

CHAPTER 1

INTRODUCTION

1.1 Historical Background and Statement of the Research Problem

The country of Laos, as part of its move toward economic development, is focused on making use of the country's resources and turning them into capital, as supported by the state government and the economic sector. Land reforms have been a major factor in this economic transformation, encouraging foreign investors to invest in the country and inject capital. This policy has been in place since the New Economic Mechanism (NEM) was introduced in 1986.

Chusak (2011) has reviewed the economic reforms taking place in Laos under the NEM, saying that they pose a challenge in terms of agrarian transformation, and as a part of the post-socialist development of this landlocked country. This change has involved a move from a centrally planned to market oriented economy. Starting at the top, change has percolated down to local communities in the form of increasingly intensive agricultural production activities and increased commercialization of the subsequent products. State sponsored irrigation systems and mechanization, coupled with a demographic shift, have led to intensive land use and a number of land tenure changes. To cope with looming land conflicts, the Lao state has instituted a series of land laws in order to recognize private property, and as a part of this, customary land rights based on kinship relations have been replaced by an individual-based system. Market transactions for land are now prevalent, including rental, sales and mortgages,; however, land has become scarcer as the banks of the Mekong River have eroded, causing many households to lose their cultivated land.

This policy of cultivating land to create economic dynamism has been particularly noticeable with the Special Economic Zones (SEZs), zones formed based on concessions and the transference of land to specific activities such as rubber plantations and mining. The SEZs have allowed investors to use the relevant land for their own objectives, leaving the way open for investment in a number of forms. These SEZs are located at the country's borders, because these are places which have

an availability of land and are close to other countries, making it is easy for foreign investors to move in.

The amount of Foreign Direct Investment (FDI) has increased in recent years, with a law (FDI No. 02/NA, Article 59) promulgated on 8th July 2009 aimed specifically at promoting investment (Lao government, 2009). Also, the SEZ initiative has been designed to attract both domestic and foreign direct investment, creating jobs for those living in these areas, and with land leasing, duties and taxation incentive policies, exports and imports, re-exports, investment licenses and migration policies as appropriate. So, allowing the flow of FDI has also promoted the international flow of labor into such areas. Starting in 1990, the flow of goods and people across the border between China and Southeast Asia started to accelerate (Evans, 1999). The growth and success of the Chinese economy can be put down to its recent economic reform and open-door policies, which have improved its economic viability in relation to neighboring economies, the whole of ASEAN and the rest of the world. Since then, China has continued to pursue an export-oriented strategy, attracting FDI and encouraging export manufacturers to produce goods for third-country markets (Wong, 2007).

Since 2000, Laos has received a considerable amount of aid and investment from China, most of which has gone towards the overall economic growth of the country, including hydropower projects, mining and agricultural activities, and hospitality. In addition, Chinese expansion in Laos has continued year on year, leading to an expansion of Chinese markets with the cooperation of both governments. In the Southeast Asia region as a whole and in the highlands of Laos in particular, Chinese groups old and new have played a significant economic role in developing the regional economy (Rigg, 2002). Under an Asian Development Bank (ADB) initiative, a number of road construction projects have taken place in Laos since 1996, as studied by Lyttleton (2004), and this has led to a huge influx of people and goods from China, particularly in the border areas of Laos – which are at the heart of Southeast Asia and link with five neighboring countries. Even though Laos is a landlocked country, it has strong linkages with its neighbors, and a number of institutions have supported the SEZ program, such as the ADB – which has

cooperated with the Lao government during both phase I and phase II, as well as other ASEAN countries – who have supported infrastructure projects, such as the building of the ‘R3’ road running from China via northern Laos into Thailand.

The government of Laos also initiated the Golden Triangle SEZs in the early 2000s, and my study area, Khuan village, has been developed since 2007, as the surrounding area shares a border with Myanmar and Thailand and is located in Bo Kaeo Province - alongside the R3A north-south economic corridor which was completed on February 4th 2010.

