

The Role of Government Policies in the Lao People's Democratic Republic's Shift from Subsistence Farming to Commercial Agriculture

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Approved:

Christine A Stevens PhD
Faculty Adviser

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Executive Director of Programs, IIGE

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Abstract

In just under half a century, Lao People's Democratic Republic, often abbreviated as Lao PDR, has shifted from subsistence farming to commercialized production through both internal and external policies. This thesis will explore governmental actions via policies that have aided in this shift and its impact on environmental protection, rural communities, and sustainable development. By exploring Lao PDR's government policies, it is noted that there is an emphasis on growing international trade relations, capital, and globalizing the agricultural sector at the expense of improving and maintaining environmental sustainability and the lives of rural communities who do not have direct access to the trade market. This is seen in Lao PDR's decision to cut import tariffs on several countries, prioritizing the establishment and boosting of international free trade between ASEAN members, namely Thailand and China. By cutting the tariffs, it is increasing the risk of discriminatory practices regarding Lao produce for local Lao business owners who are not contracted with foreign companies, such as increasing the threshold of quality for Lao goods and crops or paying lower than the market price. Contract farming is another modern agricultural production method that rose in popularity throughout the 2000s. Since the 1980s, Laos' gross value added per agricultural worker has more than quintupled in amount per the U.S. dollar due in large part to the efficacious free trade aim and popularization of contract farming in the landlocked country.

Based on the New Economic Mechanism, or NEM, framework, which encourages the growth of private businesses alongside governmental agencies, the Ministry of Agriculture and Forestry designates which cash crops have high export value. This information directly correlates with local, smallholder farmers, as well as the privately-owned businesses that manage the transportation and marketing of these cash crops, especially for provinces that share a border

with neighboring ASEAN members. As the market demand grows, the local farmers will expand the land allotted for cash crops, rather than farming based on subsistence agriculture. Currently, there is a distinct lack of analysis regarding the effects of Lao PDR's government policies on their agricultural sector. This thesis will work to provide the foundation between policy and commercialization as Lao PDR emerges as a strong power in Southeast Asia.

Background

Preface and Thesis Statement

Although Lao People's Democratic Republic, officially abbreviated as Lao PDR or LPDR, is the official name and utilized in several studies, I will be instead using *Laos* in this thesis – my parents are both from Laos and have used this term for as long as I can remember. In this same manner, I will not be using *Laotian* as this term can be traced back to the French subjugation of Laos. When my family and I refer to ourselves, we use the term, *khon Lao*, which can be roughly translated to person or people from Laos, therefore I will be using variations of this translation throughout the paper. For this thesis, Dr. Christine Stevens was my faculty advisor and assisted tremendously in the preparation and process.

Through literature review, I have delved into the policies and decisions surrounding Laos' shift from subsistence farming to commercialized production. Analyzing government policies' impact on Laos' agriculture reveals the complex interactions affecting rural livelihoods, market production, and sustainability, thus emphasizing the importance and necessity of thorough assessment to guide equitable, resilient, and sustainable agricultural development.

Agricultural and Economic History

Even before the not-so-long-ago days of French colonialism,¹ Laos has historically practiced subsistence ethics and thus, subsistence farming. Subsistence ethics, or a subsistence economy, is in which families produced most of what they needed and bartered and traded for the few products they did not have, often with forest products (Evans, 2002). In this regard, this notion is commonly extended and applied to the rural population of Laos. While these households are typically low-income, the concept of food insecurity does not traditionally impact this community. Lao families would cultivate enough food to sustain themselves, only selling miscellaneous, natural resources to purchase unfarmable goods and other commodities.² Anything that was not used for meals would be sold or given away that very same day.

As agriculture plays an integral role in the economic stability of Laos, it's important to denote the portion of Lao laborers that are farmers, as well as those that are specifically subsistence farmers. This distinction is important as farmers, including those that profit from agricultural production, are seeking the maximum output for resources. While subsistence farmers typically cultivate enough to sustain their household. In this manner, the notion of being economically viable doesn't impact subsistence farmers to the same degree as those who profit from agricultural production. According to the International Fund for Agricultural Development, more than 80 percent of the population rely on agricultural means for their livelihoods, all the while more than half of households are subsistence farmers with annual incomes below 300 U.S. dollars (2024). Although subsistence farmers typically make less than three hundred US dollars

¹ Laos was under French subjugation from 1887 to 1945, then from 1946 until it gained full independence in 1954.

² I have heard several stories from my mother about how my grandmother would traverse swampy marshes, where quicksand threatened to engulf those who were unfamiliar, to scavenge for fish to prepare in time for dinner.

annually, the notion of food insecurity during economic hardship originally would not be a possibility. Even if households did not have a substantial income, the majority of families would still have stable access to food through their subsistence farming. However, the recent rise of contract farming and cut tariffs have influenced a change in prospects. To maintain and expand profits, local farmers have turned away from subsistence farming, instead using their limited resources in land, seeds, and market access to cultivate cash crops.

As Laos moves away from subsistence farming and inches closer to more commercialized market production, it would be beneficial to note how Lao laborers are adapting to this shift. One would expect that the economic growth would cause workers to move into more lucrative, commercial-based positions. However, Laos has seldom addressed economic inequality as the result of profitable growth is ten percent of the Lao population being extremely poor, a very small group of wealthy families, and a comparatively large middle-class with a lower level of income when put to international standards. Many members of the very rich portion of the Lao population are either of or extremely familiar with the political elite (Rehbein, 2022). This poses a problem for Laos as while the country must address the economic inequality, doing so would be attacking its own authority. Thus, the economic inequality and wage gap between the very rich and the rest of the Lao population continues to be propagated. As of the 2020s, most of the Lao population remain in the professional group of their parents and hold the same relative level of education (Rehbein, 2022). If the parent held a higher socioeconomic position, then their children would subsequently have more education compared to families with a history of lower societal status.³ Essentially, nearly all those with a primary education or less have a rural or lower economic background. There is rarely a chance for those at a lower

³ Subsequently, if the parent was low-income then their children would grow up to become part of that same class.

socioeconomic status to rise to a higher standard of living. As the landlocked Southeast Asian country is set to graduate from the United Nations' least developed country category, abbreviated as LDC,⁴ in 2026, it is peculiar how the Lao rural livelihoods seem to be stagnant rather than flourishing alongside their urbanized counterparts (Department of Economic and Social Affairs, 2024). Access to local, regional, and global markets would raise the economic and commercial status of areas; with built roadways more concentrated toward urbanized districts, such as the capital of Laos, Vientiane.

