reduction (UNDP, 2001). Economic growth is indeed necessary and beneficial for a poor country such as Laos, but only if it is quality growth that reaches the poorest, namely the ethnic communities. The potential benefit to ethnic communities from economic integration is immense, and this potential is already being partly realised in certain cases. At the same time, other communities are barely affected or are being left out. Unless economic gains are balanced with possible social and environmental effects, and unless all groups benefit from integration, the goal of graduating from the group of least developed countries by 2020 is likely to remain a dream.

About the Authors

Andrew Wells-Dang (andrewwd@gmail.com) worked from 2001 to 2005 for the American NGO, Fund for Reconciliation and Development, as regional representative in Hanoi. Buasawan Simmala (buasawans@yahoo.com) is a Ph.D. Candidate in Administration and Leadership at the University of Wisconsin-Milwaukee, USA. The authors have worked with a broad coalition of Lao and Lao-Americans to improve trade and development relations.

This paper is based on research conducted as part of a project on “State Capacity and Ethnic Relations in Laos: Integration Within and Without,” funded by the Programme on Global Security & Cooperation of the Social Science Research Council (USA). The authors wish to thank research partner Catharin Dalpino (Georgetown University). Field research in Laos was assisted by Professor Aloun Silattanakoun (National University of Laos) and Phonesavanh Chanthavilay (Ministry of Foreign Affairs), who facilitated approval by the government. Acknowledgements are also due to the many provincial, district, and local officials who answered difficult questions and accompanied the researchers on village field visits.

Bibliography

Action Contre La Faim (ACF). 2003. *Reports on Resettlement in Long District*. Luang Namtha.

Alton, C. & Rattanavong, H. 2004. *Service Delivery and Resettlement: Options for Development Planning*. Report to UNDP and ECHO. Vientiane.

- Alton, C. 2005. *Baan Had Nyao: First Rubber Village*. In unpublished study on rubber plantations in Luang Namtha.
- ADB. 2002. *Laos Country Strategy and Programme Update 2003-05*.
- ADB. 2004. *Regional Cooperative Strategy and Programme 2004-08: The GMS – Beyond Borders*.
- ADB Review. 2004. "Mekong on the Move: Impact of the East-West Economic Corridor." 12/04 issue.
- Chazée, L. 1995. *Atlas des ethnies et sous-ethnies au Laos*. Bangkok.
- Committee for Planning and Cooperation (CPC)/National Statistical Centre (NSC). 2002. *Poverty in the Lao PDR during the 1990s*.
- CPC/NSC. 2004. *Lao Expenditure and Consumption Survey (LECS 3)*, 2002-03.
- Evans, G. 1998. *The Politics of Ritual and Remembrance: Laos Since 1975*. Silkworm Books. Chiang Mai.
- Evans, G. 1999. *Laos: Culture and Society*. Silkworm Books. Chiang Mai.
- Evans, G. 2003. "Laos Is Getting a Bad Rap from the World Media," article posted online at www.ffrd.org.
- Jerndal, R. & Jonathan, R. 1999. "From Buffer State to Crossroads State". In Evans, G. (ed.) *Laos: Culture and Society*.
- Kakwani, Nanak et al .2001. "Poverty in Lao PDR," paper delivered at Asia and Pacific Forum on Poverty, Manila.
- Leeber, Leebouapao. 2003. "Challenges and Prospects in Lao PDR's Economic Development". *NERI Economic Review*, 1/03, pp. 14-23.
- Lyttleton, Chris, et al. 2004. *The Road to Sing: Markets, Labor and Other Fruits of Development*. Rockefeller Foundation.
- Ministry of Agriculture and Forestry. 1999. *The Government's Strategic View for the Agricultural Sector*. Vientiane.
- Ministry of Education. 2000. *Education Law of the Lao PDR*. Vientiane.
- Ministry of Labor and Social Welfare & UNICEF. 2004. *Broken Promises, Shattered Dreams: A Profile of Child Trafficking in the Lao PDR*. Vientiane.
- Simana, S. 2004. "Views on Minority Education". *Juth Pakai 2*, pp. 27-35. Vientiane.
- State Planning Commission. 2001. *Participatory Poverty Assessment, Lao PDR*. Vientiane.
- UNDP. 2001. *National Human Development Report Lao PDR: Advancing Rural Development*. Vientiane.
- UNICEF. 2005. *Fact Sheets, State of Girls' Education in Lao PDR*. Vientiane.

Promoting Soybean as a Cash Crop: Determinants and Possible Impacts

by Blesilda M. Calub, Daniel Talje and Khampou Phouyyavong

This case study examines the determining factors and possible impacts of promoting soybean cash cropping in Xieng Ngeun District, Luang Prabang Province. In 2004, soybean was promoted as a cash crop by provincial and district authorities. The district failed to reach its production target, resulting in losses for soybean-producing farmers and the company involved in trading the crop. This paper suggests that the situation can be improved if better systems exist for providing technical support and market information to farmers, and if feedback and monitoring mechanisms are developed between stakeholders. Existing market policies have to be reviewed, and increased competition encouraged among traders. Higher incomes for farmers and increased market efficiency are then likely to follow.

In the Lao PDR, soybean has been newly introduced as a cash crop. Different from traditional easy-growing Lao crops such as upland rice, corn, sesame or Job's tears, soybean is a sensitive crop that responds dramatically to its environment. Germination, growth, flowering, pod development and ultimate yield are highly influenced by variety, nodulation, soil fertility and moisture, climate, and cultural management. Known yield reducers are weeds, insect pests and diseases (Pandey, 1987). Thus, to be able to maximise full yield potential, farmers must know the factors that affect plant growth at each critical growing stage.

To be able to equip farmers with this knowledge, the Lao-Swedish Upland Agriculture and Forestry Research Programme (LSUAFRP) develops technology options based on indigenous and new knowledge that improves the sustainability and productivity of existing upland farming systems. To achieve this, LSUAFRP implements on-farm trials focusing on the technology options of 12 farming systems. One of these technology options is the corn-plus-soybean intercropping system. According to early evaluations of farmer trials, it seems that many farmers are interested in trying this combination on their own farms. Such positive feedback encourages the expansion of trial sites to include more farmers and larger areas. However, before the programme promotes soybean planting on a large scale, it must first examine the experiences of farmers in other areas where soybean planting has been recently promoted.

