

CHAPTER I

THE CHANGE TO A MARKET-ORIENTED ECONOMY IN LAO PDR AND CHINA

1.1 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.

1.1.1 Emergence of the New Economic Policy in Lao PDR

The Lao People’s Democratic Republic (Lao PDR) 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 (UNDP 2006). The country, with a population of 5.6 million (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), though 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 (UNDP 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 is 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 1997:55). Reforms included an elimination of trade restrictions, with the "elimination of [a] state monopoly in imports and exports, and [a] substantial reduction of external trade barriers; [a] deregulation of prices in the product and factor markets; increased monetization of economic transactions, including monetization of the salaries of civil servants; [the] establishment of a tax system as the principal means of raising revenue to fund government operations; retrenchment of the civil service in view of [a] reduced scope of government operation[s]; transfer of civil service administration from the party to the government; restoration of a legal framework for economic, financial, and commercial transactions; foreign investment promotion; foreign exchange rate liberalization; and separation of central banking from commercial banking operations" (Reyes 1997:55). 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 (UNDP 2006).

1.1.2 The Greater Mekong Sub-Region (GMS), Road Construction, and Changing Livelihood in Northwestern Laos

The 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 (ADB web site). 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. 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

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

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 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. The Akha, who lived in the highlands and were originally engaged in slash-and-burn agriculture, were thus the target of the resettlement policies implemented in Muang Sing, and over the period 2002 to 2005, 422 households (including 2,365 people) from nineteen villages were resettled. After the Akha moved to the lowlands, it became easier for them to access education services and expand their social lives, such as shopping at the market; however, some of them had insufficient land to cultivate rice. As a result, they began to earn money to buy rice by growing other cash crops and by helping harvest the cash crops cultivated by others, and there is one particular actor who promoted cash crop production in the area.

1.1.3 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 promotion of cash crop production in Muang Sing. Angang (2001) links to this trend a decrease in the level of employment in primary industries due to changes in the industrial structure, and the contraction of the profit margins of government enterprises due to the introduction of market forces. Unemployment, which had reached about twelve million by the end of 1997, has limited employment rates in private enterprises and the increasing unemployment rate among people with little education has led to the academic development of laborers, especially in urban areas. Meanwhile, in rural areas some people have limited land, so some of those living in underdeveloped areas have had a tendency to move to other locations, and this has led to greater employment competition in rural areas. The trans-regional migration of rural laborers topped 40 million in 1995, accounting for 8% of the rural labor force. In particular, many people have moved to Sichuan Province, with the numbers reaching 9.5 million in the same year. In my research area, some of the watermelon traders are those who have migrated from Sichuan to Sipsong Panna, and many Chinese who run some shops in Muang Sing as well. It can be found that, on the one hand, some people have moved to Sichuan Province from other provinces, while on the other hand, some have moved from Sichuan Province to other provinces, or even abroad, seeking jobs.

D'Hooghe (1994) has discussed the issue of cross-border trade between Yunnan Province and its neighboring countries, which has become significant since 1990. Once, Yunnan's trade with neighboring countries flourished as it was located along the Southern Silk Road; however, after that time Yunnan was regarded as an inaccessible, backward and remote frontier area with little potential in terms of economic development. After 1978; when Deng Xiaoping came to power, China's economic policies opened up to allow modernization of the state apparatus, and in

1984, 27 border districts were given permission to establish trade ties with their neighboring countries. In December that same year, small volume trade was approved by the state council, with seven state-level (responsible to the central government) and ten provincial-level ports (responsible to the Yunnan provincial government) established in Yunnan, with the most important ports being the state-level trading ports of Ruili and Wanding on the China-Burma border, Mengla² on the China-Laos border and Hekou on the China-Vietnam border. By 1991, Yunnan's border trade ranked fourth in the country and now the Province's economic relationship with its neighboring countries is no longer inconsequential and is very important in terms of acquiring a leading trade position in China's business with Southeast Asia – acting as a key promoter of Mekong region development. In early 1993, Yunnan developed a slogan: “open up the southern gate and head for the Asia-Pacific”, and Yunnan's Governor at the time, He Zhiqiang, said: “We should fully exploit the geopolitical advantage of Yunnan to open up markets in the Asia-Pacific region, develop large-scale trade and border trade simultaneously, and, through border trade, establish tens of thousands of enterprises which carry out both import and export trade with foreign countries in the areas along the border, where a number of large-, medium- and small-scale power stations will be set up in five to six years and electricity will be considered a major export commodity”.