Since the 1980s, Laos has steadily prioritized and invested in their economic growth and commercialization. According to Briones and Felipe, Lao PDR's gross value added per agricultural worker went from 296 U.S. dollars in 1980 to 465 U.S. dollars in 2010, therefore resulting in a 1.8 percent in annual growth (2013). The growth organically doubled the value added per agricultural worker within a thirty-year period. However, the beginning of the 2010s brought forth new agricultural and trading practices with key collaborative partners, such as the principles of free trade and contract farming. In 2019, Lao PDR's agriculture value added per worker rose to 1,184.22 U.S. dollars (The World Bank, 2019). In just nine brief years, Laos had seen an estimated 154 percent increase⁵ in the gross value added per agricultural worker. With collaborative trade efforts in hand, Laos is steadily becoming a powerhouse in Southeast Asia. While Laos' economic rise is noteworthy, it can ultimately be observed that Lao laborers, especially rural workers, are being left behind. While the country has made monumental strides to sustain economic development, the notions of rural development and sustainable living are lost in the midst.

⁴ See Department of Economic and Social Affairs (2024) for more information.

⁵ The exact increase of Laos' added value per agricultural worker from 2010 to 2019 is 154.624%.

Ultimately, subsistence ethics have been ingrained into Laos even prior to its development as a French colony.⁶ Since the lands were originally developed for plantations and rice farming, there was already a thriving agricultural community throughout Laos. According to the International Fund for Agricultural Development, agriculture is the mainstay of the Lao economy, farming is largely practiced at the subsistence level, and access to improved technologies and markets is generally poor (2024). The notion that most of subsistence farmers do not have access to innovative tools and markets to sell their agricultural products can be linked to the lack of infrastructure surrounding Laos' geography and terrain, regional trade connections with its surrounding neighbors,⁷ systems to support rural farmers, and market access.

War on Laos

In the expansive history of Laos, it is notable that the path of the country has been largely determined by its more powerful neighbors, as well as faraway Western nations. Whether discussing trade relations or colonialism, the status of Laos is dependent on the ecosystem and rhythm of Southeast Asia. Even when the landlocked nation was under French subjugation and rule, the interest from France was derived from the allure of Vietnam and Thailand (Stuart-Fox, 1995). This sentiment, where foreign nations would exercise their powers onto Laos motivated by economic desire, would be expressed time and time again. The lands of Laos have been the playing grounds of numerous conflicts across Southeast Asia. Seldom does Laos actually take an active position or role in these wars, nonetheless, the landlocked country is frequently caught in the crossfires. During the Vietnam War,⁸ 2.1 million tons of ordnance was released by the United

⁶ See Martin Stuart-Fox (1995), for more information about the livelihoods of Lao people under French rule.

⁷ Laos shares a border with several countries, including China, Myanmar, Thailand, Cambodia, and Vietnam.

⁸ The Vietnam War took place from 1955 to 1975.

States over Laos between 1964 and 1973 (Khamvongsa & Russell, 2009). These ordnances are referred to as UXOs, or unexploded ordnances. The UXOs are extremely dangerous as any range or slight movement could trigger a detonation.

Laos' position in the Vietnam War is of one caught in the middle of conflict propagated by more powerful, advanced countries. Ultimately, the United States was of the opinion that bombing Laos held less risks as to cut off access along the Ho Chi Minh Trail. Even bombing the civilian population on numerous accounts, which is in direct violation of the Geneva Conventions, the 1954 Geneva Accords, and the 1962 Geneva Agreements – these concords delved into the protection of civilians and the prohibition of foreign military personnel in neutral Laos (Khamvongsa & Russell, 2009). Although Laos and the United States have a concurrent trade agreement, it is important to note that the United States irreparably changed the landlocked nation. The UXOs had a huge impact on livable land in Laos, which subsequently affected the country's economic growth, domestic development, and the wellbeing of rural livelihoods. The UXOs fall along the southeast border that Laos shares with Vietnam, as well as certain parts of the northeast (see Appendix B). Based on United States military strike data and a 1996 Handicap International land survey of Laos, it was estimated that UXOs have contaminated 87,200 square kilometers,⁹ or more than 37 percent of the country; of that, 12,427 square kilometers¹⁰ are considered high risk, due to the presence of civilians and high concentrations of UXOs (Khamvongsa & Russell, 2009). UXO poses a threat to the livelihoods of the Lao population, as well as poses a huge obstacle to domestic development and economic growth. Farmers tending to their crops, children walking to school, and projects that would work toward clean drinking

⁹ 33,669 square miles, or about the area of Kentucky.

¹⁰ 4,798 square miles, or about half of the area of Belgium.

water, access to electricity, and other elements that would impact quality of life are all threatened or completely halted due to the presence of UXOs. After the Vietnam War ended, up to 78 million UXOs remained, thus posing a constant threat to civilian life as three hundred people are either injured or killed each year (Khamvongsa & Russell, 2009). However, these statistics could be distorted as it would be difficult to report accurate numbers from remote areas – underreporting could lead to a lower count of official casualties. According to Khamvongsa and Russell, reported casualties to UXOs rose sharply in 2005 with increased scrap metal prices, as impoverished civilians attempt to defuse and dismantle bombs in order to sell them as scrap (2009). The amount of injuries caused by UXO scrap harvesting may not be included in the official UXO casualty estimates, as these incidents occur indeterminably and autonomously. In a sense, these dangerous attempts to harvest UXO scraps are a direct result of the widening economic gap in Laos – where residents from areas made commercially inaccessible by the threat of undetonated ordnance are forced to find ways to earn a livable income.

In 1994, the formal cleanup of cluster bombs and other explosive remnants of war began via the Lao government. However, as there were more than 33,669 square miles contaminated, covering at least thirty-seven percent of the country – with current funding levels, only five to six square miles are cleared each year (Khamvongsa & Russell, 2009). With over a third of Laos contaminated with UXOs, only an estimated ten thousandths percent¹¹ is cleared per year. Rather than implementing policies centered around ordnance removal and land retrieval, the government of Laos has focused its efforts on educational and instructional practices. In their adoption of *The Safe Path Forward*, a ten-year strategic plan to prioritize removal efforts from 2003 to 2013, Laos' goals were modest and limited – to clear no less than 180 square kilometers in nine

¹¹ 0.0001% of UXOs are cleared each year.

provinces, reduce the number of casualties to fewer than one hundred per year, and develop a national database on accidents caused by UXOs and mines (Khamvongsa & Russell, 2009). This initiative was built on the assumption that funds would be sparse and mainly financed by donations. To accompany these efforts, the Lao government, in partnership with foreign agencies from the United Kingdom and the United States, devised a program to spread awareness in schools and villages in an attempt to prevent further accidents (Khamvongsa & Russell, 2009). By seeking to educate, civilians can be notified about the dangers of interacting with undetonated ordnance. Although, a larger conversation is required to investigate whether the program was able to reach local, impacted communities.

To measure sustainability and development, it would be pertinent to introduce the concepts of the social determinants of health and the United Nation's Sustainable Development Goals. According to the World Health Organization, the social determinants of health, often abbreviated as SDH, are non-medical factors that influence health outcomes (2024). These elements range from unsafe air quality to lack of secured access to food, as well as quality of education, reliable transportation, etc. Essentially, the status of SDH has an impactful effect on health inequities. Regardless of the country's income level, health and illness follow a social gradient: the lower the socioeconomic position, the worse the health (World Health Organization, 2024). When discussing the SDH it is typical to note the safety of walking – the quality of sidewalks or presence of operational streetlights. In the case of Laos, however, it is whether the ground below will detonate or not. The country that once had plentiful farmland is now contaminated with foreign weaponry.