Consequently, LSUAFRP carried out this case study in Xieng Ngeun District, Luang Prabang Province, to document factors affecting successful promotion and possible impacts of commercial soybean cropping. Semi-structured interviews, focused group discussions and field visits were undertaken in two villages, Ban Houykhout and Ban Phonesavanh. Resource persons for this work included the District Agriculture and Forestry Extension Office (DAFEO) head and staff, the District Commerce Office (DCO) head, farmers from study villages, and the manager of Vilaykhoun, a private company in Luang Prabang. Triangulation was used to countercheck the information obtained from various sources.

Background

In 2004, Vilaykhoun International Import-Export Company Limited initiated an exclusive contract growing scheme for soybean production in Xieng Ngeun District. With assistance from the DAFEO, contracts were drawn between Vilaykhoun and farmers. The company provided soybean seeds at a cost of 8,100 Kip/kg. Rhizobium inoculant was provided to farmers optionally, at a cost of 8,100 Kip per 200g pack. The farmers provided the land and labour inputs. At harvest, farmers were obliged to sell all soybean produced to Vilaykhoun only, at an assured price of 2,000-2,500 Kip/kg depending on seed quality. The cost of the initial seeds and rhizobium inoculant (if any) was to be deducted first and the remaining balance paid to farmers. It was also possible to repay in kind, at the rate of 4kg of soybean seeds returned to the company for every kilogram of seed borrowed by farmers.

In the same year a non-governmental organisation, World Vision, also promoted the planting of soybean in Xieng Ngeun. It provided training and seeds for farmers but no contract to buy back harvests. Farmers were free to sell to anyone interested to buy and were asked only to return to World Vision the same amount of seeds loaned to them.

For most of the farmers, these new varieties recommended by Vilaykhoun or World Vision represented the first time they had planted soybean. However, the soybean crop of 2004 did not meet expectations. Many farmers said the yield was only enough to repay the company, while others said they did not have any harvests and are therefore now indebted to the company. Some farmers declared modest harvests, but against an expected return of 432-640 tonnes, Vilaykhoun claimed to have obtained only 200 tonnes of low quality soybean from the 2004 cropping season in Xieng Ngeun. Because of the low quality and quantity, Vilaykhoun said it was not able to export the soybeans but could only sell them on the domestic market.

Strategies for Promoting Soybean as a Cash Crop

To increase and diversify income sources for farmers, and to provide alternative options to shifting cultivation, soybean has been promoted as a cash crop in Xieng Ngeun. Production is large scale and managed through the following strategies:

Production Targets

At district level, production targets are set every year in terms of area to be planted with particular crops and number of tonnes to be produced per cropping season. In Xieng Ngeun, the 2004 production target area for soybean was set at 900 ha, rising to 2,000 ha in 2005.

By having production targets, the district is able to plan the provision of necessary inputs, mainly seeds for planting. Production targets also enable the district to project volume of sales and expected revenues from fees and taxes. In 2004, this was computed at 2% of the value of total soybean purchased by Vilaykhoun from farmers.

Production Zones

In 2004, 12 villages in Xieng Ngeun were assigned as soybean production zones. Zoning is decided by DAFE0 staff based on (1) matching the bio-physical requirements of the crop with the bio-physical conditions in the villages; (2) interest of farmers in planting the crop; and (3) proximity to roads and points of sale.

Contract Growing

An advantage of contract-growing schemes is that there is an assured price and buyer for harvests. In the Vilaykhoun contract, farmers are obliged to sell their harvests to the company. Selling to other traders is considered a breach of contract and offenders are supposed to pay damages to the company. On the other hand, if Vilaykhoun refuses to buy at the agreed contract price, the company will be liable for ten times the value of the soybean produced by farmers.

The Vilaykhoun contract first stated that the company will buy the beans at 1,500 Kip/kg for small-seed varieties and 2,000 Kip/kg for big-seed varieties. Later, however, the prices were increased to 2,000 and 2,500 Kip/kg for each seed size. The contract specifies that farmers should sun-dry their soybeans for at least four days to achieve 12-14% seed moisture content. The company may refuse to buy beans that are affected by mould. It is not clear whether the farmers were made to understand that certain quality standards could affect the price of their soybean harvests. There is also a question of how the contract price is determined and who determines it.

Technical Support

Of the 12 villages assigned to produce soybeans in 2004, only seven planted the crop. The technical know-how for soybean production among farmers and even DAFE0 staff is limited. To address this limitation, Vilaykhoun and World Vision provided training on soybean production for DAFE0 staff and heads of farmers' production groups. In turn, these DAFE0 staff and heads of production groups provided training to other farmers.

Soybean Performance in 2004

During 2004, the first year of soybean cropping in Xieng Ngeun, results were poor for farmers and the Vilaykhoun Company. Actual yields were as low as 0.1-0.5 tonnes/ha, compared to an expected yield range of 0.8-1.2 tonnes/ha. According to interviews, the causes of crop failure were as follows:

- 1) Timing: planting in early April resulted in drought stress on the young soybean plants with pod ripening during the rainy season. This resulted in poor bean quality. Some seeds germinated while still in the pods.
- 2) Seedlings died at the four- or five-leaf stage; roots dried up.
- 3) Planting in June during high rainfall resulted in rotting of newly germinated seeds.
- 4) Farmers used ten seeds per hill instead of the recommended three. Too many seeds per hill resulted in competition for sunlight, soil moisture and nutrients.
- 5) Planting with not enough space between hills led to plant competition and shading.

- 6) None or poor germination of seeds.
- 7) Non-uniform growth of soybean plants.

Determinants of Successful Soybean Production

Stakeholders

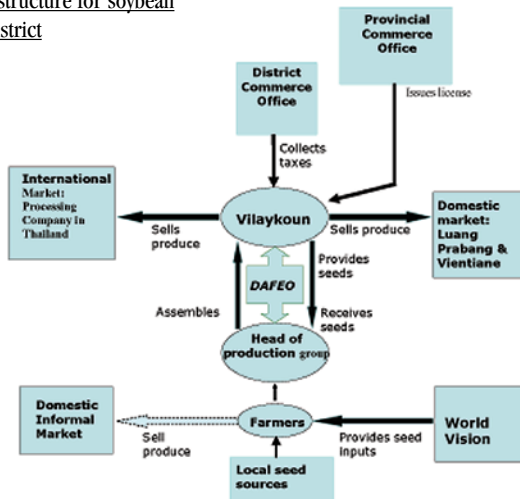
The major stakeholders for soybean production in Xieng Ngeun are: (1) Vilaykhoun; (2) DAFE0; (3) DCO; (4) heads of production groups; (5) farmers; (6) other traders; and (7) World Vision. How these different stakeholders regard each other has both economic and social consequences.