Recent developments in terms of Yunnan's border trade have derived not only from the open-door policy and improvements in diplomatic relations with neighboring countries in the 1980s, but are also the result of a change in the sense of inferiority which Yunnan once had as a remote area of the country, one outside of national development parameters.

² Mengla is located in Sipsong Panna; it is located between Mohan (the border town with Laos) and Jing Hong – an urban center in Xishuangbanna (Sipsong Panna) Dai Autonomous Prefecture.

1.1.4 China and Lao PDR Since 1980s

According to Kikuchi (2003), in 1975, the Phathet Lao, who took over power in Laos from the royal government, implemented a new policy based on improving the economic system and expanding agricultural production – as part of the construction of a socialistic state. Because Laos was at the time a largely agricultural country, the Phathet Lao had an ideal opportunity to move towards socialism, without having to go through the early capitalist phase. As a result, agricultural collectivization and cooperativization were promoted, and factories and companies were socialized; however, the rapid implementation of socialization within a vulnerable political and economic country like Laos brought a supply shortage from Western countries in terms of assistance and also introduced rapid inflation. In addition, agricultural collectivization did not achieve the results expected, so the new administration accepted assistance from socialist countries such as the Soviet Union and Eastern European countries, instead of assistance from the West. In addition, although the country fully cooperated with Vietnam, with whom it had fought with in the civil war, the situation did not improve. In 1979, the government decided to review its rapid socialization policies in order to stabilize the society and economy. However, Laos did support Vietnam when it invaded Cambodia, which China also supported, though the relationship between China and Vietnam was later broken, and Vietnam became an isolated state – along with Laos, and as a result, Laos was closed-off to western countries.

After the introduction of socialism in 1975, in north-western Laos trade between Thai and Laos was limited due to a closing of the Chiang Khong and Houayxay border crossings, and these closures lasted until 1988 - Thai consumer goods could only be imported via smuggling routes, and due to the border closures, the timber industry which had prospered in Houayxay was decimated and cross-border wholesale trade eliminated. Meanwhile, the border relationship between China and Laos deteriorated after 1975, with the border closed between 1977 and 1983.

Though Laos sided with Vietnam in its conflict with the Beijing-backed Pol Pot regime in Cambodia, and the Chinese forbade people from exchanging goods or

carrying out trade, some private involvement in trade was permitted and limited cross-border trade was carried out by companies which held government licenses. In addition, a border market between Laos and Myanmar was operated between 1978 and 1986, but in the main trade turned towards Vietnam, with Soviet aid imported through Vietnamese ports and with the Thai and Chinese borders closed (Walker 1999).

The three communist countries in Southeast Asia: China, Vietnam and Laos, gradually opened up after the mid-1980s through the implementation of market reforms and due to the collapse of the Soviet Union, and these changes signaled an end to the states' monopoly control over their economies (Evans et al. 2000). With the failure of the Soviet system of socialism in China, and as a result of the 'great leap forward' and Cultural Revolution movements under Chairman Mao, China's economic policies began to change, with the introduction of a market economy by Deng Xiaoping in the 1980s. Vietnam and Laos have always had a fraternal relationship with China, like a younger brother/older brother situation (Hinton 2000), and so changing Chinese economic policies influenced Lao and Vietnamese economic and diplomatic policies.

