

Cross-Border Production of Watermelon in Northwestern Laos

Shion Fujita



Critical
Perspectives
on Regional
Integration

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'Critical Perspectives on Regional Integration' Publication Series

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The Critical Perspectives on Regional Integration series is the product of teaching and research at the Regional Center for Social Science and Sustainable Development (RCSD), Faculty of Social Sciences, Chiang Mai University. It draws on primary postgraduate research undertaken for the dissertation in the Center's International Masters of Social Science (Development Studies) program. The focus of the program is to consider the processes and consequences of the increasing interconnections and regionalization between the five mainland Southeast Asian countries (Burma/Myanmar, Thailand, Laos, Cambodia and Vietnam), and specifically to examine the relations, exchanges and encounters within the context of the Greater Mekong Subregion (GMS).

The publication series is informed by the interface between the social sciences and development studies, specifically engaging with concepts which relate to physical and social mobility, boundary crossing, and the construction of ethnic identities. Within these concerns, the series also addresses issues of social, cultural and environmental sustainability, and the ways in which livelihoods are sustained and transformed in the mainland Southeast Asian subregion. The series seeks to strike a balance between the experiences of both urban and rural life, and to examine the rich variety of responses and adaptations to processes of regionalization and globalization.



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Series Foreword

The monographs that comprise the Critical Perspectives on Regional Integration series have emerged from dissertations based on original primary field research, and written as a major part of the requirements for the Master of Social Science (Development Studies) program of the Regional Center for Social Science and Sustainable Development (RCSD), in the Faculty of Social Sciences, Chiang Mai University.

As Senior Editorial Adviser, I was engaged by the Center to conduct an overview of the dissertations—dating back to 2001 and now well over 100 pieces of work—and select which of them would best illustrate the quality of graduate student research. This was by no means an easy task, but it was decided to choose primarily those written in the past few years, given that empirical research in social science tends to date rapidly. Another consideration was that the monographs should give expression to the main theme of the series of Critical Perspectives on Regional Integration.

As the selection and editorial work proceeded it was then decided to organize the publications into sub-series focused on different parts of mainland Southeast Asia. The first several volumes focus on Myanmar, covering such subjects as livelihood strategies, changing ethnic identities, borders and boundary-crossing, and the commoditization of culture within the context of ethnic tourism. Following volumes are devoted to Thailand, Lao PDR, Vietnam, and Cambodia.

The series also illustrates the concern to bring together social science and natural science knowledge in order to further the understanding of sustainable development issues. Over some 20 years Chiang Mai University has developed considerable research expertise in such fields as resource management, environmental impact assessment, upland agricultural systems and indigenous knowledge, health, and ethnic and gender relations. Teaching and research in development issues also deploys social science concepts within the development field to address decision-making, policy and practice, and the responses and adaptations of local populations.

This current monograph series also focuses on the processes of social, cultural, economic, political and environmental change among populations and territories undergoing rapid transformations within the Greater Mekong Subregion (GMS) and the ASEAN Economic Community (AEC).

Victor T. King

Senior Editorial Adviser, Critical Perspectives on Regional Integration Series

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Abbreviations

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
ASEAN	Association of South East Asian Nations
CNY	Chinese Yuan Renminbi
CPE	Centrally Planted Economy
GMS	Greater Mekong Sub-Region
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Development Cooperation)
KMT	Kuomintang
LAK	Lao Kip
LAO PDR	Lao People's Democratic Republic
LDC	Least Developed Country
NEM	New Economic Mechanism
UNDP	United Nations Development Programme
USD	United States Dollar

* *Units of Measure and Currency (as of June 2018)*

The *mu* is the Chinese traditional unit of area; 15 *mu* make up 1 hectare

1 USD = 8,380 LAK

1 USD = 6.42 CNY

Glossary of Terms

Akha	an indigenous ethnic group spread across China, Laos, Thailand, and Myanmar
<i>guanxi</i>	networks of connections, social capital, and relationships important for personal, political, and business in China
Han	The largest and most dominant ethnic group in China
Ho	A Yunnanese Muslim ethnic group in Laos
Jintanakan Mai	literally translated, “new thinking,” a policy adopted by Laos’ government in 1986 to introduce economic reforms and move away from a command economy
Lue	an ethnic group spread across China, Laos, Thailand, Burma, and Vietnam, with various sub-groups and language variants
Xishuang Ban Na	Tai Lue autonomous prefecture of Yunnan province “Sipsong Panna” is the Thai-language cognate