In terms of production, some farmers are not interested in planting soybean again because of the failure they experienced, while others are willing to try again. The social aspects include feelings of distrust among stakeholders. Some farmers feel they are being exploited by Vilaykhoun because the buying price is too low and they are prevented from selling to other traders. On the other hand, Vilaykhoun suspects that some farmers are not keeping their contract, by declaring small harvests to the company and repaying the loaned seeds, then selling the rest of their crop to other traders who offer better prices.

Market Structure

Figure 1 presents the interaction of the stakeholders involved in marketing of soybeans in Xieng Ngeun. Inputs (seeds) are mainly provided by Vilaykhoun and World Vision to heads of production groups. These are then distributed to farmers within their assigned groups. Some farmers have their own local seeds. At the end of the cropping season, the heads of production groups gather the soybean harvests from farmers and inform DAFE0 that the soybeans are ready for pick-up. Vilaykhoun then sends its trucks to collect the harvests.

Figure 1: Market structure for soybean in Xieng Ngeun District



Though it is not admitted openly, it seems common knowledge that farmers sell part of their produce to informal traders who come to the villages. While the Provincial Commerce Division issues the annual license and collects taxes based on net profits, the District Commerce Office collects taxes based on the amount of soybean shipped out from the district. This amount is based on what is reported to the DCO by Vilaykhoun, but how this volume of sales is verified by the DCO is not clear.

Market Competition and Efficiency

The market for soybeans in Xieng Ngeun is a typical case of monopsony (one buyer, many sellers). Vilaykhoun is the only buyer, thus it can dictate the price. Farmers are left with two options: accept the price they are offered or not take part in the trading. If there were no administrative barriers, other companies could take part in the trading. Increased competition among traders would be likely to have positive effects on farmers' bargaining power, enabling them to charge a higher price for their produce. Some district officials claim that trading is not exclusive to Vilaykhoun: other traders can apply for a license and start trading in Xieng Ngeun. There are signs, however, that administrative barriers to entry do exist. If a new trader wants to start doing business in the district, DAFEО staff recommend that the market should be geographically divided between the two traders. All farmers producing soybeans in zone 1 should then sell to trader 1, and soybean-producing farmers in zone 2 should sell only to trader 2. In essence, this is still a situation where there is one buyer and many sellers in a given area. Hence, the market is likely to be fixed in a stage of monopsony with negative effects on farmers and the economy as a whole. Local officials stated that this policy is followed because "to develop the market and reach economic development, companies should be protected from competition". This flies against the conventional wisdom of free market agriculture, in which competition eventually leads to the development of healthy companies that in turn will boost economic development.

*The market is likely to be fixed in a stage
of monopsony with negative effects on
farmers and the economy as a whole*

Licensing, Taxation and Fee System

The Provincial Commerce Office issues agricultural traders with an annual license to operate, the cost of which is related to the trader's scale of business. All together for soybeans, the taxes and fees add up to approximately 200 Kip/kg. Using the figure of 200 tonnes of soybean traded in 2004, as claimed by Vilaykhoun, this means a total of 40 million Kip was paid as taxes and fees. This added cost could also be the reason why many traders are disinclined to register and become accredited legal traders. There is a need to study the balance between generating tax income and allowing traders to make profits. Taxes bring income to the district, which is highly desirable, but if rates and fees are above a certain level, there will be no incentive for traders to join the market or increase their scale of business. High taxes may also encourage traders to under-declare the volume they are trading and thus might in fact result in reduced tax income for the district.

Production Volumes and Informal Trading

Based on current practice in Xieng Ngeun, two main obstacles to the functioning of the market can be emphasised:

- 1) The volume of soybeans that farmers sold to Vilaykhoun in 2004 was far too small to enable the company to lower soybean costs per unit and thus reach economies of scale.
- 2) The contract-growing farmers violated the contract with Vilaykhoun and sold a considerable volume of their production to informal traders.

The Vilaykhoun company recently invested in a drying machine, but it cannot yet get enough soybeans to run the machine efficiently and recover the investment costs. In the long run, Vilaykhoun may not find it profitable to continue the business. The volume of soybeans sold to the company will be too low for it to reach efficiency of production and recover fixed costs. This becomes a lose-lose situation as farmers lose their assured buyer and the government loses a source of revenue.

If, however, competition were allowed to increase among traders, Vilaykhoun would be forced to offer the farmers a higher price for their products. This would create an incentive for farmers to expand soybean production. Although Vilaykhoun would then have to share the total produce with competing traders, it is likely that they will still be supplied with a larger quantity than they can currently gather. Informal trading would decrease considerably with increased competition, as the higher prices offered would render extra-contractual trading pointless. Therefore competition should lead to increased profits for farmers and to more of the produce being channelled to licensed traders, who could thus reach economies of scale.

Communication Structure

Providing Technological Information

Provision of technological information regarding best practices for growing a new and sensitive crop like soybeans is crucial to ensuring a good harvest: without good yields there is nothing to trade. The challenge lies in how to deliver information effectively and in a timely way.

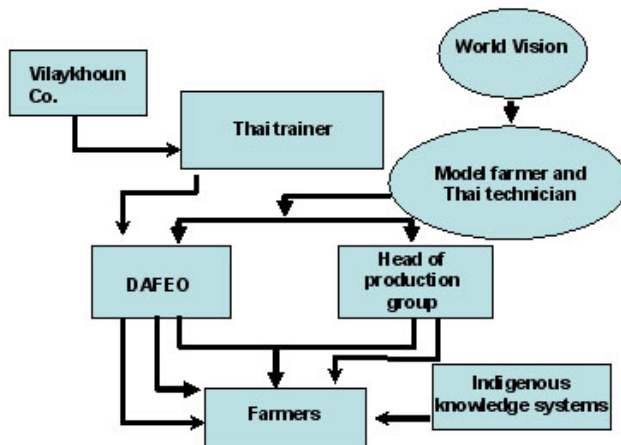
Figure 2 presents how technological information was provided to Xieng Ngeun farmers. Vilaykhoun hired a Thai professor to train DAFEO staff, who in turn relayed the information to farmers. The relay training sessions were more like discussions rather than formal training, taking half a day per village and in some villages lasting for only two hours.