After the end of the Cold War, Chinese leaders recognized the need to develop and modernize, and their foreign policies started to take a more conciliatory line. As a result, in the 1990s China adopted a "policy of good neighborliness"; a more "accommodating and restrained" relationship within the region. China's increasing interest in and influence over its neighbors to the south: Vietnam, Laos, Cambodia and Myanmar, can be understood, not only in terms of this new geopolitical context, but also in terms of more local factors. After the financial and economic crisis of 1997, Laos turned away from Thailand and towards Vietnam and China, and the Vientiane authorities at once went to seek partners in order to diversify the country's economic relations. This reorientation of their international economic strategy was to favor China, and in 2001, the Chinese Prime Minister Zhu Rongzhi invited his Lao counterpart, Bounyang Vorachit, to visit, and this strengthened the economic relationship between the two countries (Vatthana and Ruth 2006).

Recently, China's rapid economic growth and its rise as a global power have enhanced its influence in the Mekong region, particularly with regard to investment and cross-border trade. According to the fourth Laos-China Corporate Committee conference held in Beijing on 5th and 6th May 2009, investment in Laos from China amounted to about 260 million US dollars at that time, making China the number one investor in Laos, and by 2008, Laos-China trade stood at 420 million US dollars, up 57.5% from the previous year. Lao exports to China include timber and wood products, agricultural items and minerals, and Chinese exports to Laos mainly include industrial and specialist equipment, raw and construction materials. In its report, the Conference of Laos-China Investors in 2009 held in Vientiane stated that Chinese investors are facilitating 117 projects in Laos, adding up to investments of eleven billion US dollars. The main investments are taking place in the mining, finance, banking, telecommunications, hotel, restaurant, logging, rubber plantation and agricultural sectors. Many Chinese investors are planning to invest in the northeast region of Laos, particularly as some provinces in northern Laos share a border with Yunnan Province; this region has been influenced by China for a long time. The fourth regular conference of the northern provinces of Laos and Yunnan Province and a conference of the Liaison Committee for North Laos and Yunnan Province was held on 22nd and 23rd June 2009 in Jinghong, Sipsong Panna, with attendees including the Laos Deputy Prime Minister Mr. Somsawaat, who is on the Laos-China Cooperation Committee, governors of each of the northern provinces and the Yunnan Governor Mr. Xingkuwan Yong, the meeting being held to discuss bilateral cooperative relations in terms of commerce and investment. The bilateral trade (between Yunnan and Laos) carried out in 2008 amounted to 110 million US dollars, up 30.7% from 2007, and 26.3% of which was made up of China to Laos trade; plus they had contracted economic and technical cooperation relations amounting to 482 million US dollars in the same year, and were striving to reach trade worth 250 million US dollars by 2010. In addition, the cross-border trade between China and Laos has played an important role in the cross-border development of mainland Southeast Asia as a whole.

1.1.5 Chinese Expansion into Laos

According to Halpern (1961), the influx of Chinese businesses into Laos is not a new phenomenon - one that has just started. In his paper, he examines the history of the Chinese in Vientiane, Pakse, Luang Phrabang, Luang Namtha, Phongsali and Sawannaket in Laos. When he conducted research in 1959, there were about 200 Chinese in Muang Sing, making up about 13% of the total population. Of these, 90% came from Yunnan; the rest came from Guangdong and Guizhou. According to Lyttleton et al. (2004), in a report produced in the late nineteenth century, the main residents in Muang Sing were the Tai Lue from Chiang Tung Province in Myanmar and Sipsong Panna. He also mentions that the Chinese influx intensified after introduction of the land collectivization campaigns in China in 1958.

Furthermore, Halpern (1961) describes some of the characteristics of Chinese who came to Laos at that time, stating that almost all were the Han³, though there were also a few ethnic minorities such as the Yao and Meo, who were engaged in business with the Han. The Han was quite diverse at this time, coming from Yunnan, Guangdong, Hainan and Henan. It is said that they migrated from Henan due to military pressure in 400 to 600 AD - moving south. These Han lived across Southeast Asia at this time, especially in Malaysia, Indonesia and Thailand.

