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Farmer Livelihood Change in the Chinese Border Region of Northern Laos

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Abstract
Since the 1990s northern Laos has faced a massive influx of migrants from China in the border region of Phongsaly Province, which is home to ethnic minority peoples. As part of this process contract farming for Chinese companies has been introduced as a dry season secondary crop in paddy fields, and has brought about great change in the livelihoods of the local farmers since the mid-2000s. This research shows how the introduction of contract farming for Chinese companies occurred through the work of multiple factors such as the domestic Lao crop market, the composition of ethnic groups on the border and the languages they use, and responses by the local governments in their peripheral position along the international border.

Key words: Laos-China border area, contract farming, ethnic minorities, local government

Introduction
Since before World War II ethnic Chinese Chaozhou have engaged in commercial activities in Lao urban areas, such as the capital Vientiane, Pakse and Savannakhet, located in the southern region and Luang Phabang in the northern region (Yamashita 2006). These were ethnic Chinese who came to Laos by way of Thailand. However, after the border was opened in the 1990s, when relations between China and Laos were restored, a massive surge of new migrants arrived from southwestern China, mainly from Yunnan Province just across the border from Laos (Percival 2007: 42).

It is probably true to say that the Lao people do not unconditionally welcome this influx of migrants from China. However, stemming the flow of migrants from China, a country of roughly 1.34 billion people, into Laos, with a
tiny population of just about 6.6 million, is not a simple matter. Even Yunnan Province alone, just across the border from Laos, has a population of approximately 45 million, about seven times the whole population of Laos. What kind of region is the Lao border area with China? According to 2005 census data, 65% of the total population of Laos belong to the Tai group, which includes Lao of the Tai-Kadai linguistic group, whereas the largest groups making up the ethnic composition of the three provinces situated along the border with China, Phongsaly, Oudomxay and Luang Namtha, are the Khum of the Mon-Khmer linguistic group, the Akha and Phunoy of the Tibet-Burmese linguistic group and the Hmong of the Hmong-Mien linguistic group, as shown in Table 1. The Tai Lue are an ethnic group belonging to the Tai-Kadai linguistic group, the largest in Laos, but their population is 12.3 thousand a mere 2.1% of the population of the country (Sonoe and Nakamatsu 2009). This fact reveals that the ethnic minorities within the small country of Laos are the ones who directly face the influx of migrants across the Laos-China border.

<table>
<thead>
<tr>
<th>Province</th>
<th>Most populous ethnic group (Ratio %)</th>
<th>Second-most populous ethnic group (Ratio %)</th>
<th>Third-most populous ethnic group (Ratio %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phongsaly</td>
<td>Akha (27.0)</td>
<td>Khum (21.5)</td>
<td>Phunoy* (17.8)</td>
</tr>
<tr>
<td>Luang Namtha</td>
<td>Akha (25.1)</td>
<td>Khum (24.5)</td>
<td>Tai Lue (12.1)</td>
</tr>
<tr>
<td>Oudomxay</td>
<td>Khmu (58.9)</td>
<td>Hmong (13.9)</td>
<td>Tai Lue (9.6)</td>
</tr>
</tbody>
</table>

* Although “Singsily” was used as the name of ethnic group in population census in 2005, their name was officially changed into “Phunoy” in 2008. “Phunoy” is commonly used in Phongsaly province.

Source: Sonoe and Nakamatsu 2009: 34-35

This situation is complicated by the fact that these ethnic minority groups are distributed on both sides of the international border in a mosaic pattern. Until the first half of the 19th century, mainland mountain Southeast Asia consisted of the three kingdoms of Dai Viet, Lan Xang and Lan Na. Of these, the main area of the Lan Xang Kingdom is located in present-day northern Laos and also included Xishuangbanna Dai Autonomous Prefecture in Yunnan Province in China as well as parts of Thailand and Vietnam (Stuart-Fox 1997: 6-19). The different ethnic groups in this region resided as majority groups in each of the kingdoms, the areas of which bear no relation to the current international borders. French rule over Indochina, however, in classic colonial fashion led to the arbitrary delineation of the present borders of Laos, Vietnam, Thailand, China and Myanmar, with the result that the ethnic groups found themselves divided across modern international frontiers.