In contrast, World Vision hired a 'model' successful soybean farmer from Sayaboury Province and a Thai technician to train both DAFEO staff and heads of soybean production groups, who in turn trained farmers. It should be noted that some farmers already have their indigenous knowledge from growing soybean for home consumption.

Whether farmers were able to learn sufficiently from the training or whether they were able to apply what they learned was not directly measured. However, judging from feedback on the causes of crop

failure, it seems that the 'one-time training' given in Xieng Ngeun was not enough. Farmers would benefit much more if follow-up training were conducted as a series throughout the growing season, accompanied by practical field work and demonstrations.

Figure 2: Flow of technological information to farmers



Crop Production Technologies

The information being given to farmers also needs to be reviewed. For example, the Vilaykhoun contract recommends a seeding rate of 60 kg/ha whereas elsewhere the recommended seeding rate is 20-25 kg/ha (Sumarno et al, 1988). A high seeding rate not only means high input costs, but also results in overcrowding of plants, shading, nutrient competition and eventual reduction in yields.

Information on soybean growing should be classified according to cropping system. Seeds planted in upland areas at the start of the rainy season will require a different set of practices to those planted in lowland areas towards the start of the dry season. Locations differ in soil type and fertility and it is important that farmers are guided in choosing land for soybean planting.

Soybeans are attacked by many insect pests and diseases from when they are seedlings and right through the pre-flowering, flowering, pod formation and pod development stages. Farmers and DAFEO staff need to know in advance what these pests and diseases are, and how to control them.

Post-Harvest Technologies

Proper implementation of harvesting and storage techniques is essential. Improper storage can spoil yields by as much as 80%, but infestation by insect pests or contamination by *Aspergillus* (a fungi that produces aflatoxins, cancer-causing poisonous compounds) can be minimised by harvesting the crop on time and then immediately drying it. International markets can only accept soybeans with not more than 12% moisture content and aflatoxin levels of not more than 20 parts per billion (ARPRODUC, 2005).

Providing Market Information

Farmers also need information on the prevailing prices of products, volume demands, quality standards, market channels and traders. Such knowledge would enable them to make informed decisions as to when or where to sell which crops. In addition, their capacity to negotiate will be improved if they are equipped with correct and timely market information.

Monitoring and Feedback

DAFEO technicians are each responsible for covering 6-14 villages. Given this ratio, plus the number of different crops they have to monitor and the road conditions in the areas they visit, it is understandable that these offices struggle to provide farmers with sufficient monitoring and technical support.

As a feedback mechanism, farmers report problems with soybean production to the heads of their production groups. The heads then communicate this to DAFEO staff, who in turn pass the information on to Vilaykhoun or World Vision. How and when Vilaykhoun or World Vision respond to this data is not clear. If there were a more efficient feedback and response system, solutions to production problems could possibly be provided in time to salvage crops.

Impact and Recommendations

The overall impact of soybean production has four major aspects, which are actually inter-related:

Agro-Ecological Impacts

Because soybean is a nitrogen-fixing legume, it has a positive impact on soil fertility in the long term. However, depending on inherent soil nutrients, soybean may require additional applications of phosphorus and potassium fertilisers. Integrating soybean into existing cropping systems maximises land utilisation and provides additional income to farmers. As part of a crop-rotation system, soybean planted after harvesting lowland rice has positive effects on the following rice crop, especially if rice straw from the previous crop is used as mulch to the soybeans. Mulching also controls weed growth, thus saving weeding labour. In upland farms, soybean may be integrated in a block crop-rotation system for soil improvement. It can also be grown as an intercrop to corn without reducing corn yields.

Planting soybeans as a monocrop could be simple to manage but might easily lead to the wanton use of agro-chemicals, while pest outbreaks are more likely to erupt in monocropping systems. Knowing that soybeans can suffer from many pests at all stages of growth, farmers can easily be tempted to use pesticides. Thus, sustainable Integrated Pest Management and Integrated Nutrient Management practices need to be promoted. Crop rotation, intercropping and use of disease-resistant varieties are all good practices that can help avoid indiscriminate use of agro-chemicals, which are not only hazardous to the environment but also reduce profit margin for farmers. Policies that support integrated versus monoculture cropping should be encouraged.

Soybean production may contribute to soil erosion if planted in sloping areas without erosion control measures. It is thus important to include conservation farming techniques like contour cropping

or hedgerow intercropping when promoting soybean production in upland farms. It should also be cautioned that economic pressure to intensify soybean production nationwide should not be allowed to encourage more slash-and-burn cultivation, as is now occurring in Brazil and Paraguay (Monahan, 2005).

Economic Impacts

With proper integration into existing cropping systems, soybeans can provide an additional source of income for farmers. LSUAFRP on-farm trials in selected villages in Phonxay District, Luang Prabang and Namou District, Oudomxay, showed that yields of corn are not significantly reduced when intercropped with soybean. The advantage is that intercropped soybean and corn yields provided an income of 1.3 million Kip/ha versus 0.6 million Kip/ha from pure corn cropping. Furthermore, 7 out of 15 farmers say that intercropping reduced the frequency of weeding (Sisavath et al, 2005). This means savings on labour inputs, especially for women who usually do the weeding for corn.

*Rather than exporting raw beans,
soybean traders should look into semi-
processed or finished products*

As a cash crop intended for export, soybean is susceptible to price fluctuations on international markets. Safeguards need to be put in place to minimise the negative impact on farmers' income from a sudden price drop. Practising multiple cropping instead of monocropping is one alternative - if income from soybean fails, the other crops can provide fall back income.

Rather than exporting raw beans, soybean traders should look into semi-processed or finished products to provide added value. Local processing would also help reduce the need to import basic soy-based products that are indispensable to Lao households, like cooking oil and soy sauce. A spin-off business from this would be feedmills for processing concentrate feeds: a by-product of soybean processing is a meal or cake that is a highly nutritious animal feed ingredient. By providing good quality feed to domestic animals, better animal health, growth and reproduction would occur, thus leading to more valuable sources of income and assets for farming households. The economic advantages of aiming for self-sufficiency in basic soybean products and by-products deserve study. Increased domestic utilisation reduces reliance on imported products.