It is claimed that under the SEZ project, local villagers will have better quality of life, as well as receive compensation for loss of their paddy fields, gardens, houses, vegetables, fruit, animals, fish, orchards and other crops, all based on reasonable prices. But in reality with the support of the local government, local people, such as those from the Yuan and Dai Lue ethnic groups, have since been displaced, based on 50-year concessions being given to the relevant companies. Buildings in the area have been sold or leased for the duration of the concession, which, according to the agreements in place in the SEZ, can be extended for a further 25 years, after which ownership will revert to the Lao government. The central features of the SEZs in this area are the same as those of Boten Daen Kham SEZ, including a three-star hotel-casino complex containing shops, small restaurants, staff dormitories and apartments (Nyíri, 2009). However, among the list of promoted activities are more interesting ones such as agriculture and industry, and there are plans to turn the area into a zone called *Na Khone* or ‘New City Development Project’ (Lao Government, 2011). As a result, the project has already displaced many households, and according to the leader of the compensation team, approximately 127 households, covering 928 hectares (ha) of land, have already been taken out of production due to the building of the zone.

My research focused on Khuan village, part of a rural district within the Golden Triangle, an area which shares a border with Houay Xai District and the provincial capital of Bo Kaeo Province, which is located about 40 kilometers away. Most of the households in this village rely on farming, selling their produce such as rice and others crops, to agencies, locals and neighbors, as well as those from Thailand who come to the village to buy direct from their houses – an activity which

every year brings a good income. According to the head of the village, they can earn an average of more than 1,200 USD per annum per household from these activities. The rice fields in the village cover 191,620 hectares, producing 884,750 tons – which amounts to 1,915 kilograms of paddy rice per hectare per household every year.

In addition to this, the area has for a long time been a crucial agricultural region, with high levels of paddy production, permanent cultivation, cash crop growing, fruit production, animal rearing and other farming activities taking place. Socially, this has had an adverse effect on neighborhood relations, on identity and culture, all of which have developed over a long period. The farmers' emotional and social relationships have developed over many generations in line with their daily practices and production processes, and these have also been disrupted with the arrival of the SEZ.

1.2 Statement of the Research Problem

My research aims to go beyond a mere study of the empirical impacts of these border developments; to illustrate that the development process has led to the local people in my case study area having to both resettle as well as negotiate with the central, provincial and country-wide governments and their policies, and investors. Furthermore, I look at how local people have coped with the rapid changes taking place as a result of development in their area.

1.2.1 Justification for the Problem in Border Studies

Most previous studies relating to development and resettlement in Laos have focused on internal resettlement, in which people have been relocated due to land being acquired for government-led development projects. These movements have greatly (and mostly negatively) impacted upon people living along the border areas in particular, mainly as a result of the relevant governments' unwillingness to review the impacts of such resettlements.

At the national level, the SEZs in Laos is designed to provide many opportunities – for both the nation state and the people, the main aims being to sustain economic growth, remove Laos from the Least Developed Country (LDC) list, reduce poverty and create jobs. To support these goals, laws promoting investment (in SEZs)

were promulgated at the National Assembly held on 8th October 2009, with later some of the created SEZs providing opportunities for developers to develop the land and resources in the country, through the use of land concessions. Under these schemes, developers have been able to expand their investments across various areas and activities. For example, along the Chinese border in northern Laos, an SEZ called ‘Golden Boten’, covering about 4,000 acres of land, has been leased out to a casino operator in Boten District, Luangnamtha Province. Its central features include a hotel, a casino complex, small restaurants, staff quarters and apartment buildings. In addition, at the ‘Golden Triangle’ SEZ, which covers my research site, 827 hectares have been leased and developed.

Locals living along the border in the Economic Quadrangle have been a part of this cooperative development scheme since it was launched in 2003. Tonpheung is an agrarian district in which people grow rice and corn for export to neighboring countries like Thailand, and in this way they can earn a subsistence livelihood such as do farming, growing vegetable, and so on. My study project came about because it was thought that the SEZ initiative would help develop the region as a whole and help modernize people’s lives. In contrast, since the SEZ was launched, huge changes have occurred, as the communities were in general not made aware of the concessions being granted on their land, nor of the details of the development projects being initiated.