In the case of Laos, after the international border was established, policies were
formulated by the Lao, who had now become the majority in the country. As a result, the ethnic groups along the Laos-China border became ethnic minorities in terms of population. After the capital moved to Vientiane from Luang Phabang in 1975 they also became more geographically remote from the political center, effectively becoming a peripheral area where economic development and improvement of social infrastructure were delayed. The region chosen for this research is the Laos-China border region of Luang Namtha and Phongsaly Provinces, which, is comprised of the Tai Lue as the main ethnic group. The Tai Lue carried out wet rice cultivation in the basins at the time of the Lan Xang Kingdom, and ethnic minorities such as the Akha and Phunoy, were engaged in swidden farming in the mountainous areas (Figure 1). The impact of China on this region has not been limited to the diffusion of Chinese commodities, but also has extended to agriculture, forestry and forest resource uses, the main means of livelihood of the people who inhabit the region (Yongge 2000, Yokoyama 2010, Goto 2011).

In this paper, we attempt to explore how the ethnic minority farmers who live near the Laos-China border in northern Laos have adapted to changes brought about by impacts from China. In doing so, we focus on contract farming in dry season paddy fields, which was introduced from 2000 onwards,
and we examine the responses shown at two different levels, one involving local government and another involving farmers.

**Contract farming in dry season paddy fields**

*Phinong Chin and local farmers*

Arriving in mid-2000s and after in northern Laos, Chinese farmers and firms began renting paddy fields that were not being used in the dry season from Lao owners in order to plant cash crops such as watermelons. One interviewed farmer in Boun Tai District, Phongsaly Province stated that Chinese began to rent paddy fields in the dry season for cultivating watermelons in 2006, and in addition to the rent they paid an extra amount of money which varied according to size of the watermelon harvest. Boun Tai is a Tai Lue town and the Chinese there are also Tai Lue who speak the same language, so there is absolutely no communication problem. The Lao Tai Lue call the Tai Lue with Chinese nationality “Phinong Chin” (Chinese relatives). It is accepted practice in Laos to call anyone that you have close relations with “Phinong,” meaning a relative, even if there is no actual blood relation, and *Phinong Chin* is simply a special name given to Tai Lue with Chinese nationality.

Watermelon cultivation by the *Phinong Chin* in Boun Tai continued for three years, until 2008, when local Tai Lue started cultivating watermelons themselves the following year. As watermelons are very prone to replant failure, they cannot be planted on the same land in consecutive years. In this local community, land on which watermelon have been planted in one year cannot be replanted with watermelons for five years. The *Phinong Chin*, however, carried out sequential cropping of watermelons for three years on the same land. This sequential cropping was possible through the use of a grafted seedling technique in which pumpkins are first planted as rootstock and watermelon shoots are grafted onto them (Photo 1). The Lao Tai Lue farmers had no knowledge of this technique for avoiding replant failure, but in the three years that they rented out their land they were able to observe the *Phinong Chin* and learn how to plant watermelons after mastering rootstock grafting and the

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**Photo 1** Grafted seedlings of watermelon cultivation in Boun Neua district, Phongsaly Province (March 2010)
timing for the use of fertilizer and pesticide inputs.

The same watermelon cultivation technique was being carried out not only in Boun Tai District, but also in neighboring Boun Neua District. The Phinong Chin began to plant watermelons in the basin area of Y village, Boun Neua District, renting land for several years from 2003. The year in which land began to be rented out differed from village to village, but in 2008 all the villages had ceased renting out land and the farmers using the grafted seedling technique had begun to cultivate watermelons themselves. From 2009, however, watermelon cropping declined and the local people began to do contract farming of secondary crops in dry season paddy fields with Chinese companies for crops other than watermelons. Below we look at the role of the district government that managed the contract farming with China and the livelihood strategies of the farmers who live in the region close to the border.