Socio-Cultural Impacts

Soybean has tremendous potential to reduce poverty among farmers if reliable and timely market information, plus technological know-how are made available. It is also important that farmers be active participants in the trading of the crop. They should be able to negotiate for better prices, especially under contract-growing schemes, while opportunities for forming production and marketing cooperatives need to be explored.

Soybean is a high-protein human food and promoting household consumption will improve nutrition and consequently the health of Lao households.

Special attention must be paid when introducing a new crop to rural communities. According to the LSUAFRP on-farm trials by Sisavath et al (2005), soybeans have traditionally been grown by Hmong farmers. Thus it was easy to promote further cultivation with them. The women normally cook soybeans for home consumption and can process the beans into tofu and traditional fermented products. They know the markets for raw beans as well as processed soy food products. However, to the Phouxang people of Oudomxay, soybean was a new crop when it was introduced by LSUAFRP in 2004. Only a few were interested in planting it again the following year. Those who did not continue said they did not know where the markets are, and besides the crop is *baw seb* (not tasty). Perhaps providing them with market information and teaching them different ways of food preparation would enable them to appreciate the value of this crop.

Policy-Institutional Impacts

The taxation and licensing system may need to be reviewed in order to encourage more investment and free trade. The fees and taxes the Vilaykhoun company must pay seem substantial. Vilaykhoun has indicated that if taxes were lowered, it could raise the buying price of soybean, which would be likely to stimulate more farmers to get into soybean cropping and in turn have positive effects on Vilaykhoun's ability to reach economies of scale.

Provincial and district authorities are urged to encourage more traders, thus enabling the market to develop from its present state of monopsony. This will provide better prices for farmers and may reduce the gap between formal and informal market prices. Promoting wide-scale planting of a new crop like soybean, of which both farmers and DAFEO have limited technological know-how, can result in a 'trial and error' production system. In a situation where survival of the family farm is at stake, this is undesirable. Therefore, investments should be made to strengthen the technical capacity of the DAFEO staff, who in turn can teach and support the farmers.

The number of DAFEO staff could be increased to effectively respond to farmers' needs. An alternative would be to strengthen the technical capability of the heads of farmer production groups. Such individuals could then serve as focal points for technological knowledge and market information. Coordination, monitoring and feedback systems could also be improved through better trained leaders.

Aflatoxin

While soybean consumption is being promoted to improve family nutrition, it can end up causing health problems like liver cancer if the crop is not treated properly. Women who prepare soybean and soy products for their families should be made aware of the health hazard posed by aflatoxins and trained in how to identify their presence. Relevant policies and institutional support are important in minimising aflatoxins in soybeans. Farmers need training, along with technological know-how and market information. Providing drying and storage facilities and efficient transport systems are investments that the government and private sector can focus on.

From the agronomic standpoint, growth of *Aspergillus* in soybeans can be minimised by the following measures: (1) use of good quality seeds at planting; (2) use of aflatoxin-resistant varieties; (3) avoiding end-of-cropping moisture stress of more than 20 days; (4) avoiding damage to the pods either mechanically or by insects at harvest; (5) harvesting at the right maturity; (6) threshing and drying immediately to a 12% moisture content; and (7) correct storage.

Conclusion

Commercial production of soybean is a potential source of income for farmers, traders and the government. However, being a new cash crop, soybean faces many challenges. Policy guidelines that encourage integrated farming systems, plus supply of market information to farming communities, can help promote sustainable soybean production. Likewise revision of existing trading policies is needed to motivate farmers and traders to invest in profitable soybean production.

The experience derived from this study shows that when growing a new cash crop, providing sufficient technical know-how to both farmers and DAFEO staff will improve yields. Establishing a regular monitoring and feedback system can provide timely support and solutions to production problems encountered in the field. It should be noted that conclusions presented here are true only for the case of Xieng Ngeun District, particularly the case study villages. Other districts may have similar or different experiences and it would be helpful if those were documented for comparative analysis.

About the Authors

The authors work or have worked with the Lao-Swedish Upland Agriculture and Forestry Research Programme, a partnership between the National Agriculture and Forestry Research Institute (NAFRI) and the Swedish International Development and Cooperation Agency. Dr Blesilda M. Calub (bmcclub@laguna.net), a former adviser to the Programme's Farming Systems Research/Extension Component, is now a University Researcher at the Integrated Farming Systems Division, Agricultural Systems Cluster, University of the Philippines, Los Baños. Mr Khampou Phouyyavong, researcher, and Mr Daniel Talje (d_talje@yahoo.se), associate expert, are with NAFRI's Socio-Economic Research Component.

References

ARPRODUC. 2005. "Argentina Commodities Exporters and Mercosur Trading Operators". <http://webs.satlink.com/usuarios/a/arproduc/soybeanmeal.htm>

ICRISAT. 2005. "International Crops Research Institute for the Semi-Arid Tropics". www.icrisat.org and www.aflatoxin.info

Monahan, J. 2005. "Soybean Fever Transforms Paraguay". <http://news.bbc.co.uk/2/hi/business/4603729.stn>

Pandey, R.K. 1987. *A Farmer's Primer on Growing Soybean on Riceland*. International Rice Research Institute and International Institute of Tropical Agriculture. Laguna, Philippines.

Sisavath, O., Navongsay, V., Soukhy, X. & Inta, K. 2005. *On-farm Research on Corn and Legume Intercropping in Selected Villages in Luang Prabang and Oudomxay*. Annual Technical Report. LSUAFRP. Lao PDR.

Sumarno, F., Dauphin, A., Rachim, N., Sunarlin, B., Santoso & Kuntastuti, H. 1988. *Soybean Yield Gap Analysis in Java*. Centre for Research and Development of Cereals, Pulses, Roots and Tuber Crops in the Humid Tropics of Asia and the Pacific (CGPRT). Bogor, Indonesia.