Furthermore, the land concessions given out by the Lao government have led to a huge influx of Chinese businesses throughout the country, a change that has been particularly noticeable in Tonpheung District, Houay Xai, where a Chinese market exists for the banana and rubber plantations run by Chinese’s investors. Moreover, the casino project, which is located in the Golden Triangle SEZ, has changed border regulations, creating an area of de-regulated trade along the Mekong River and affecting local peoples’ trade activities. Furthermore, the SEZ itself has the right to establish its own regulations for employees, and such policies related to transnational investment nature have attracted huge quantities of capital and technology to the border area.

1.3 Research Questions

- How has the Golden Triangle SEZ shaped and changed the border landscape in Tonpheung District, and what has been the impact on local people's lives of the new enterprises brought by transnational investment in the SEZs?
- How have the different economic backgrounds of the local people affected the way in which they have adapted their livelihoods? How has the establishment of the SEZ led to the transfer of local people's land into the hands of investors? What negotiations have taken place with regard to resettlement compensation and what have been the consequences of these negotiations?
- How have the people in Tonpheung District adapted to the development schemes initiated by the SEZ, and what have been the implications on their lives?

1.4 Research Objectives

- To understand the ways in which the SEZ has shaped and changed the border landscape in Tonpheung District, plus explore the impacts the new economic enterprises have had on local people's livelihoods.
- To investigate how the different economic backgrounds of the people in the study area have affected the ways in which they have had to adapt their livelihoods and how the SEZ has caused the locals to transfer their land to investors, plus the negotiating processes used in relation to the resettlement compensation offered and the results of such negotiations.
- To study how the local people in Tonpheung District have adapted to the development schemes within the SEZ, and what the impacts of such schemes have been in terms of their everyday lives.

1.5 Research Methodology

In this research I applied a quantitative approach to obtain the data useful and necessary to explain the phenomena and process of farmers' group information, as well as the adaptation of each household's classification group in the selected village.

I also studied the negotiating processes used to negotiate with the enterprises involved for compensation with respect to their loss of land, farmland, farmyards and community land in the village, including their rice fields, gardens, spaces for growing corn and vegetables, space for growing fodder for the cattle, community buildings (such as the school, village office and sacred forest (*pa sak sith*), their forest space, their houses and all other space associated with their lives (including trees and houseplants etc.).

1.5.1 Research Site

Ban Khuan (*Ban* refers to a village in the local language) is a Yuan village located around 45 kilometers from the central district of Bo Kaeo province, where connected to the Golden Triangle Area.

The village was established for more than 100 years, and at the beginning, the residents of the village were mainly 'Yuan' from Lamphun district in Chiang Mai, Thailand; at that time they migrated to the study area due (after 1975) due to a lack of natural resources, though government policies had begun to focus on mobilization and resettlement, because at that time many hectares of paddy fields had been abandoned by their owners due to the war; so, there were some families from Xaiyabouly Province, mostly from the Lue, who moved and settled down in this village after 1975 and until 1984.

As a result of the increase in population in recent years, the Lue has become the main group in the village more than Yuan, because after the Lue ethnic group arrived they found many empty houses and paddy fields, called *na-siin-seuak*; thus, the Lue who came and settled down in the village after 1975 developed the land and houses to be their own. In 1984 more Lue migrated to the village to buy land from the government, though had never owned paddy fields or gardens.

There are 130 households and 147 families in the village, and the total population is 472, made up of 242 males and 230 females. Most belong to the Lue

ethnic group (75%), while 25% are Yuan. According to the wealth ranking developed by the village headman and village authorities, around 56 of the households can be classified as wealthy, 35 as middle-income and 39 as poor. The main occupation of Khuan villagers is agriculture, but some are government officials, village traders and those who work as village laborers, as well as non-agricultural laborers. The level of education in Khuan varies from primary school to technical college level, but the majority of the population did not attend school or complete their primary school.



Figure 1 Map of Research Site

1.5.2 Data Collection

The primary data came from household surveys, group discussions, in-depth interviews and my participation in the everyday practices of the villagers.