The Chinese of that period were good at business and monopolized trade in Laos. Based on interviews, Halpern (1961) states that the Chinese community was first recorded in Laos in about 1910 or 1919 – those who had failed in Thailand or Vietnam or were not happy in Southeast Asia. At that time, an influx of Chinese into Laos from Hong Kong could also be identified.

In the mid-1980s, China's economic policies changed with the introduction of the market economy by Deng Xiaoping and as a result of the failure of the Soviet-style socialist programs such as the Great Leap Forward and the Cultural Revolution.

³ I use the word 'Han' to distinguish between the Han ethnic and Chinese Lue ethnic groups in this paper. In those cases where it is impossible to do this, I use 'Chinese' as a collective term including the Han and Chinese Lue.

As result of this, three communist countries in Southeast Asia, China, Vietnam and Laos, gradually opened their doors, and this signaled the end of state monopoly control over the economy in these states (Evans et al. 2000). Changes in Chinese economic policy also influenced Laos' and Vietnam's economic and diplomatic policies, and China began to extend towards its neighboring countries in terms of trade and investment.

As I mentioned above, relationships between China and Laos, and in particular between Yunnan Province and the northern Lao provinces have strengthened year on year recently, especially in terms of economic activities such as investment, trade and farming, due in part to the state policies of the two nations, such as China's land management policies and overpopulation situation, plus the Lao state's economic development policies. Since 1996, a large number of trade agreements have been agreed between the two countries that have helped open-up economic relations, and as these have been developed, many Chinese people have flowed into northern Laos to open businesses.

Table 1.1: Number of Foreign Businesses Registered in Luang Namtha Province 2008-2009

Sector \ Country	China	Vietnam	Thailand
Agriculture	270	0	0
Industry	102	11	11
Construction	9	65	0
Services	224	24	0
Total	605	100	11

(Unit: Person)

(Department of Industry and Commerce in Luang Namtha 2009)

Table 1.2: Number of Cancellations of Foreign Business Registrations in Luang Namtha Province 2008-2009

Country Sector	China	Vietnam	Thailand
Agriculture	280	0	0
Industry	184	18	4
Construction	18	45	0
Service	144	14	0
Total	626	77	4

(Unit: Person)

(Department of Industry and Commerce in Luang Namtha 2009)

According to Figures 1.1 and 1.2, Chinese investment and business registrations are at their highest in Luang Namtha Province, and the numbers also show how the Chinese tend to move both in and out.

The number of Chinese traders who come to buy cash crops is also increasing year on year, with a wide range of locations and kinds of cash crops being exported back to China. One Chinese man told me that he sells whatever he can from Laos in China, whilst the watermelon Chinese trader is engaged in the trading of not only watermelons but also other crops. Their trading power is extended across various cash crops and locations such as wild mushrooms, pumpkins and reeds (see Ch.V).

1.1.6 Important Ethnic Groups in Muang Sing

I chose Muang Sing, a small town located near the border with China, to be my research site, as it is becoming a significant production area for cash crops to be sold in China, such as rubber, sugarcane, rice and watermelons, and a strong relationship is developing between both countries. There are many ethnic groups in Muang Sing, and the watermelon business there, which is the focus of this study, is operated by a network based on these ethnic relations. This section thus examines the ethnic background and current context of my informants, including the Han, Chinese Lue, Lao Lue and Akha.



Han Superiority

Chinese economic development is one of main reasons why the Han have moved to the ethnic minority autonomous areas in search of business opportunities, and the Han's dominance has increased in those areas. In this section, I will examine who the Han are in China and the reasons for their dominance. According to Glandney (2004), the People's Republic of China is comprised of 56 official nationalities, and the state recognizes the Han as the majority nationality, which in 1990 made up 91% of the total population. Glandney says "the notion of *Han ren* (Han person) has clearly existed for many centuries; the descendants of the Han dynasty (206 BC to AD 220) that had its beginnings in the Wei River valley. However, the notion of *Han minzu* (Han nationality) is an entirely modern phenomenon, which arose with the shift from [a] Chinese empire to [a] modern nation-state." (Glandney 2004: 14).