According to the United Nations, the Sustainable Development Goals, often abbreviated as SDGs, are designed to end poverty and hunger, promote sustainable cities and clean water,

and create a sustainable environment for economic growth and innovation (2024). Lao proposals that would target the social determinants of health and sustainable development goals are impeded by the presence of UXOs. Projects that would otherwise work toward providing clean drinking water, access to electricity, irrigation, implementation of healthcare facilities, primary and secondary education, and other basic needs cannot progress until the unexploded bombs have been cleared (Khamvongsa & Russell). In order to address the growing economic disparity in Laos, there must be greater notice given to remote, rural areas impacted by UXOs. If removal efforts are too costly, then there must be systems put in place to extend and improve market access to these communities, as well as effective programs to boost awareness with measurable interventions to ensure outreach.

Geography of Laos

Laos is the only landlocked nation in Southeast Asia; thus, the country has prioritized regional and global trading via international collaborative measures, such as the World Trade Organization [WTO] and additional trade relations to more prominent members of the Association of Southeast Asian Nations [ASEAN].¹² By including Laos' geographical information into the conversation of agricultural sustainability, it allows for further understanding and comprehension of the importance of land use and the changes in land allocation through the lens of Laos' agrarian shift. As Laos is a landlocked nation with both rough mountains and low valleys, how farmable land is distributed and designated rises to the surface as one of the most important topics when discussing the impact of commercial agriculture on rural livelihoods. Most of Laos consists of uneven terrain, with limited greenery

¹² Laos' trade partners and groups will be discussed later in this paper.

areas alongside the west (see Appendix C). According to Epprecht et al., Laos' terrain roughness is closely associated with higher levels of poverty – areas where poverty rates are comparatively low had commercialized agricultural production, with access to markets measured as travel time to towns strongly associated with poverty in areas where the poverty rates are lowest, and agricultural production is most intensive (2008). The roughness of terrain is strongly associated with higher poverty levels, this means that areas in mountainous regions or uneven land that lack market access are disconnected from Laos' economic growth, and thus tend to have higher rates of poverty. In contrast, regions with flat terrain are most closely related to lower poverty rates, especially in remote upland areas where flat land tends to be particularly scarce (Epprecht et al., 2008). When discussing how commercialization impacts rural livelihoods, the market accessibility of remote upland areas is indicative of Laos' level of ability in connecting rural farmers to economic resources via infrastructure and systematic foundation. Essentially, the poverty rates in the remote areas of Laos are linked to low agricultural potential and lack of market access (Epprecht et al., 2008). Although nearly all households have a piece of land, however limited, the economic growth in these regions are stagnant, with little to no system in place for Lao laborers to increase their income.

Additionally, the Mekong River has served as a vital part of trade and market potential, this is understandable as we note Laos' neighbors – China, Myanmar, Thailand, Cambodia, and Vietnam. Areas that are near the Mekong River are economically favored as these regions have a strong access to trade markets and substantial farmable land set for agricultural endeavors. The river runs through the west parts of Laos (see Appendix A), creating accessible local, regional, and global markets for the connected areas. Although Laos' geography lends itself to international trade, this option is reserved for those with access to these markets. Since Laos is a

landlocked country, domestic trading between provinces and regions is integral for internal economic sustainability and local market growth.

Domestic Trade

Local Policy

The impact of colonialism and wartimes in Laos can be seen within the policies that surround local practices throughout the different regions of the landlocked, Southeast Asian country. By analyzing domestic policies, it becomes clear what set Laos on the path of commercial production and thus, influenced their rise as a growing power in Southeast Asia.

After the liberation of Laos and the subsequent creation of Lao PDR, in 1975, the agricultural sector and level of domestic food production was left in tatters. With two agricultural stations, scattered farmers, lack of agricultural technicians, total rice production being 300,000 tons, majority of food being imported, and only six hundredths percent¹³ of Laos' land had irrigated areas – food insecurity was a major concern (Ministry of Agriculture and Forestry, 2015). With legislative infighting and a shift in political philosophy, it would be inexplicable to predict how longstanding issues will be dealt with. The people of Laos were impoverished, and it was only with subsistence farming that rice production continued; it was something, but it was far from sustainable.

In June 1988, the New Economic Mechanism, abbreviated as NEM, was defined and established that agricultural production would be the *first and foremost battlefield*, with the pledge to promote commercialization, expand food and goods production, increase the workforce, develop agricultural resources, elevate cattle and fish numbers, and apply scientific

¹³ 0.06% of Laos' total land area.

techniques to agricultural production (Ministry of Agriculture and Forestry, 2015). In this manner, the New Economic Mechanism was the first momentous step in Laos' shift to commercial agricultural production. In the following decades, this new aim would influence gradual developments and achievements in food production, commercial agricultural production, agricultural infrastructure and technical support, agricultural investment, and the development of human resources.

Since 2004, the Lao government has enacted on their vision called Government's Statistic Vision 2020 for the development of agriculture, forestry, natural resource management, and rural development (Southavilay et al., 2013). This vision was based on the holistic concept of long-term, sustainable development, tackling economic, social, and ecological dimensions. In the transition from subsistence agriculture to market production, there were three key factors: the Land and Forest Allocation Program, the Stabilization of Shifting Cultivation Program, and the four goals of the agriculture and forestry sector (Southavilay et al., 2013). These three players are at the functional core of the agrarian shift overtaking Laos. To further the vision's goals and support the shift, the Ministry of Agriculture and Forestry, abbreviated as MAF, worked to formulate four goals and put forth thirteen measures, which was approved by the Laos' economic initiative, the Sixth NSEDP (Southavilay et al., 2013).¹⁴ These four goals would work toward the Government's Statistic Vision 2020 by improving land and forest allocation, promoting cultivation stabilization, stabilizing commodity production, and providing support for land concession and farmer organizations.

¹⁴ The Sixth NSEDP stands for the Sixth National Socio-Economic Development Plan for 2006 to 2010. This plan aimed to transform and modernize Laos' economy – promoting economic development, human development, and increasing competitiveness between industries; all within the perspective of global connections and trade.

Through the New Economic Mechanism and the Government Statistic Vision 2020, the overall conditions of Laos' agricultural sector, rural livelihoods, and domestic development has advanced far from 1975. However, there have been various shortcomings with both initiatives. Regarding the New Economic Mechanism, there were several instances such as domestic policies and legislature on agriculture and forestry did not reach local and regional production areas, allocation and zoning matters were not effectively implemented, lack of coordination between the central and local level stakeholders, the processing system regarding bringing produce to market was not well connected, inadequate research and technical service centers, low competitive capability of agricultural goods as border trade is all limited within the greater Mekong sub-region, and the systematic investment in the Agriculture and Forestry Sector is limited when compared to the Industry and Service Sectors (Ministry of Agriculture and Forestry, 2015). Unfortunately, many of the initiatives that would work toward improving the agricultural sector did not reach the more remote areas of Laos.