The Lao PDR: Certified Organic?

by Rick Dubbeldam

Lao agriculture faces increasingly stiff competition from neighbouring countries on domestic and international markets. Yet, rural Lao people are looking to improve their incomes to meet rising expectations. Accessing niche export markets for organic agricultural produce could help Lao farmers to increase their earnings with little or no change to current growing methods. However, these markets require complicated and expensive certification procedures. The author discusses here whether declaring the whole nation to be 'organic' could give Lao agricultural produce an edge over foreign competition. Even if it could, the fact that declaring the nation organic would result in a significant drop in rice production renders the idea less feasible. However, a pesticide-free branding brought in through regulation could promote Lao agriculture and be practical to implement.

This article aims to start discussion on ways of promoting Lao agricultural produce in the international market, along with sustainable agricultural practices. This combined promotion could occur by means of a national branding of Lao agricultural produce that would give it a positive edge over competitors.

The background to this idea is as follows: Lao government officials all over the country currently claim that Lao produce is 'natural' and, as such, can find a good position in foreign markets like Thailand. However, this 'natural' produce is not an internationally recognised standard, and nor is Lao agriculture fully 100% 'natural', whatever that label means. Internationally there is the recognised 'organic' branding label. Can Laos say that its produce is organic? Is Lao produce 'pesticide free', which is what organic means? If it is, can Lao produce be branded as such, to help it on international markets and so increase the prices received by farmers?

Ultimately, such a branding might mean that farmers in the Lao PDR can improve their incomes and thus their livelihoods. Such ambitions are at the heart of the National Growth and Poverty Eradication Strategy (NGPES) and of the first Millennium Development Goal to "eradicate poverty and hunger".

Rising Incomes Required

Over recent years livelihoods in rural Laos have been undergoing significant change. Whereas previously each village was nearly subsistent, nowadays there is an increasing need for outside products and services. This change is in part fuelled by the advent of consumerism: the demand by villagers for products unavailable locally. Concurrently there is demand for more income, due to greater access to education, health, clothing, electricity, telephone services and transport (SPC, 2001). As a result, rural people are trying to increase local production or are seeking alternative sources of income. One of the most specific responses by Lao villagers has been to expand agricultural production: by selling excess crops or livestock, farmers can generate the required income.

In the lowlands and valley floors, farmers have typically begun to increase rice production in the rainy season and grow high-management vegetables in the dry season for local and national markets. In more mountainous areas, besides upland rice for household needs in the rainy season, crops such as Job's tears, sesame seed and corn are being produced to meet the increasing cash needs. These products, traded for money and therefore referred to as cash crops, are meant for foreign markets. The farmers must find a market and generate sufficient returns to sufficiently compensate for the labour input used in growing them.

Markets for Lao Products

The Domestic Market

Crops on the Lao market can be divided into perishable and non-perishable products, the latter of which mostly consist of rice. In recent years surpluses of rice have easily been absorbed domestically and have probably also found markets in neighbouring countries through informal trade or exchange. Other non-perishable products such as Job's tears, corn, sugar-cane or soybean have little or no local market. Due to the relatively small size of the population in Laos and the lack of processing facilities, most produce has to be exported. Market prospects for these crops are not set to change significantly in the foreseeable future; prices are strongly determined by the world market, where few major changes are expected in the near future.

*Thai and other foreign suppliers
can produce more cheaply and their
products are less seasonal*

As opposed to non-perishable goods, fresh produce such as fruit and vegetables is sold mainly on local markets. In general, seasonal fresh production exceeds demand. This results in low prices and insufficient marketing possibilities. At the same time, these products face considerable competition from foreign sources, especially Thailand. Thai and other foreign suppliers can produce even cheaper and their products are less seasonal in character. Such imported products are also usually higher in quality due to modern agricultural methods. Their producers can keep prices low as they are working on a larger scale and employ better management of the chain between producers and sellers.

Competition, especially from Thailand, is set to increase in the foreseeable future. Upcoming trade agreements imply that produce from neighbouring countries will face even less taxation when accessing Lao markets. In addition, free trade agreements (FTA) between Thailand and third countries mean that agricultural produce in Thailand is set to both drop in price and increase in quality. For example, an FTA between Thailand and China is to facilitate trade of fresh produce, but only for quality goods from farms certified as conducting 'good agricultural practices'. The consequence is that Thai producers are further improving their quality to meet these trade requirements.

International Markets

Laos faces many problems in international markets. Products often fail to meet international standards as they are produced under minimal conditions. Inputs such as seeds are of poor quality, while many growers are unaware of correct application procedures for fertilisers and pesticides. Specific growing conditions are not pursued, with the end result that overall productivity is low and quality substandard. Low productivity results in less income and substandard quality means lower prices or even failure to gain markets. These lower prices are, economically speaking, not such a problem as wages in Laos are also low, but the lack of quality renders it difficult to sell Lao produce despite the lower price. Basically it is very difficult to export perishable Lao produce, though there is some scope for quality non-perishable goods such as coffee.

Niche Markets

Faced with the adverse market circumstances of increased competition locally and poor access to foreign markets, how can Lao farmers increase their income through cash crops? Although projects and programmes provide constant assistance to Lao farmers, in its entirety Lao agriculture fails to meet the sophistication applied by neighbouring countries. In general, agricultural research and extension, and access to rural credit services are less effective in Laos than in neighbouring countries. As agricultural development continues to progress in these countries, it seems impossible for Laos to catch up.

For certain crops, however, growing conditions (climate, water, soils) might be particularly appropriate in specific parts of Laos, and here there is some possibility of jumping the divide. For instance, on the Bolovens Plateau durian fruit and cabbage are grown for export to Thailand, especially to the Bangkok market. Within Laos itself, markets for high-end agricultural produce like salads and special fruits are expanding due to the growth of tourism, which needs a constant and high quality supply. These are examples of so-called niche markets. A niche is defined as a segment of the market that can be successfully exploited through the particular capabilities of a given country, organisation or individual (Luther, 2000). Niche market products require special marketing (such as an attractive brand name), good supervision, and quality control.