According to Kaneshige (1998), with regard to the relationship between the Han and the ethnic minorities in China, the minorities are seen as inferior to the Han. Although the Chinese authorities have tried to discourage such a view, even now, such contempt towards and discrimination against the ethnic minorities still remains in Chinese society, with the general understanding being that they are uncivilized, dirty and dull. In contrast, according to Glandney (2004), the Han majority are represented as modern and better educated by the state-sponsored media and publications.

Tai Lue: Their Position and Complexity

The Tai Lue live in eastern Myanmar, northern Thailand, the northern part of Vietnam and northern Laos (Khampheang 1999), and are part of an ethnic group which once mainly lived in the Sipsong Panna area of modern-day Yunnan Province in southern China, where they constructed the Sipsong Panna Kingdom at the end of the twelfth century, building close ties with the Lanna Kingdom (now northern Thailand), the Keng Tung Kingdom (now Shan State in Myanmar) and the Lang Xang Kingdom (now northern Laos) (Baba 1998). In the latter half of the nineteenth century, people of Tai ethnicity became citizens of different states due to the border

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demarcations which divided-up Yunnan and Southeast Asia (Hasegawa 1998), then in 1949, the Chinese Communist Party made Sipsong Panna a part of the People's Republic of China (Antonella 2009). Now, the Tai Lue mainly live in Yunnan Province, northern Laos, northern Thailand and Shan State in northern Myanmar (Shimizu and Nishimoto 2008), but I will focus on the Tai Lue in China and Laos, and their current context.

The Tai Lue's situation in China has always been very complex, and they have often been at the mercy of politics and social change, that outside of their control. According to Hasegawa (1998), the 1950s was a time when the Chinese authorities implemented ethnic policies which incorporated the ethnic minorities and adapted the socialist system to take them into account, including those living on the periphery; around the border areas of Yunnan. The minorities here experienced a radical collectivization of their agriculture, land reforms, a forced transition to people's communes and extreme class struggles, due to the Great Leap Forward and Cultural Revolution movements. After the transformation to a socialist system had taken place, they faced a restructuring of Tai ethnicity, the adaptation of autonomous areas, the implementation of ethnic policies, the suppression of Buddhism and increasing opportunities to carry out exchange activities with the Han. In addition, during the 1980s, their circumstances were changed by external forces due to the 'open door' policies, the introduction of market economy, urbanization processes and the reinforcement of Han's culture through school education.

We can gain a good understanding of the relationship between the Han and Chinese Lue by analyzing population figures. In 1949, the Tai Lue accounted for more than half of the population of Sipsong Panna; the Han still numbered only a few. After that, the Han population began to increase due to their inward migration from other parts of China, beginning with the setting up of the national rubber farms after the late 1950s. By the 1960s, the Han outnumbered the Tai Lue in the area, then in the 1980s, redundant Han laborers spontaneously moved to Sipsong Panna following the economic development taking place there (民工潮). As a result of this, work and social activities once carried out by the ethnic minorities were taken up by the Han,

while the interdependent relationship between these groups became strong in rural areas. However, over development and the increasing Han population during the Cultural Revolution had an adverse impact on ethnic relations, with the relationship between the Han and the other ethnic minorities becoming one of a subordinate relationship - in which the Han began to take all prominent positions after the 1980s.

According to Schliesinger (2003), the Lue in Laos probably came from today's Kwangtung Province in Southeastern China or from northeastern Vietnam, and from there migrated through northwestern Vietnam into southern Yunnan Province and from there southward into Myanmar and northern Laos. Most of the Tai Lue in Laos migrated from their native homeland due to oppression by the Han, due to socio-political change arising from the border demarcation activities, the invasion of Southeast Asia by British and French troops, the transition from royal authority to a modern nation-state and the social confusion caused by socialization (Baba 1998). Although there are a number of opinions on this issue, the Tai Lue population in Laos is said to have been 123,000 in 2005 (SCCPH 2006: 15; Chazee 2002:40 cited in Shimizu and Nishimoto 2008).