Table 1.1: Research Sample Selection

Samples Selected	No. of Households	Percentage
Village		
Khuan village	(65) 130	
1. Household Ranking in Khuan		
- Well-off households	28	43.0
- Medium-income households	17	27.0
- Sufficiency households	12	17.7
- Poor households	8	12.3
Total	65	100

Source: Survey, group discussion, 2012

Although, I was able to collaborate with the heads of the village in order to interview individual households, due to time limitations and the large population of the research site (472 people across 130 households), only 50% of the households, or 65 out of 130 were chosen for interview.

According to the information from Mr. Kongchan, the village headman, the households in Khuan village can be classified into three groups, as follows: (1) well-off households - most have a modern house with modern furniture such as chairs, sofas, TVs, a CD-DVD player, a car, van or motorcycle, plus have more than ten hectares of gardens and paddy fields, but they also raise animals as well, so they face no problems in terms of food or rice consumption, (2) middle-income households, who have a house, but with not as much furniture as the well-off villagers, have their own motorcycles but no van, and also have between five and ten hectares of gardens and farms. They also do not suffer from rice or food consumption shortages, (3) the poor group, the majority of which consist of newcomers who have moved from other villages. Although, they have no garden or paddy field; these people do not very have a strong background in the previous village, so they did not have property prior to moving to the village to engage as village labor. In Khuan village, there are a number of natural resources, such as the river and forest, so these and the market are their main sources of income, food and consumer products.

The household surveys were conducted in a number of different ways, using questionnaires, taking notes and using an MP3 recorder. The local people sometimes felt uncomfortable when I asked them the list of questions I had on paper, and they also thought I was an official from the central government, which made them unwilling to tell me the number of gardens and trees, and the amount of farmland they had, as this would have impacted upon the taxes they had to pay. On the other hand, in Khuan village a number of government and INGO researchers were present, plus there were other, individual researchers from Laos and other countries - all conducting research at the same time, and some of them were giving money when interviewing the villagers. This presented a problem for me, as it meant I was just another researcher among many trying to gain their cooperation. As a result, and with limited time and funds available; after this I received a good level of cooperation from the villagers, and I sometimes shared lunch and dinner with them, so that we could have friendly discussions about emerging phenomena in the village.

Moreover, my participation with local villagers, as well as with other classes of people, also helped me to understand the new livelihood strategies that have been developed in the new village, and particularly the adaptation approaches that have been used and the new forms of consumption revealed.

1.5.3 Data Analysis

Overall, I collected the primary data using a number of different methods, including participatory observation, group discussions, key informant interviews, household surveys, plus I collected quantitative data. All assisted me in answering the research questions, as well resolving any outstanding issues that emerged during my research. I also used the information I gained to analyze the changes that have taken place in terms of social relations and livelihood strategies, and the adaptation techniques used by each household during their livelihood transition. In addition, the information also helped me to understand the border development strategies used, as well as the social differentiation and changing consumption patterns revealed by local people as a result of special economic zone - seen as a priority by the government.

In accordance with the data I collected from the household surveys, I categorized the households into different social groups in order to reflect the diversity and complexity of local livelihood strategies. Moreover, I also applied the theories and concepts that I had reviewed, in order to understand and analyze the phenomena I observed at the research sites, and to better understand the relevance of and differentiation between the theories and empirical field data. At the end of the data collection process, the primary data I had collected was input into a Microsoft Excel program and analyzed.

1.6 Thesis Organization

This thesis is organized into eight chapters, as follows:

This Chapter 1 discusses the border situation and the creation of the SEZs in Lao PDR, and provides substantial background information - to understand the research problem. This chapter covers the research methodology used in this study.

In Chapter 2, I discuss the theories and literature relevant to this study, drawing on a range of publications focused on contemporary debates and issues related to the concepts used.

Chapter 3 introduces the historical context of the SEZs in Lao PDR, analyzes the processes followed when the government adopted the SEZs plus explores the lives of the people living in Khuan village, Tonpheung district in Lao PDR.

In Chapter 4, I analyze the resettlement process itself, as well as the compensation paid to the villagers, plus explore the results of these resettlement and compensation initiatives.

Chapter 5 analyzes the adaptation strategies of the villagers living in and around the Golden Triangle SEZ, while Chapter 6 summarizes the main findings and theoretical discussions of the study.