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Shion Fujita

Chapter 1

The Change to a Market-Oriented Economy in Lao PDR and China

Background of the Study

This study attempts to explore the border relationship that exists between China and Laos; the way people live at the border and the role the border plays in this era of globalization and 'borderlessness'; having seen the introduction of an open-door policy and a market-oriented economy and in light of the current cross-border economic activities taking place between the two countries. In this study, I will focus on the cultivation and export of watermelons, one of the main cash crops to be produced in Muang Sing - a small border town in northwestern Laos. In addition, I would like to focus on the cross-border economic activities being carried by people in China and Laos, their networks and their ethnic relations, those which are fundamental to operating their cross-border trade.

Emergence of the New Economic Policy in Lao PDR

The Lao People's Democratic Republic (Lao PDR, or Laos) is a small land-locked country which has an eastern border with Vietnam which runs for 1,975 kilometers (km), a western border of 1,700 km with Thailand, a southern border of 492 km with Cambodia, and a northern border of 416 km with China and 150 km with Myanmar (Sirivanh, Santhabandith and Vanthana,

2006). The country, with a population of 5.6 million (as of 2005), has a very low population density, and only 18.6% of the population lives in urban areas. The United Nations regards Laos as a least developed country (LDC), although the aim of the government is to reduce poverty by 50% by 2010 through the use of various policies and strategies, and wishes to move out of its LDC status by 2020. Trade is one of the most important factors in the social and economic development of a country (Sirivanh, Santhabandith and Vanthana 2006), but Laos only opened its borders to foreign investment in 1986. After three decades of civil war, the new country was formed in 1975, following a 'socialist path to development' under the Lao Communist Party; however, its dominant agricultural sector remained mostly underdeveloped for a period, and the economy also stagnated, and this forced the Laotian authorities to initiate a transformation process, moving from a centrally planned economy (CPE) to a market oriented system in 1986. This system, referred to as the 'New Economic Mechanism' (NEM), or Jintanakan Mai, was expected to generate growth and sustained development, and was introduced by the Fourth Party Congress of the ruling Lao People's Revolutionary Party (LPRP). The main purpose of this reform program was to restructure the economy, the role of the state and the economic management regime, restructure financial processes, give a new direction to agricultural and industrial development, and meet the challenges arising from the opening-up of the economy – with the stimuli of external trade and an inflow of foreign direct investment. The reform measures introduced comprehensive and pragmatic policy changes seeking to decentralize economic decision-making and to create a market-oriented economy (Than 1997). Because of its so-called 'post-socialism' policies, Lao's economy has recovered since 1988, and as stated by Reyes: "Many reforms were initiated under the NEM with a view to enabling, encouraging and regulating the participation of the private section in economic activities and decision making" (Reyes, 1997, p.55). Reforms included an elimination of trade restrictions:

(With the) elimination of [a] state monopoly in imports and exports, and separation of central banking from commercial banking operations. (Reyes, 1997, p.55).

Since then, the gradual integration of the Lao trade sector into regional and global economies has taken place using the Association of South East Asian Nations' (ASEAN) Free Trade Area (AFTA), using trade programs implemented

under the Greater Mekong Sub-Region (GMS) framework, and through border trade developments with neighboring countries (Sirivanh, Santhabandith and Vanthana 2006).

The Greater Mekong Sub-Region, Road Construction, and Changing Livelihood in Northwestern Laos

The Greater Mekong Sub-region (GMS) program was started by the Asian Development Bank (ADB) in 1992, a program whose aim is to promote development through the creation of closer economic linkages within the Mekong River basin, which includes Yunnan Province in China, Myanmar, Laos, Thailand, Cambodia and Vietnam. The ultimate objective of the GMS Program is to facilitate trade and sustainable development by enhancing sub-regional cooperation in areas, such as transport, energy, telecommunications, the environment, human resources development, trade and investment, and tourism. Under the ADB initiative, a number of road construction projects have taken place in Laos. In 1996, a road twelve kilometers long called '17A' was built from the provincial capital Muang Sing to the Chinese border (Greater Mekong Subregion 2018). According to Lyttleton et al. (2004), this has since encouraged a huge influx of people and goods, and now many trucks travel from China to the port of Xiengkok, ferrying goods to and from Thailand. Traders, investors and agricultural labors are moving into Muang Sing and Muang Long¹ using the road, to produce goods for sale back in China. Also, the creation of route '17B', which connects the Muang Sing market with the now bi-monthly Xiengkok market, has created a wider trade network and allowed for an expansion of border trade, with people moving into the towns and with rural communities running back and forth across borders.