Khamla et al. (2006) state that the majority of the Tai-Lue population in Muang Sing (55%) are of Tai-Kadai ethno-linguistic origin (Tai lue, Tai Nua, Tai Dam and Phunoi), and the Tai Lue in Muang Sing can be divided into two groups; one group from Xieng Toung, Myanmar and the other from Jing Hong in Sipsong Pnana (Khampheang 1999). According to Lyttleton et al. (2004), the Lue and other minority groups from China arrived in Muang Sing during the early twentieth century, while the influx of migrants from China increased during the Cultural Revolution in China, after 1958 (Khamla et al. 2006). During the period 1965 to 1968, the area became involved in the Lao civil war; therefore, many of the Tai Lue moved to new villages located in the western part of northern Laos, including present-day Houayxay, but after the rise of the Communist regime in 1975, Muang Sing was re-populated, as people began to return to their original villages (Khamla et al. 2006). The total Tai Lue population in Muang Sing in 2005, according to the census that year, was more than 6,000, scattered over 26 villages (Kampheang 1999).

According to Lyttleton et al. (2004), during the reign of Cao Fa Silinor and his successor, the Tai Lue dominated the lowlands in the area, controlling each administrative unit and exacting tributes and taking corvee labor (Nguyen Dui Thieu 1993 cited in Lyttleton et al. 2004). In addition, he points out that the lowland Tai Lue domination of the highland ethnic groups has continued to the present day - through the feudal system of tributes and a dependence on wage labor. The political supremacy of the Tai peoples was based on a strong sense of ethnic identity which was derived from a spirit cult - the worship of 32 guardian spirits who showed beneficence towards the Tai Lue of Muang Sing, including Cao Fa Silinor and one of his wives. This is one of the factors that led to the Tai Lue believing themselves to be different from and superior to their neighboring highlanders (Cohen 1998 cited in Lyttleton et al. 2004).

In more recent times, circumstances have changed for the Tai Lue. Since the latter half of the 1980s and the end of the Cold War, China has adjusted to an 'open door' policy, and as a result has gradually improved its diplomatic relations with Myanmar, Laos, Thailand and Vietnam, and the interrelationship between Sipsong Panna and its neighboring regions has shifted from 'closed' to 'open', with cross-border economic activity being stimulated with markets developing, as well as visits to relatives, shifting labor forces, marriages, the exchange of Buddhist activities and the development of cross-border trade taking place (Baba 1998). This phenomenon has not excepted the Tai Lue in Muang Sing, as their kinship and business networks with the Tai Lue in China have expanded over a wide range.

The Akha and Suffering

According to Joachim Schliesinger (2003), the first Akha migrated into Laos in the first half of the nineteenth century, due to the Muslim Rebellion in Yunnan (1855 to 1873). The Akha have a long history of migration (over the last 2000 years), moving from their ancestral homeland around the eastern border of Tibet and into southern Sichuan and Yunnan. The details of their long journey are vague, though they will have preferred to settle in fertile valleys, cultivating wet rice.

Since China's economic development was kick-started with the introduction of its 'open door' economic policy, its influence has spread not only to Yunnan but also to the border regions of Myanmar, Laos and Thailand - where the Akha live, and this has brought opportunities for them, such as joining in with cross-border trade. Under the influence of economic development in the Mekong region "...Akha society has moved from an 'egalitarian' situation to one of unequal class stratification, from a subsistence economy to a market-oriented economy, and from 'homogeneous' to complex ethnic relations" (Toyota 2000:205).