**Contract farming and district government**

According to the District Agriculture and Forestry Office (DAFO) of Boun Neua, the amount of crop production exported to the Chinese market from Boun Neua District, which shares a border with China’s Xishuangbanna Dai Autonomous Prefecture, between the end of 2010 and the beginning of 2011 was 10 million tons or more on an annual basis. The earliest contract farming was for sugarcane, which began in 1996, but it was from 2004 onward that many Chinese companies began to arrive in Phongsaly Province in northern Laos in order to undertake large-scale contract farming. In addition, the DAFO became involved in the contracts with Chinese companies for agricultural and forest products when contract farming of secondary crops in dry season paddy fields began in 2009.

Contract farming with Chinese companies can be classified into the following three types: 1) a Chinese company rents the land and Chinese employees carry out the farming, 2) a Chinese company makes a contract with the DAFO and the selling price of the crop is set at the same rate over the whole district, and 3) a Chinese company makes individual contracts with farmers. When contract farming began type 3 contracts were common, but problems arose with the companies not paying after the producer harvested the crop, a problem which occurred throughout Laos. From 2005 onward the Boun Neua DAFO began to make type 2 contracts whereby the DAFO interceded between the Chinese company and the farmers, demanding that both Chinese companies and farmers honor the contracts made through the DAFO. The advantage of contracting through the DAFO is that farmers are
able to make formal claims against unfair contracts. In fact, from time to time, unfair contracts for para-rubber are reviewed and the DAFO can request revision in order to give a better share to local farmers. In this way, efforts are being made through the intervention of the DAFO to make fairer contracts for ethnic minority peoples, who are in a weaker economic position.

_Crop selection by contract farmers_

The number of companies engaged in contract farming that had established offices in Boun Neua District as of 2011 totaled nine, seven of which were Chinese companies and two domestic Lao companies. Crops grown under contract farming by the Chinese companies were sugar cane, para-rubber, tea, tobacco, kidney beans, potatoes, chili peppers, maize, pumpkins, coffee beans, passion fruit, and those grown for Lao companies were sweet corn, pumpkins and bananas. Of the crops handled by the Chinese companies, tobacco is shipped to a Chinese-owned tobacco factory in southern Laos, but all of the remaining crops are exported directly to China. In addition, all of the companies employ a number of agricultural advisors, who give detailed technical guidance to the producers. Many of the agricultural advisers are Phinong Chin and give guidance in the Tai Lue language. As the Tai Lue language is very close to the national Lao language, it is also understood in the villages of ethnic groups other than the Tai Lue, and so interpreters are not necessary.

Since crops other than tree crops such as para-rubber, tea and coffee are basically cultivated under a one-year contract, changes in crop varieties can be extremely rapid, and this is even more so with secondary crops in dry season paddy fields. Table 2 shows a summary of dry season crops in Boun Neua District. It can be seen that large areas of red pumpkins and kidney beans were being cultivated, and that potatoes, which had been cultivated extensively at the time of the 2009 survey, slowly decreased in 2010 and declined even further.

<table>
<thead>
<tr>
<th>Crop</th>
<th>Cropping field</th>
<th>No. of villages</th>
<th>Area (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pumpkin (Red)</td>
<td>Paddy</td>
<td>12</td>
<td>144.52</td>
</tr>
<tr>
<td>Pumpkin (Long)</td>
<td>Paddy</td>
<td>7</td>
<td>47.41</td>
</tr>
<tr>
<td>Chili Pepper</td>
<td>Paddy</td>
<td>5</td>
<td>11.39</td>
</tr>
<tr>
<td>Kidney Beans</td>
<td>Paddy</td>
<td>12</td>
<td>148.13</td>
</tr>
<tr>
<td>Watermelon</td>
<td>Paddy</td>
<td>1</td>
<td>1.40</td>
</tr>
<tr>
<td>Cassava</td>
<td>Upland</td>
<td>2</td>
<td>2.00</td>
</tr>
<tr>
<td>Sweet Corn</td>
<td>Paddy/Upland</td>
<td>6</td>
<td>39.74</td>
</tr>
<tr>
<td>Tobacco</td>
<td>Upland</td>
<td>2</td>
<td>5.36</td>
</tr>
<tr>
<td>Potato</td>
<td>Paddy</td>
<td>3</td>
<td>19.92</td>
</tr>
<tr>
<td>Sweet Potato</td>
<td>Paddy</td>
<td>5</td>
<td>19.29</td>
</tr>
<tr>
<td><strong>Total Area</strong></td>
<td></td>
<td></td>
<td><strong>439.16</strong></td>
</tr>
</tbody>
</table>