At the local level, the lack of technical support is concerning as rural livelihoods are negatively impacted. With a lack of both direction from provincial staff and a functional system to negotiate cash crop processing, local farmers are left to fend for themselves. According to the Ministry of Agriculture and Forestry (2015), the coordination between stakeholders at both central and local levels has not been maintained, with a distinct absence of basic infrastructure and insufficient technical staff and support. Additionally, policies and procedures that would contribute to promoting the ideals of the NEM, are not being properly executed in more rural areas compared to urbanized regions. Notably, this is a reoccurring theme with several programs aimed to promote wellness and economic progression. Due to insufficient technical staffing and infrastructure, innovative plans are inhibited and limited to only the urban regions.

Differences in Domestic Trading

Influenced by local implementation of policies concerning trade and agricultural production, regional trading stands at the foundation of economic development at a domestic level. By investigating the ecosystem of local trading, it would be representative of the condition surrounding Laos' internal foundation and infrastructure for agricultural workers. In Thanichanon et al. (2018)'s article, the authors performed a case study on the province of Xayaburi – this region is along the west side of Laos (see Appendix F). This piece investigated the northern and southern portions of the Xayaburi district¹⁵ as it relates to the agrarian shift in Laos. Analyzing this research will provide the much-needed context of the economic differences based on region and these areas' access to the market. According to Thanichanon et al., northern households typically had less farmable land available compared to the south, with north farmers using the majority of their land for rice production and the rest for cash crops. Meanwhile southern farmers have access to larger amounts of land, using a portion for rice production and still have more land left over, compared to an average household in the north, to use for cash crops. In some cases, households in the south would focus on only cash crop production and use their generated income to buy food (2018). As northern households in the Xayaburi district have less available farmland due to uneven terrain and a lack of green areas (See Appendix C), these northern farmers tend to use their limited viable land for subsistence farming rather than cash crops. This means that northern households are capped at a certain level when it comes to generated income from agricultural production. Unlike their northern counterparts, southern households can maintain subsistence farming and cash crop production, and not just decently, but at a higher level. Factoring in market accessibility, southern households in the Xayaburi

¹⁵ Also Romanized as Xayabury.

district can earn a much higher income from the selling of cash crops due to higher production and selling price than northern households and can still maintain a good level of food security (Thanichanon et al., 2018). The land in the northern region of the Xayaburi district is majorly swidden (see Appendix G),¹⁶ this means that most of the land is not viable for local farming. Ultimately, southern households prioritize generating income from cash crops, while northern households typically focus on rice production. Due to the lack of market accessibility and technical support in the northern region of the Xayaburi district, northern households are unable to expand their generated income from agricultural production. The southern households are able to engage in trade, both locally and globally, and yet their northern counterparts from the same district are not. If this is prevalent in one district that is extremely close to the Lao capital, it can be predicted that this economic gap is overtly present in the more remote regions of Laos.

On top of how Lao districts trade, it is important to note that trading across the border is a significant force in the country's economic rise. With powerful neighboring countries that are strong both financially and politically, such as Thailand and China, Laos makes use of this proximity through international trade.

International Trade

Trade Partners

International trade has played an invaluable role in the progression of Laos' economic development. By recognizing the landlocked country's primary trade partners, it would give insight as to how trade relations have impacted Laos' shift to commercialized production. Alongside Myanmar, Laos joined the Association of Southeast Asian Nations, abbreviated as

¹⁶ *Swidden* refers to a temporary agricultural plot that is created by cutting back and burning vegetation.

ASEAN, in 1997 (BBC News Services, 2018; Stuart-Fox, 1998; Vanhnalat, 2015). This decision would influence further trade endeavors and collaborative economic efforts. By joining ASEAN, Laos would have a seat at the table, increasing the country's influence and representation at a global level. According to the ASEAN official website, current members of the Association of Southeast Asian Nations include Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam (2024). Laos' involvement in the ASEAN increases collaborative efforts and unity among members, economic integration, equitable development, increased political power, and provides an avenue to discuss potential foreign investment.

While Laos' admission into the Association of Southeast Asian Nations was a momentous step onto the international stage, it is the country's acceptance in the World Trade Organization that launched them up to the worldwide market platform. In 2013, Laos acceded to the World Trade Organization, abbreviated as WTO, which would aid in trade negotiations with countries outside of Southeast Asia (Economic and Social Commission for Asia and the Pacific, 2023; U.S. Department of Commerce, 2024). Due in large part to this admission, Laos has been able to connect and sign trade agreements with numerous countries.¹⁷ According to the U.S. Department of Commerce (2024), Laos has signed trade agreements with all nine other members of ASEAN. Laos has also signed various bilateral agreements with Vietnam, China, Cambodia, Burma, Thailand, North Korea, Mongolia, Malaysia, Russia, India, Belarus, Argentina, Kuwait, and Turkey. One example of how WTO membership has positively impacted Laos' trade agreements would be its import relation with Vietnam. As a member of the ASEAN Trade in Good Agreements, abbreviated as ATIGA, Vietnam and Laos have cut tariffs on each other's

¹⁷ See World Bank Group (2012) for more information on how Laos benefits from the WTO membership.

imports with Laos deciding to cut approximately 50 percent of import tariffs from Laos into Vietnam (Till & Kulkarni, 2021). This is one of the many ways that Laos has leveraged its global status regarding international trade amongst other countries, such as the United States, Australia, Japan, Canada, etc.

Free Trade

Influenced by Thailand's free trade model, Laos has gradually implemented components that would lower the barriers for international trade. After joining the Association of Southeast Asian Nations, not only would Laos gain more recognition on a global scale, but also neighboring countries would have access and influence on Laos in return. According to Stuart-Fox (1998), Laos had been given until 2008 to meet ASEAN Free Trade Area [AFTA] requirements to reduce tariffs on most goods below 5 percent. As a result of this shift to free trade, Laos' commitment to the Association of Southeast Nations would deepen (Stuart-Fox, 1998; Vanhnalat et al., 2015). As of 2024, the Lao government has simplified its tariff structure and is gradually amending non-tariff barriers, with a high priority placed on trade facilitation as it was one of the earliest countries to ratify the World Trade Organization [WTO] Trade Facilitation Agreement (U.S. Department of Commerce, 2024). According to Till and Kulkarni (2021), non-tariff barriers may include quota policy, Voluntary Export Restraints [VER], Domestic Content Requirement [DCR], Intellectual Property Rights [IPRs], and other various ways of dumping.¹⁸ With this total transformation into free trade, Laos opens itself up to a wide expanse of trade options with neighboring countries and other countries connected by Laos' ties to the international organizations, such as Thailand and China. These two countries are the

¹⁸ See Till & Kulkarni (2021) for more information about non-tariff barriers and its impact on Laos' trade system.

powerhouses of the Association of Southeast Nations, excelling at both global recognition and economic growth. In 2021, Laos' largest merchandise trade¹⁹ partner was Thailand, representing 32.2 percent of its exports and 46.7 percent of its imports. Meanwhile, 31.4 percent of exports and 22.6 percent of imports by value were traded with China, Laos' second largest trade partner (Economic and Social Commission for Asia and the Pacific, 2023; World Bank, 2022).