The reasons for the current boom in the production of cash crops in Laos not only includes the market liberalization process that took place in 1986 - with the introduction of a market-oriented economy, but also the upgrading of the transportation infrastructure, the eradication of opium cultivation and a prohibition on the practice of shifting cultivation (with associated resettlement projects). In 1996, the Lao authorities prohibited the production of opium and reformed the drug laws, and according to Lyttleton et al. (2004), in Muang Sing the local authorities launched a determined campaign to eradicate opium

1 Muang Long is in the north-west of Luang Namtha Province.

cultivation in the district in 2002 and 2003, sequestering poppies and destroying poppy fields. The Akha, an ethnic group who live in the highlands, used to mainly plant opium in Muang Sing, as it was used as a medicine, for barter and for use by them as a drug. Instead of such opium cultivation, the Lao government and GTZ proposed the cultivation of cash crops as an alternative to opium, for export to Thailand and China. These cash crops are now not only fundamental for economic development (Lyttleton et al., 2004), but kick-started the current trend towards growing cash crops in the Muang Sing area.

In 1996, at its Sixth Party Congress, the Lao government stated that “shifting cultivation is a problem the Government wants to address. Peoples whose livelihoods depend on shifting cultivation must be settled in areas where they can be allocated land to earn a living” (Cohen, 2008). They stated that slash-and-burn agriculture was primitive, unproductive and harmful to the environment, and that the five-year development plans would target the elimination of shifting cultivation by 2010 (Haberecht, 2009). According to Lyttleton et al. (2004), although there is no official resettlement policy from a legal perspective, resettlement is seen as a crucial part of the policy on rural development. Therefore, the statement made in 1996 implied the necessity for resettlement, which was later implemented. According to the survey of population changes in Muang Sing between 1995 and 2005, the number of villages has declined from 110 villages in 1995 to 94 villages in 2005, due to both government induced relocation and spontaneous resettlement of upland villagers to lowland villages. These numbers indicate a 20 percent decline of Akha villages from 69 villages in 1995 to 55 villages in 2005. Regarding the changes in ethnic distribution of villages, the survey indicates that the upland Akha villages in 2005 were mostly concentrated in areas along the district roads in lowland (National University of Laos, 2006).

Border Trade and Economic Development in Yunnan

China's open-door policy has been one of the essential elements in the economic reforms since 1979, as it has led to an opening of the Chinese economy to international trade and foreign investment and encouraged growth in the Chinese economy, especially since the 1990s. China now has the largest population in the world (1.3 billion people), while increases in the level of unemployment and the creation of a redundant labor force have led to the

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China's rapid growth and rise as global superpower has had significant influence on the Mekong region, including Laos. In particular, the provinces of northwest Laos have a close relationship with China's Yunnan Province through trade and investment. This study focuses on the watermelon business, which has become one of the main cash crops of Muang Sing, a small town on the Lao-China border. This study examines the relationship between China and Laos from the Lao perspective—examining how people live and the role of the border in an era which is increasingly globalized and borderless.

Muang Sing was once part of a trade route in the upper Mekong and an important trading center in its own right. After a long period of inactivity, it today has transformed into not only a trading center once more, but also a producer of cash crops for the Chinese market, and is the main producer of watermelons in Laos. The cross-border watermelon business consists of a web inter- and cross-border ethnic relations between the Han, Chinese Lue, Lao Lue and Akha. These diverse networks operate on a variety of bases, including friendship, business, ethnicity, and *guanxi*. In addition, power relations between individuals in the watermelon business play out in the negotiating of business and economic position. These power relations effect not only the watermelon business, but also the relationship between the Chinese and local people of Muang Sing. Chinese watermelon traders negotiate tactically and flexibly in order to adapt to a society which is constantly changing, and to avoid missing out on economic opportunities. All this while the influx of Chinese traders into this small border town has drawn migration to Muang Sing from other provinces, with Lao people coming to seek work and economic opportunity offered at Chinese guest houses, restaurants, and karaoke bars.

Muang Sing now represents a place where economic and commodity flows have transformed an area of northwestern Laos into a complex negotiated space.

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