Source: Document by DAFO of Boun Neua

Table 2 Dry season crops of Boun Neua District, Phongsaly Province (2011)
It can also be noted that watermelons, cultivated everywhere at the time of the survey in March 2010, were hardly planted at all in 2011. How, then, do farmers select which crops to grow? We undertook an interview survey with farmers in Y village, where large areas of dry season crops are planted, and PX village, where planted areas are closer to the average for all villages. Both villages are ethnic Tai Lue villages.

Pumpkin and kidney bean contract farming began in Y village in 2008. An income of CNY1,500 (USD238.5) per mǔ (about 0.067 ha) could be earned for pumpkins and CNY3,750 (USD596.6) per mǔ for kidney beans. The profit from kidney beans was thus two or more times greater than that for pumpkins per unit area of land. In the case of kidney beans, however, it is necessary to carry out work every day in the harvesting period between mid-February and early March, which requires hiring laborers in households with low manpower. Households that do not have sufficient economic strength to hire laborers band together in groups of two or three households and harvest their land by exchanging labor on small areas (Photo 2). Kidney beans also require more frequent fertilizer application than pumpkins. Thus farmers stated that the decision on whether to plant pumpkins or kidney beans, or what proportion of the two crops to cultivate, depends on the degree of manpower available in each household.

The two villages present contrast with regard to the amount of land in different crops. In PX village, kidney beans were not cultivated and the farmers selected either pumpkins or potatoes to grow (Photo 3). Potatoes were introduced into the village in 2009 and pumpkins in 2011. Income gained from pumpkins was CNY1,275 (USD193.7) per mǔ, and that for potatoes was CNY1,100 (USD167.1) per mǔ. It was reported that the profit per unit area of land was slightly higher for pumpkins than for potatoes, but pumpkins require thinning out and crop management is much more difficult than that for potatoes. It was therefore said that households which did not wish to spend a
lot of time tending the crop would instead select potatoes even though the income was smaller. In addition, the fact that the income from pumpkins was smaller per unit area of land in PX village than in Y village was due to PX village being farther from the border and the higher transport costs are deducted from the payment farmers receive. In PX village, 25 households out of a total of 54 selected pumpkins as the secondary crop to plant in dry season paddy fields and 20 households selected potatoes, but no households planted both pumpkins and potatoes. The reason was this is that different contracting companies buy each crop and do not permit a household to contract with more than one company, which they would have had to do in order to cultivate both pumpkins and potatoes. The ban on contracting more than one company came about because both pumpkins and potatoes use the same kind of fertilizer, and it was thought that if households cultivated both crops, some households would divert the fertilizer supplied by the potato company to the cultivation of the pumpkins contracted to another company.

As noted above, a wide variety of secondary crops are cultivated in dry season paddy fields. The factors for determining which crops to plant include not only crop price and household manpower, but are also influenced by arrangements between companies.

**Discussion**

Secondary cropping in dry season paddy fields involved the introduction of completely new techniques and crop varieties, which were incorporated into ethnic minority agriculture in the border region from the 2000s onward. What, then, were the contributing factors leading to the rapid development of contract farming on the Laos-China border? Up until now, the image of the great power, China, invading diminutive Laos using the weapons of economic power and huge human resources comes to mind. It must be remembered though that the groundwork for Lao farmers engaging in agricultural and

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*Photo 3 Pumpkin cultivation in PX village, Boun Neua district, Phongsaly Province (March 2012)*
forestry production for the China market was laid in the 1990s. This development was based on a number of factors, such as the limited scope of the Lao domestic market for agricultural products, the composition of ethnic groups in the border region and the languages used, and the responses of local government on the periphery.