Essentially, Thailand and China are two of Laos' most lucrative trade partners regarding actual trade exports and imports, as well as global ties and association. The main driver of this transformation of subsistence agriculture to commercial agriculture, together with improving access to agricultural markets, is the demand across the border in the markets of Thailand for maize and in markets of China for other crops such as job's tear and cassava (Thanichanon et al., 2018). Essentially, the growing partnership between Laos and the two powerhouses will serve to further the landlocked country's economic rise. Additionally, Laos and Vietnam reduced tariffs with one another to help build a stronger relationship between the two countries. Thailand is proof that free trade is a good accomplishment and Laos has started to see similar successes (Till & Kulkarni, 2021). By shifting to free trade, Laos has greatly increased its economic power. As Laos is one of the poorest countries in Asia, China assisted Laos to diminish the import tariffs between them. Although the tariff reduction has not helped Laos as much as intended but rather hindered the Lao economy in some cases (Till & Kulkarni, 2021). While there is no doubt that the shift to free trade has positively impacted Laos' economy, it is necessary to address how the reduced tariffs impact the Lao communities that engage in border trading. Ultimately, cut tariffs mean that local farmers, or others who profit from agricultural production, would have to turn to other methods to make enough funds, such as contract farming.

¹⁹ Merchandise exports include agricultural products, vehicles, clothing, machinery parts, and other goods.

Contract Farming

Since Laos has adhered itself to the free trade model as promoted by Thailand and required by the Association of Southeast Nations, contract farming has emerged as a way to ensure profit and decrease risk of unsold products. Contract farming works as both parties, foreign agencies and local Lao farmers, invest resources to make a profit. According to Chaovanapoonphol and Somyana (2018), contract farming is typically defined as a 2 + 3 agreement in which farmers invest in labor and land while the investors invest in technology and production factors, then purchase the farmed products with a guaranteed minimum purchase price. Ideally, both parties should benefit from contract farming as it is economically viable and is one of the few methods with reliable infrastructure for agricultural production. Most of the products that are exported to China from Laos are agricultural items. The crops that are grown are grown on Chinese leased land then exported to China (Till & Kulkarni, 2021). Essentially, contract farming is one of the main agricultural avenues for Thailand and China. Through the contract farming system, farmers can get easier access to credit and other inputs for growing maize, such as hybrid seeds, pesticide, plowing and fertilizer. While wealthy farmers invest their own money, the household survey found that 53 percent of maize farmers receive inputs through the contract farming system (Thanichanon et al., 2018). However, the contract farming system is not executed to the fullest potential throughout the different regions in Laos. In the Bokeo district (see Appendix F), the contract system in the north does not have a clear written contract. Instead, a representative from Laos PDR, typically the Head of the maize production group, acts as the coordinator with small-scale farmers while Thai investors invest in the various production factors, such as seeds, fertilizers, chemicals (Chaoyanapoonphol & Somyana, 2018). In areas that lack market accessibility and viable farmland (Appendix C and Appendix G), there is not a clear

structure for contract farming with local farmers typically having to fend for themselves. In the Champasack and Salavan districts, the contract farming system operates under a clearly written and signed agreement of collaboration between farmers and investors (Chaoyanapoonphol & Somyana, 2018). Compared to their northern counterparts, the southern districts of Champasack and Salavan are food secure (Appendix E) and in close proximity to the Mekong River (Appendix A), therefore resulting in an increase in cash crop production and market accessibility.

Modern Agriculture

In the modern era, the agricultural sector has solidified its position in Laos' economic rise. With the shift to free trade and contract farming, the landlocked country has cemented itself as an emerging powerhouse in the region. However, these efforts are not fully realized throughout the country. Additionally, there are some key shortcomings associated with factors that the Lao government have previously recognized but have not implemented effective solutions for. In this section, the topics of food insecurity and environmental impact will be discussed relative to Laos' economic growth.

Food Insecurity

With the modern rise in commercialized markets, the current farming culture in Laos comes with certain issues, such as the growing worry for sustainable food sources that was previously provided by subsistence farming. This major concern stems from the transformation to commercial agriculture as cash crops replace subsistence staple crops, therefore resulting in a decline in food production for household consumption (Thanichanon et al., 2018). In the post-liberation era, Laos would experience economic hardships, however, these challenges would

seldom impact their access to food due to the Lao people's commitment to subsistence farming. Armed with the knowledge of contract farming and the pivot to free trade, however, the shift away from subsistence farming has affected many households' accesses to secure food sources.

Although Laos has experienced exponential economic growth, there is a growing disparity between the regions and districts. As previously discussed, the remote areas of Laos are often neglected by the Lao government regarding the effective implementation of practices and policies that would serve to facilitate economic development and growth. As a result, certain regions of Laos have experienced detrimental levels of poverty (see Appendix E). Notably, the districts that identified as poor are within regions that are separated by mountainous terrain (see Appendix C), do not have reliable access to the Mekong River (see Appendix A), remote areas with poor road networking and infrastructure, and/or in areas that are contaminated by UXOs (see Appendix B). According to Epprecht et al. (2008), vulnerability and food insecurity appear to both be closely related to household welfare. When observing the areas that are vulnerable to food insecurity (see Appendix D), the regions that are impacted are nearly identical to the districts that are affected by the widening economic gap. If the government of Laos continues to neglect addressing this discrepancy, then food insecurity will only increase in the areas most disregarded.

Environmental Impact

Another factor furthering the economic disparity between regions comes in the form of environmental issues caused by the insufficient implementation of land allocation and land use policies by the Lao government. As Laos has implemented initiatives to promote free trade and contract farming, the presence of foreign agencies has increased alongside the landlocked country's commitment to ASEAN. With these gradual changes, it is important that Laos enforces

policies relating to the utilization, allocation, and condition of its environment, especially since these factors directly impact rural livelihoods. Since Laos has prioritized economic growth and dismissed the accompanying widening economic disparity, this sentiment may also apply to its foreign contracts locally. The commercial crop production has contradicted the forest management policy and environment issue due to both private and market sectors only being concerned with increasing outputs rather than considering impact on land degradation and forest covers (Southavilay, 2013). Since Laos has neglected enforcing its policies on environmental sustainability, both private and market sectors do not take into account how their agricultural expansion has impacted the land. While Laos has a high potential for farmable land, the management, planning, allocation, zoning, and utilization was not well implemented and mapped out in accordance with the goals of the New Economic Mechanism (Ministry of Agriculture and Forestry, 2015). Although the agricultural and forestry divisions of the Lao government are aware of the insufficient implementation of land policies, it is pertinent that this newfound spotlight does not leave the Lao people shrouded in the dark. According to Southavilay (2013), the Lao Land and Forest Allocation Policy, abbreviated as LFAP, and commodity production policies in the form of land concession have resulted in land access loss, therefore leading to food insecurity for rural livelihoods with limited farmland. There is valid concern that while policies will be enforced, the effects experienced by the those local to the areas impacted, caused by how neglected land policies were previously, would seldom be addressed, much like how the poor execution of past policies to more remote areas of Laos were dismissed for several years.