The Akha are one of the main ethnic groups in northern Laos, living in Phongsali, Bokeo, Luang Namtha and Udomsai provinces, and with a combined population of 66,108 (1995), of which 46% live in Muang Sing. Most of them migrated from Myanmar or Yunnan (Schliesinger 2003 and Cohen 2008), and now there are at least eighteen different Akha groups: the Pouly Nyai, Nuqui, Oma, Luma, Pala, Pouly Noy, Nutchi, Eupa, Kopien Nyai, Kopien Noy, Chapo Nyai, Chapo Noy, Botche, Tchitcho, Mouteun, Djepia, Nyaheu and Akoui. The Akha Puli group is concentrated in Muang Sing (Schliesinger 2003).

Historically the Akha engaged in swidden agriculture and hunter-gathering in highland areas; however, at the Sixth Party Congress in 1996, swidden agriculture was identified as a major cause of deforestation and land erosion, and it was thus proposed that people who practiced swidden agriculture must be settled in areas where they could be allocated an amount of land in order to earn a living. At that congress, the initial deadline set for resettlement was the year 2000; however, this was extended to 2010 at the Seventh Party Congress in 2001. Muang Sing local authority officially started to wrestle with this problem in about 2001, and according to its plan, 422 households (2,365 persons) across nineteen villages were to be resettled during the period 2002 to 2005. In recent years; therefore, the Akha have moved to the lowlands in line with the modernizing plan set by the government of Lao. One Akha woman (45 years old) told me about the hardships she experienced as part of this resettlement:

“I have four children and my parents passed away a few years ago. I moved to the lowlands about ten years ago following the government policy. Because of the policy we lost land; we now do not have any rice fields, so I get cash income by planting and selling sugarcane to China, and we buy rice at the market and pay tuition fees for the children. In addition, I make bracelets and bags to sell to tourists, each of which can be sold for 1,000 kip. I go down to the town from the village by bicycle with my son for one hour every day, and while my son is in school, I sell along the main road. During the watermelon season, I help with watermelon cultivation if required. Since the Chinese came to Muang Sing, they have provided us with an income, but our lives are still the same as in the old days.”

(Based on a personal interview: November 2009)

Cohen (2008) points out that the reasons for this acceleration of the migration of the highland Akha to the lowlands have been the elimination of shifting cultivation, resettlement projects and the eradication of opium cultivation.

1.2 Statement of the Problem

One of the recent developments in terms of cross-border activities in Southeast Asia has been the changing of state policies from ‘closed’ to ‘open’ in terms of economic development. As a result, recently the role of borders has been transformed and the notion of ‘borderlessness’ established. These recent phenomena have helped generate a number of trans-border activities and the mobilization of peoples through migration, the use of migrant workers, tourism and cross-border trade.

In particular, cross-border trade has become one of most important elements of economic development in the area. As a land-locked country Laos is striving for economic development and wishes to reduce poverty through the introduction of market economy forces, and cross-border trade has played a critical role for in helping people acquire daily commodities for the area’s food supply and for economic development. Now, for Laos, China is the most influential neighboring country, and

recent Chinese economic development has had a considerable impact on its small, neighboring country through investment, trade and migration.

This influx has passed market-oriented ideas to Laotians, and the promotion of the market economy has helped change Laotian's traditional local way of life. Such an impact upon Lao society has been referred to as the "modernization of Laos" by many scholars since the 2000s. In particular, such an influx has focused on northwest Laos, and so much research also has been conducted in areas which share a border with China, such as Udomxai, Luang Namtha and Phongsali.