When compared with other northern border regions, Boun Neua District, Phongsaly Province, is overwhelmingly dominated by area and crop varieties dedicated to contract farming involving secondary cropping in dry season paddy fields for the Chinese market. The greatest contributing factor leading to the acceptance of this by the local farmers is the fact that in the cool climate in Boun Neua District does not permit double cropping rice even if there were sufficient water available. In an interview survey with farmers in the vicinity of Y village, many farmers stated that even if they had irrigation, the yield of rice in winter is low because of cold temperature, and therefore they do not plant a second rice crop. However, historically they did plant other crops such as garlic and shallots for local markets. Nevertheless, Phongsaly Province has a low population density and no large cities, and thus urban markets are limited and secondary cropping in dry season paddy fields was carried out on a small scale, about the size of home gardens. The Laos-China border region is exceptionally remote from the parts of Laos that have a high population density, such as the Vientiane plain and the Mekong River lowlands of the south. The DAFO did consider shipping dry season crops domestically, but looked at within the framework of the Lao nation-state, shipping these crops to the domestic markets from the geographical periphery of the northern border regions would have incurred large transport costs, and so the idea was abandoned. It was in this situation that the attention of the Yunnanese companies turned toward the land across the border in Laos. From the Chinese viewpoint, with high population pressure and a large number of farmers with no land, the paddy fields which were unused in the dry season must have looked like a good opportunity. Even if rice could not be grown on the land in the dry season, it was certainly possible to grow crops for the Chinese market.

Furthermore, it can also be noted that the low language barrier for the farmers located close to the international border was linked to the expansion of contract farming. The fact that the *Phinong Chin* carried out agricultural development through the use of the Tai Lue language, of which there are many speakers in Phongsaly Province, eliminated technical anxieties and certainly aided the introduction of secondary cropping in dry season paddy fields. Seen from the viewpoint of the nation-state framework, the Tai Lue known as the
Phinong Chin are an ethnic minority in both China and Laos, but were the core ethnic group in the former Lan Xang Kingdom. They are also one of the ethnic groups relatively well represented among the population on the Laos-China border, and their language is extremely close to the national Lao language. It was therefore possible to use the Tai Lue language for technical guidance among ethnic minority groups other than the Tai Lue. Thus, due to historical and geographical factors, despite the fact that they belong to different countries, there was no language barrier present in the border region.

Lastly, the flexible management system along the border has also made a great contribution to the advance of contract farming. In contrast to the international border checkpoints such as Boten, shown in Figure 1, which cannot be crossed without a passport, the local border checkpoints are managed by the province and do not require passports to go across the border. A border-pass is issued using a simple procedure as long as a person is able to prove that he or she is a Lao national. Thus the Phinong Chin, the trucks and the local people on shopping trips can pass freely across the border for a small toll fee. Moreover, as the province manages the export of agricultural products, which crop will be exported from which border checkpoint can be arranged simply through a decision at the province level, even when new crops are introduced. At the Pakha border checkpoint in Boun Neua District, Phongsaly Province, when contract farming for sugar cane began in 1996, the provincial administration quickly handled the export of dry season crops, and the number of different crops expanded rapidly in the 2000s. In northern Laos, two local border checkpoints, the Phanhai border checkpoint in Sing District, Luang Namtha Province and the Meochay border checkpoint in Namo District, Oudomxay Province, are functioning as the main export gateways through which agricultural produce and forestry products are passing into China. In contrast, the international border checkpoint in Boten, Luang Namtha Province, which is managed by the central government, has complex customs procedures and imposes high tolls, so that this checkpoint has hardly been used at all for the export of agricultural produce and forestry products in recent years. It can be said that local border checkpoints managed by the province and the easy access of local people between the two countries have been important factors in the expansion of contract farming for a wide variety of crops.
Conclusion
Contract farming was introduced from the 2000s onwards and brought about great change in the agriculture of the ethnic minority peoples of the northern border region of Laos. However, this does not mean that Lao ethnic minorities had no other choice but to accept contract farming due to political and economic requirements for meeting Chinese food demand. During roughly a century since the international border was established in 1900, the northern border region was marginalized and suffered from disadvantageous environmental conditions, which limited double cropping in paddy rice fields. Since the border has opened, however, local government and ethnic minority farmers have adapted to increasing contact with the major regional power, China, while making good use of such factors as common language and devolution of border management to the province level. It is reasonable to conclude that contract farming was introduced as a result of these factors, bringing about great changes in the livelihoods of the farmers.

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