Conclusion

Discussion

Before addressing the recommendations to better facilitate Laos' transformation to commercial agricultural production, it is important to note the several key components detailed previously in this paper. On the topic of land use and land allocation, there is quite an abundance of terraformed land set aside for plantations, contract farming, and cash crop production. This is significant as there is a lack of farmland in Laos as the presence of UXOs threaten almost half of the land and its residents. The lack of usable land requires stable infrastructure and sustainable practices, which unfortunately are not properly carried out to more remote areas. This leads to the growing economic disparity between urban and rural areas. Regions that have access to global markets and namely, the Mekong River, have an easier time trading and growing economically. Rural areas, however, have fallen behind in the shift from subsistence farming to commercial production due to the lack of multiple factors, such as market access, systematic trade infrastructure, and insufficient land allocation policies. With these components, there is a rising concern of food insecurity in these areas. Rural families are increasingly prioritizing cash crop production or looking for other avenues of income, thus moving away from subsistence farming. This decision is paramount as we consider the lack of farmable land allocated and made available to households. On the topic of cash crop production, it is important to note that these foreign agencies that own and operate under contract farming and plantations are not held accountable for land care standards, especially when noting land degradation.

Recommendation

Due to the disconnect between Laos and the welfare of the Lao people, I recommend an assessment that would investigate government policies and their impact on environmental sustainability, rural livelihoods, and domestic development. Specifically, these assessments would strive toward providing financial and technical assistance for local markets, developing

infrastructure and a cohesive system between rural farmers and local, regional, and global markets, and setting more regulations and standards for foreign agencies regarding land use, allocation, and condition. While these recommendations can be seen as an extension to the central goals of New Economic Mechanism, there is an added need to properly address the large economic disparities that inhibit the wellness and livelihoods of the Lao population.

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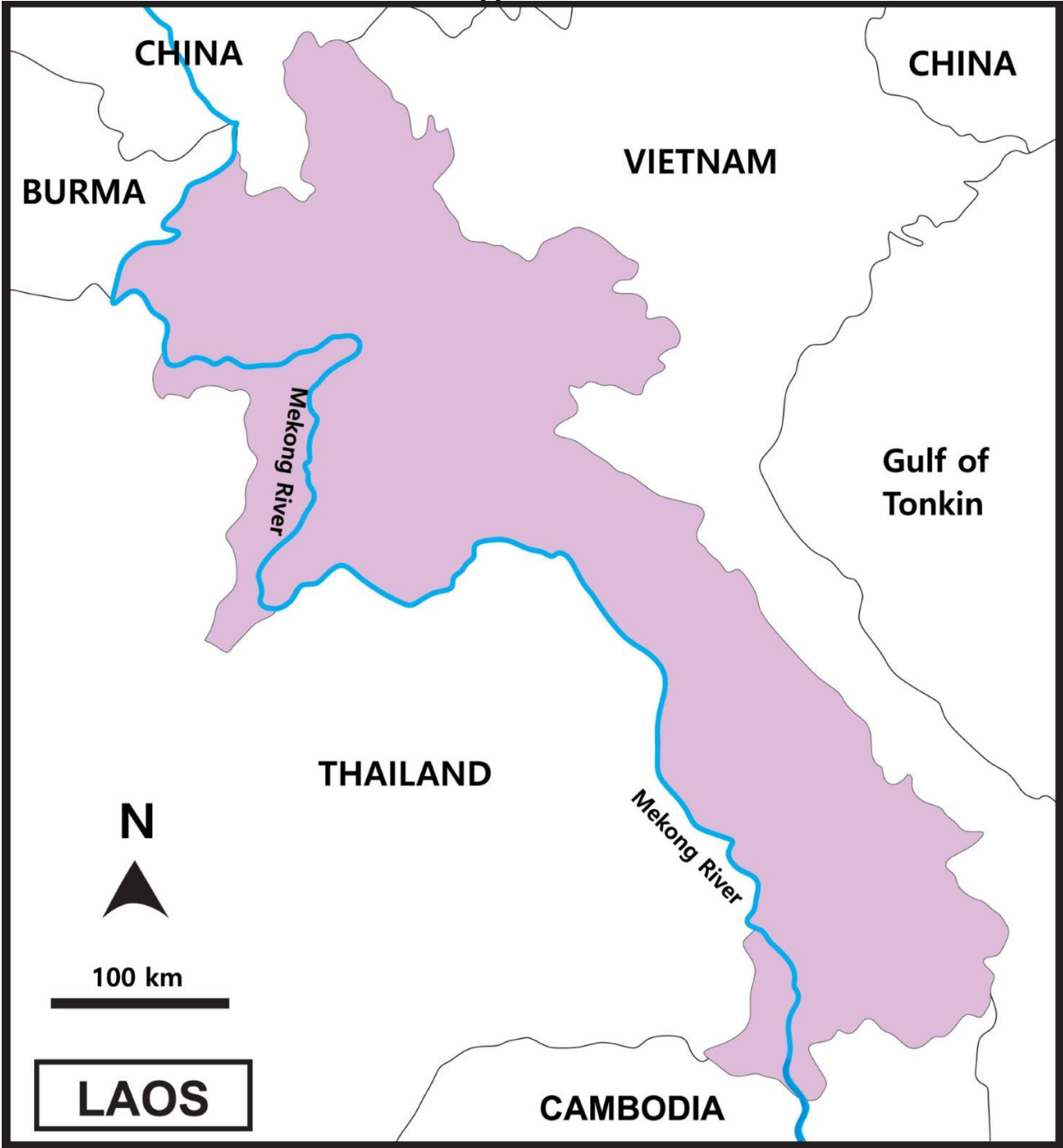
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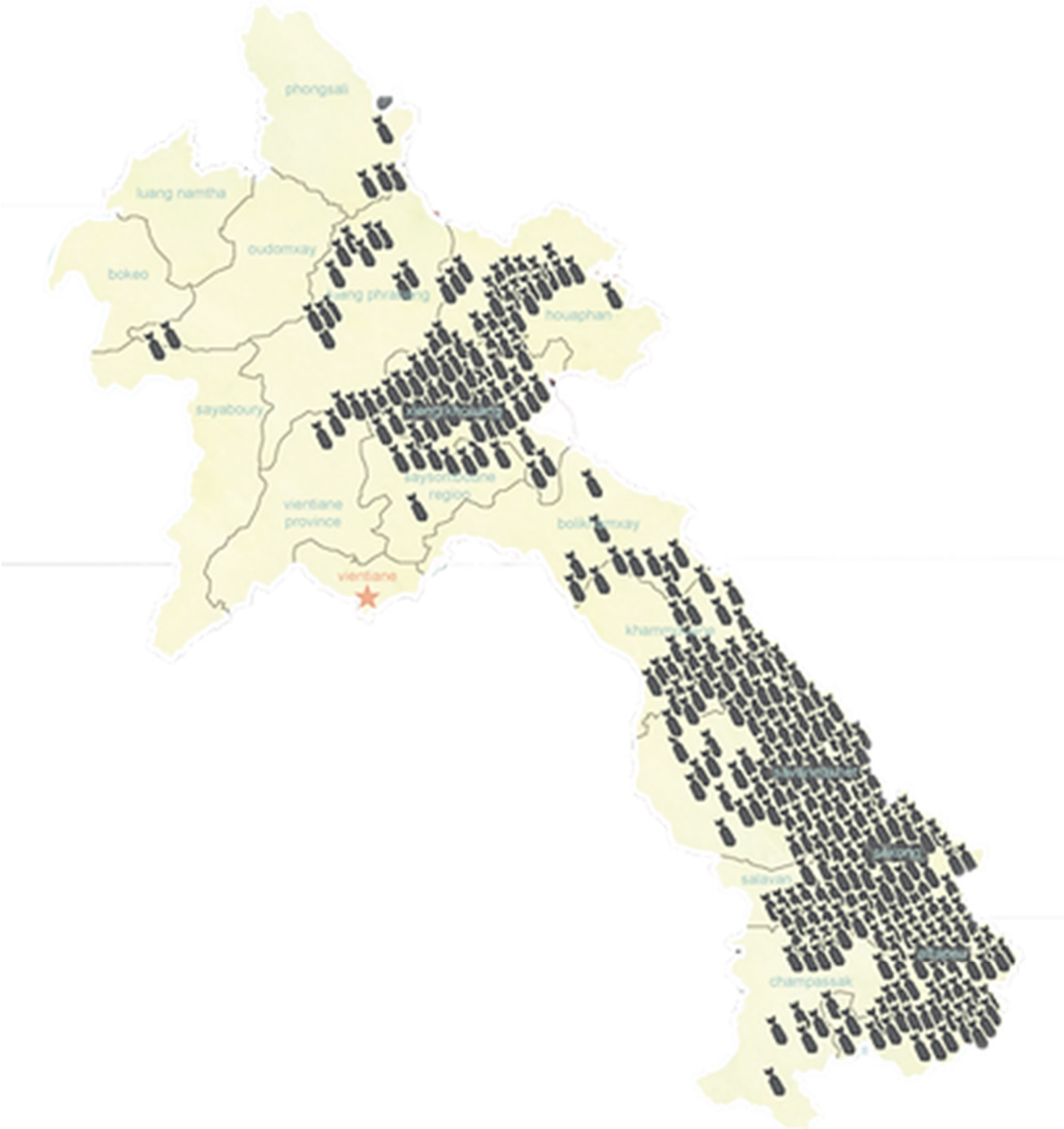
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Appendix A