Comparable Advantage

Besides the aforementioned special growing conditions, Lao agriculture already has a certain edge over its competitors in one particular market - that for organic produce. Lao agriculture is almost *de facto* organic in the sense that there is comparatively little use of chemical substances such as fertilisers or pesticides. The international organic market relies on environmentally sound commodities with the emphasis on a lack of chemical inputs. This niche market poses an exciting prospect for Lao farmers. Besides the fact that no major changes are required in current growing practices, the global organic market is expanding rapidly (ITC, 1999; Parrot & Marsden, 2002; IFAD, 2004; Willer & Yussefi, 2005) and it also pays premium prices for products free of chemical residue. Lao produce, both fresh and non-perishable, could easily and without much change access this market and reap a premium that would result in increased incomes for Lao farmers.

Certification

Organic agriculture is defined as “a production system which avoids or largely excludes the use of synthetic compounded fertilisers, pesticides, growth regulators and livestock feed additives” (USDA, cited in Scialabba & Aubert, 1998). In this it differs from other terms such as *natural* agriculture or *sustainable* agriculture, which both have a very broad definition. To protect consumers, organic produce has to meet certain fixed standards and regulations. Assurance from the producer is insufficient: a product or a farm has to be certified. Certification is an official process whereby a controller verifies whether a product meets officially defined criteria. This verification can occur in various forms. In Thailand for instance, it is currently possible to test produce for the absence of chemical substances in provincial laboratories. If the products meet certain standards then the producer receives a certificate. This certificate is then used on local markets to reassure buyers that this farmer’s produce meets the requirements for this specific guideline. It does not mean that it meets organic standards; it implies only a lack of pesticides when the test was conducted.

Organic produce should be produced without use of synthetic or chemical compounds. The fact that a laboratory check after production does not verify whether, for instance, chemical fertiliser has been used, complicates the certification process considerably. The best known specific organic certification is that set by European Union guidelines. Under those procedures each organic grower can expect a visit from an outside inspector, who will verify the standing crop and look into the required bookkeeping. Relying on an outside inspector is a very expensive system due to travel costs and the fact that most institutes which can certify are found in the Western world, where fees are high and travel expenses large. It means that for Lao farmers the costs of inspection would in most cases negate the increased profit from organic produce.

*Organic certification would be too
expensive and mostly unrealistic in Laos*

An alternative certification process, the Internal Control System, has been devised specifically for smallholders by the International Federation of Organic Agriculture Movement (IFOAM). This procedure relies on extensive documentation by each farmer, combined with general internal inspection within the group and external inspection of a sample of the group of farmers. In this manner large groups of farmers can be certified. In Laos there is as yet no agency able to certify agriculture produce, so foreign input would be required for organic certification. The most feasible source of certification is currently Thailand. This is expensive, starting at US\$2,000 for certification in Laos. In addition, the internal bookkeeping required is probably too sophisticated for the majority of farmers, who often have had limited education. The standards themselves further complicate the issue. For example, outside water used during the growing of organic produce must not contain chemical substances (fertilisers or pesticides). Adherence to organic certification would therefore exclude the use of irrigation water, which can be contaminated if just one farmer in the area resorts to using pesticide or chemical fertiliser. In short, organic certification would be too expensive, too difficult and mostly unrealistic in Laos.

Organic Lao Agriculture

In general one can say that for most Lao farmers, the problems in getting produce certified as organic would be insurmountable. At the same time though, it can be pointed out that these same farmers may already be meeting the general requirements for organic agriculture. To assist farmers, the national government could declare all Lao produce organic. This would be much more effective if backed up by a policy forbidding sale of both chemical fertilisers and pesticides. Such a declaration, combined with policy enforcement, would certainly improve the position of Lao products internationally. A declaration of this sort has never before been made on a national scale, but would in effect mean that all Lao produce would henceforth be 'branded'. Countries have in the past adopted this sort of national branding: New Zealand declared itself 'nuclear free' in the 1980s, Bhutan has just recently gone 'smoke free', while Costa Rica is 'army free'. At the moment Cuba is the only example of a nation striving to produce all agricultural produce organically, though this seems to be born out of necessity. In 2002, 65% of all rice and 50% of all vegetable production in Cuba was of organic origin (Parrot & Marsden, 2002).

Change in the international markets open to Lao agricultural products does seem inevitable, and organic rebranding could help the country maximise any opportunities that may arise in the future. The Lao PDR is currently negotiating membership of the World Trade Organisation (WTO), and the position of the WTO on organic products should become clearer after the Doha rounds of trade talks. Possibly of greater consequence to Lao farmers are the Free Trade Agreements which Thailand is undertaking with a variety of countries, mostly to improve the access of Thai industrial products to these countries in return for freeing up the service and agricultural sectors. The Asia Free Trade Area is another system to offer potential markets, but what these will be is difficult to predict as all member countries are allowed to apply exceptions, none of which have yet been determined. Tariff barriers are generally not the biggest problem for exporters: it is often non-trade barriers such as acquiring export licenses that provide the biggest obstacles.

Current Use of Chemical Fertilisers and Pesticides

Is Lao agriculture *de facto* organic agriculture? To answer this we need to look at two specific aspects: pesticide use and chemical fertiliser use. Specific data is not easily available in Laos but the most recent FAO figures reveal use of chemical fertilisers reached roughly 7,000 tonnes in 2002. Of this, 3,395 tonnes were nitrogenous fertilisers. The research of Linquist and Sengxua (2001) on nutrient management in lowland rice mentions a significant increase in the number of farmers starting to use chemical fertilisers. This corresponds with the profusion of fertiliser sales points, signified by 'Rising Sun' signboards.

The FAO statistics do not mention pesticide imports. Pesticide use can be assumed to be very low indeed, but not 0%. Most pesticides used in Laos are herbicides - chemical compounds meant to kill off weeds. They are used in upland rice farming to a limited degree, in fruit tree crops by wealthier farmers, and in pineapple cultivation. In most cases the use of herbicides is ineffective: herbicides kill off annual weeds, but it is perennial weeds such as *Imperata* that form the main problem and which easily survive the use of herbicides. In vegetable production, use of insecticides and fungicides is increasing.

Call for a National Policy

The use of chemical compounds is relatively limited but is currently increasing. Instituting a national policy which guarantees chemical-free production may be able to circumvent required certification, so helping Lao produce to obtain a place in international markets. However, current Lao agriculture is not *de facto* organic - some amounts of chemical fertiliser are used. A new national policy would therefore require significant change. The principle difference for farmers would be the disuse of fertiliser and pesticide. Can this be achieved?