Previous studies have looked at the history of trade in the border area, the trade routes used, the environment, the changing local livelihoods and land use patterns – with cash crop production activities focused on producing for the Chinese market and the Chinese market in Laos, plus the transformation of livelihoods as a result of road construction projects. Studies looking at the historical aspects of trade and the trade route between Yunnan and Laos have been written by Khampeang (2003) and Yokoyama and Tomita (2008), helping us to understand transformations that have taken place in terms of trade in this region. Most previous studies regarding Chinese cross-border cash crop production in Laos have focused on the changing livelihoods of the Laotians who produce cash crops for export to China (Yokoyama and Ochiai (2008), Kouno and Fujita (2008), Wells-Dang (2008) and Matsuura (2008)). These village-based ethnographic works have allowed us to understand socio-economic transformations among village livelihoods after adoption of market economy forces, the problems faced under changing livelihoods and the importance of the Chinese market. These studies; however, have focused on only the transformations taking place in Laos as a whole, and have not mentioned specific impacts on the Chinese living in Laos.

Some studies have mentioned the Chinese in Laos. In Lyttleton's work (2004) on the transformation of local livelihoods as a result of the construction of roads between the Chinese border and Muang Long (passing through Muang Sing), he refers to what kinds of work the Chinese do, what kind of goods they trade and what

kinds of visa they obtain. According to Tan (2009), under the GMS program and with the development of the North-South economic corridor linking Kunming to Bangkok, which crosses northwestern Laos, Lao society has changed as a result of foreign direct investment, hydro-power schemes and environmental damage, and in work carried out by the UNDP (2006) which discusses the sugarcane trade – the export of cane to China is explored. These studies allow us to understand the general context surrounding the Chinese who come to Laos; however, they do not mention why the Chinese migrate or their background; in short, these kinds of studies hardly mention the Chinese themselves. In my study, the Chinese in Lao society, the transition faced by the Chinese community in Laos and the construction of a Chinese network within the local economy will be discussed.

Why haven't these studies focused on the Chinese in any depth? One would imagine that any study of the border area and of cross-border business between Laos and China would need to understand the interactions that take place within and between the Chinese and Laotian communities, those that are fundamental to their livelihoods, and would need to understand the background to the Chinese living in Laos in order to understand this issue in depth. Although these areas are situated around borders, they have the same ethnicities and share the same cultures as other areas. It would therefore seem difficult to understand this issue very well without first understanding these ethnic relationships and the cultures that exist. This study will therefore attempt to examine cross-border cash crop production, especially the production of water melons, which has become big business for the Chinese market, as one of the important negotiation tactics used in order to survive in the era of competition as a result of the introduction of the market economy, looking at the historical context, the interactions that have taken place between China and Laos, the socio-political context and the ethnic relations, in order to understand in-depth the recent trend which has occurred around the border between China and Laos. In addition, my study examines the role of the border in an era of 'borderlessness' and globalization, through the cross-border economic practices taking place in a small border town.

1.3 Research Questions

1. What kinds of cross-border activities do people who live on both sides of the border undertake as part of their everyday lives? To what extent are cross-border watermelon and other cash crop related trade activities significant for the lives of the local⁴ people around the border of Laos and China? How does the border play a significant role in the lives of people in both countries?
2. What kinds of social networking and ethnic relations take place in the watermelon business? How have the Chinese developed and how do they operate their businesses within Lao society, especially within the watermelon business?
3. To what extent have Chinese and Lao people been affected by the development of Chinese business and a Chinese (including a Chinese Lue) influx into Laos? How do both the Chinese (including the Chinese Lue) and local people interact with each other and adapt to each countries' current conditions?

1.4 Research Objectives

1. To understand the transformations that have taken place in border relations around the border area between Laos and China, and the role the border plays as a space for economic negotiations.
2. To investigate the ethnic relations' and social networks' frameworks that have developed among various ethnic groups in the border area - based upon the watermelon business in Muang Sing, and their importance for running a business in Lao society.
3. To examine the negotiation tactics used by both the Chinese (including the Chinese Lue) and the locals based upon the current conditions and existing power relations that exist between people; those not only affected by the

⁴ I describe people who live in Muang Sing as 'local' or 'local people', not 'Lao' in this paper. Because there are many ethnicities, I decided that I cannot categorize all of them as Lao. I describe the Chinese who live in Laos as 'Chinese'.

watermelon business but also others in Lao and Chinese society in Muang Sing.