Appendix A. Map of the Mekong River as it flows through Laos (Eezy, n.d.).

Appendix B



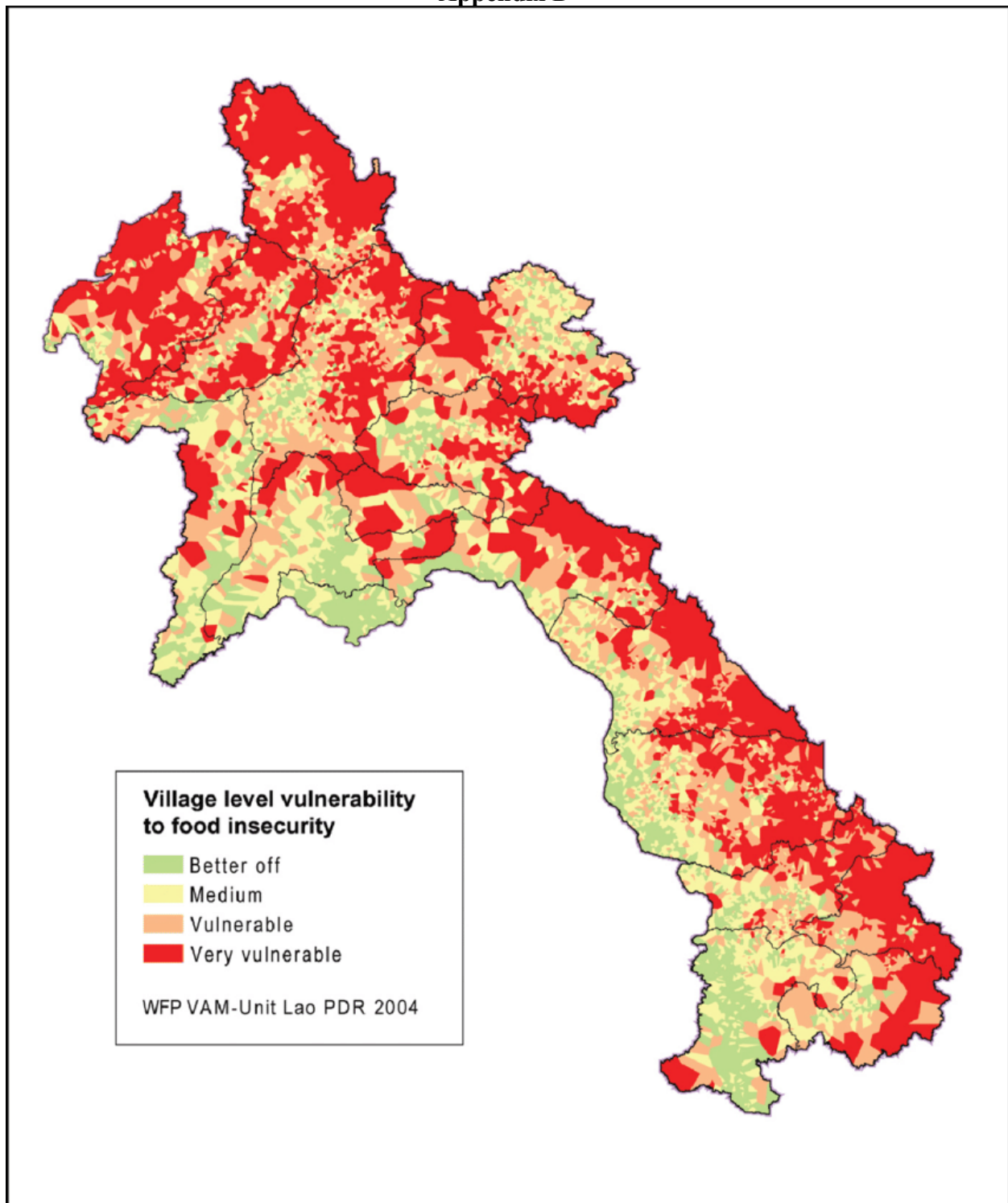
Appendix B. Map of the presence of UXOs in Laos (Legacies of War, 2023).