Fertiliser Dependence

It can be assumed that a large amount of the chemical fertiliser imported is used in rice production. With rice the use of 1kg of urea fertiliser results in 20-50kg more production (De Datta, 1981). Discontinuing fertiliser use could thus result in 140,000-350,000 tonnes less rice grown per year, a 5-15% drop in national production (which in 2000 reached 2.15 million tonnes). It is clear therefore that discontinuing the use of fertiliser in Lao agriculture would have substantial impact. Moreover, a fertiliser factory with a capacity of 70,000 tonnes/year was scheduled to open in Savannakhet during 2005, indicating that demand is continuing to grow.

*Branding the whole country “pesticide free”
would result in new markets and higher profits
and boost Laos’s reputation*

“Pesticide Free”

It may be assumed then that fertiliser use will continue to take place and that trying to prevent it would be very difficult. However, most consumers seem more concerned by pesticide use than fertiliser use. In general, small amounts of pesticide are used in Laos, mostly in rice fields along the Mekong valley. If a government policy forbidding pesticide use were initiated, and laboratory checks set up to verify the non-use of pesticide, the whole country could be branded ‘pesticide free’. All Lao agricultural crops would then benefit from a positive international image, which in turn would result in new markets and higher profits. In addition the government could require these standards for imported produce, thus giving consumers more protection and providing local farmers with a competitive edge on local markets. This policy, which could be achieved with very little change in the current practices of Lao farmers, would also give the country as a whole a positive image, boosting Laos’s reputation and enhancing tourism.

Conclusion

Although the vast majority of Lao people work in farming, Lao agriculture is uncompetitive on international, regional, and even some domestic markets. This situation is unlikely to change through technological improvements, as the competition has access to such advances before Lao farmers do.

The country's natural advantage lies in its comparative lack of technologies that are increasingly being acknowledged as harmful and undesirable: chemical fertilisers and pesticides.

Before these chemicals do proliferate throughout domestic agriculture, Lao decision-makers have an opportunity to choose a pro-active change of policy in line with the NGPES '*thammasat* (natural) way of development'. Going 100% organic would result in a considerable shortfall in rice production and such a move would be difficult to enforce. However, branding the Lao PDR 'pesticide free' could bring new markets and better prices for farmers, and win the country respect abroad. Banning pesticides will require careful research and preparation, for instance in exploring how to deal with issues such as rat poison. However, with technical assistance from agencies with expertise in natural predators and repellents, traditional methods of protecting crops can be augmented without using chemical pesticides.

This policy change can be seen as ambitious. However, the alternative is to continue as before, thereby increasing the exposure of farmers and consumers to pesticides and at the same time relying totally on the whims of other nations concerning markets, market practices and prices. In general, while the economic outcomes of organic rebranding are uncertain, the option to declare the country 'pesticide-free' would have no negative economic aspects (as of now) and would also result in an attractive and positive image for tourism.

About the Author

Rick Dubbeldam was DED (German Development Service) development advisor from 2002 to 2005 at the Upland Agriculture Development Centre of Vientiane Province.

JHDubbeldam@hotmail.com

Bibliography

De Datta, S.K. 1981. *Principles and Practices of Rice Production*. John Wiley and Sons. New York.

IFAD. 2004. *Organic Agriculture and Poverty Reduction in Asia: China and India Focus*. International Fund for Agricultural Development. Rome.

International Trade Centre (ITC). 1999. *Organic Food and Beverages: World Supply and Major European Markets*. UNCTAD/WTO. Geneva.

Linquist, B. & Sengxua, P. 2001. *Nutrient Management in Rainfed Lowland Rice in the Lao PDR*.

Luther, H.U. 2000. *Niche Markets*. National Organisation for the Study of Policy and Administration. Vientiane.

Parott, N. & Marsden, T. 2002. *The Real Green Revolution*. Greenpeace. London.

Scialabba, N. & Aubert, A. 1998. *Report of FAO / IFOAM Meeting on Organic Agriculture*. FAO. Rome.

SPC. 2004. *National Growth and Poverty Eradication Strategy*. Vientiane. State Planning Committee.

SPC. 2002. *Participatory Poverty Assessment – Lao People's Democratic Republic*. State Planning Committee / Asian Development Bank / National Statistics Centre. Vientiane.

Thrupp, L.A. 1996. *New Partnership for Sustainable Agriculture*. World Resources Institute. Washington D.C.

UNDP. 2004. *Lao Progress towards the Millennium Development Goals*. Vientiane.

Willer, H. & Yusseji, M. (Eds). 2005. "The World of Organic Agriculture". *Statistics and Emerging Trends*. IFOAM. Bonn.

Juth Pakai

Contributions Welcomed

The UN Country Team in the Lao PDR supports the production of a development journal called *Juth Pakai*, Perspectives on Lao Development. *Juth Pakai* ('new thinking' in Lao) aims to stimulate dialogue on all issues related to development in Laos. The journal disseminates knowledge and serves as a forum where debate and analytical thinking can be shared, while also promoting the goals and commitments embodied in the Millennium Declaration.

The journal, published around three times a year, seeks voluntary written contributions from the development community, including national and international development practitioners, government officials, staff from bilateral and multilateral agencies and NGOs, journalists, academics, researchers or anyone with a keen interest in Laos. The journal is printed in English and Lao and is also available on the web at: www.undplao.org and www.unlao.org.

The UN in Laos sees this as an exciting opportunity for development practitioners and organisations to disseminate reports, studies and opinions on any aspect of the state of the development agenda in this country. All material submitted for the consideration of the Editorial Board should be in English or in Lao. Articles should be no longer than ten pages of A4. Brief opinion pieces and letters to the editor are also welcomed. Manuscripts should include a short summary (100-120 words) of the issues addressed and the most important findings, and a list of references where appropriate.

For full guidelines on writing for *Juth Pakai*, see www.undplao.org or e-mail laodevelopment.journal@undp.org, or write to:

The Secretariat, Juth Pakai, c/o UNDP, PO BOX 345, Vientiane, Lao PDR.

The Editorial Board accepts manuscripts on the understanding that they are subject to revision. Contributors should indicate if the material provided has previously been published or submitted for publication elsewhere.

**The Secretariat
Juth Pakai, c/o UNDP
PO Box 345
Vientiane
Lao PDR
Tel. +(856 21) 213390-97
e-mail: laodevelopment.journal@undp.org**