Appendix C



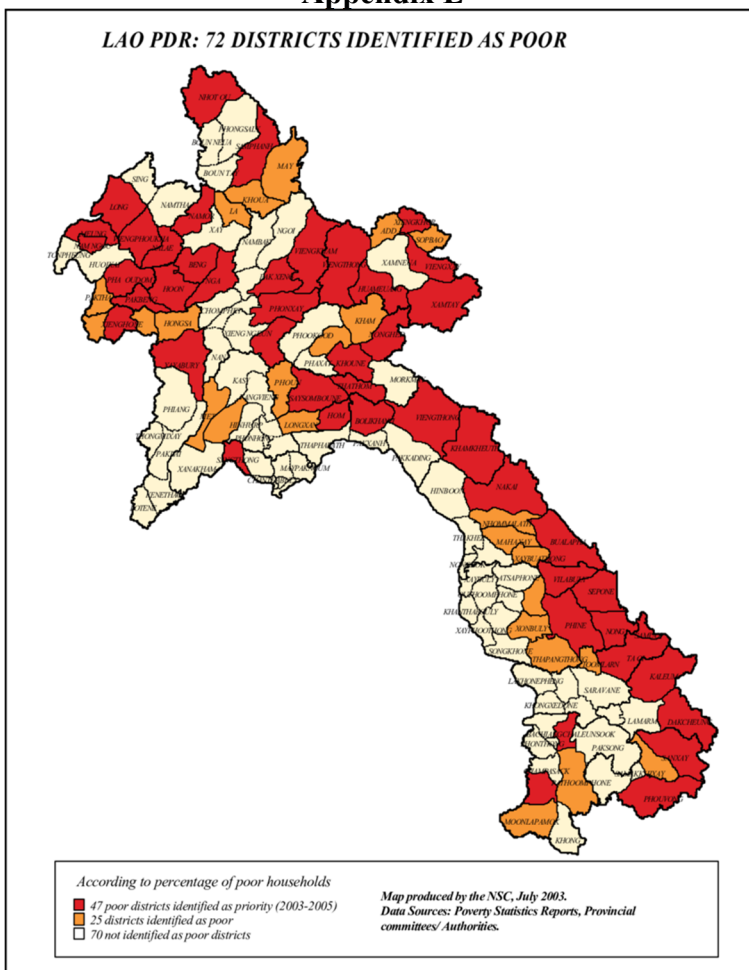
Appendix C. Map of Laos' terrain (Worldometer, n.d.).

Appendix D



Appendix D. Map of village level vulnerability to food insecurity in Laos (Epprecht et al., 2008).

Appendix E



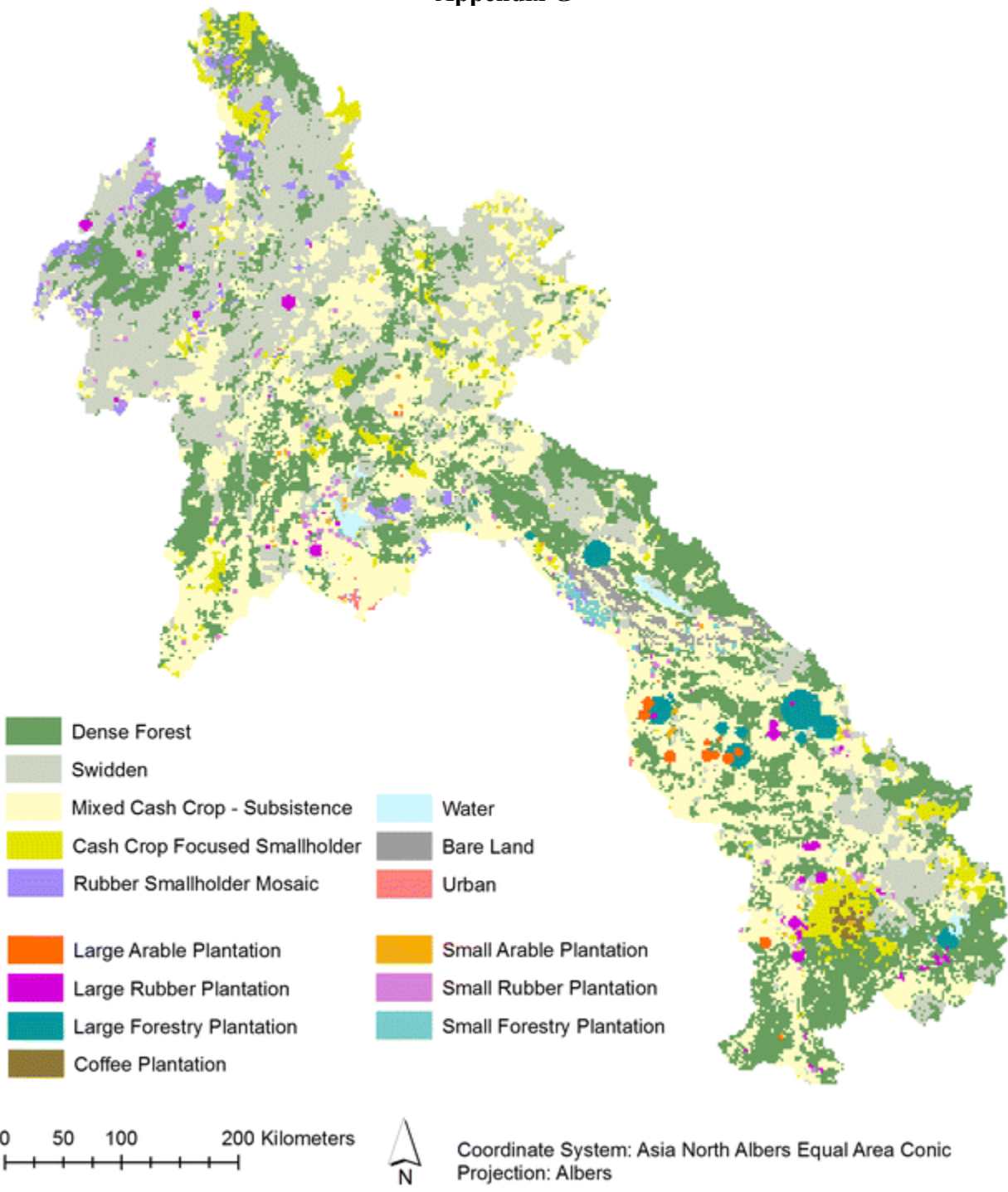
Appendix E. Map of poverty levels in Laos at the district level (Epprecht et al., 2008).

Appendix F



Appendix F. Map of the Lao districts (Epprecht et al., 2008).

Appendix G



Appendix G. Map of land allocation in Laos (Debonne et al., 2018).