

WORLD RAINFOREST MOVEMENT

Laos: Vietnamese companies set up rubber plantations in the south

In July 2004, a business delegation from the Vietnam General Rubber Corporation visited Laos. At the time only a small area was planted with rubber in the south of Laos. "We can provide 50,000-100,000 hectares of land for Vietnam to grow rubber," Thongloun Sisolit, the Lao Deputy Prime Minister, told the delegation.

A few months later, the Lao government licensed a US\$30 million project by the Dac Lac Rubber Company, a Vietnamese state-owned company. The Dac Lac Rubber Company is named after a province in the central highlands of Vietnam where the company has 14,000 hectares of rubber plantations. The company aims to plant 10,000 hectares with rubber trees in Champasak, Saravane, Sekong and Attapeu provinces, on a 50-year land lease. By October 2006, the company had planted 3,200 hectares with rubber trees.

The *Vietnam Economic Times* reported Thongloun Sisolit as describing the company's project as "a model to help his people gear up for commercial production".

But Dac Lac Rubber Company has replaced forests and villagers' land with rubber plantations. The company paid compensation where it cleared cash crops, but provided no compensation where it cleared farmers' upland rice fields. Before the company established its rubber plantations, much of the land was a mixture of rice fields, fallows and forest. The company simply declared it "degraded forest" and cleared the land.

In March 2005, another Vietnamese company started operations in Champasak province. The Viet Nam-Laos Rubber Joint Stock Company plans to plant 10,000 hectares of rubber trees with a total investment of US\$30 million. The company pays a rent of US\$9 per hectare per year to the Lao government. The company is part of the Vietnam General Rubber Corporation.

In December 2006, the Quang Minh Rubber Production Joint Stock Company signed a contract with the Lao Planning and Investment Committee, for a US\$15 million project to plant 4,900 hectares of rubber plantations in Sekong and Attapeu provinces.

Last month, World Rainforest Movement was in Laos and visited one of the Viet Nam-Laos Rubber Joint Stock Company's plantation areas near Mak Ngeo village in Champasak province. A sign in the plantation forbids cattle grazing. One side of the dirt track had been fairly recently planted. The red soil and rows of metre-high rubber trees stretched away into the distance. Beyond the plantation we could see the remains of the forest that had been cleared to make way for the rubber trees. On the other side of the track the rubber trees were older and more than two metres high. Four Lao villagers were clearing grass and small shrubs from around the trees. The villagers told us that they had lost their land to the company. Working together they could clear about 150 metres a day, sometimes more, sometimes less, depending on how bad the weeds were. The company paid them 50,000 kip (about US\$5.25) for each 150 metres distance that they cleared, so they each received a little over US\$1 a day.

About 200 Vietnamese workers are employed here. While we were there two Vietnamese workers arrived on a motorbike. One of them spoke Lao and started instructing the workers. He'd been in Laos for about a year.

A little further up the road, we saw a rubber tree nursery. Cuttings from rubber trees are planted in compost in small plastic bags. Once the cuttings sprout leaves and roots they can be planted out. The cuttings came from Vietnam.

A few years ago, a Malaysian oil palm company set up a trial plantation nearby. Today the plantation is neglected and overgrown. Near the oil palm plantation is a newly cleared rubber plantation, surrounded by a fence and a ditch to keep out cattle.

In May 2006, at a workshop on "Rubber Development in Laos" held in Vientiane, Sounthone Ketphanh, Deputy Director of the Lao Forest Research Centre, explained that market demand for rubber in China had encouraged investments from Chinese and Vietnamese companies in rubber plantations in Laos. The Chinese investments are in the north of the country and the Vietnamese in the south.

According to a report in the *Vientiane Times*, Sounthone described the benefits of rubber plantations: "Unlike other cash crops, rubber offers long-term benefits to farmers for a

period of 30-40 years. Farmers not only benefit from tapping latex but also from intercropping in the first few years after planting and from selling the timber when tapping comes to an end.”

Participants at the meeting noted that the price of rubber on the world market follows “boom and bust” cycles, which could spell disaster for companies and farmers growing rubber trees on their land. Since May 2006, the price of rubber has plunged, although analysts are predicting that it will recover.

Southone acknowledged another problem. “On the downside,” he told the workshop in Vientiane, “the rapid growth of rubber plantations causes large-scale loss of forest resources and watershed destruction, which is particularly important in Laos where rural food security is directly related to forest health.”

By Chris Lang, e-mail: <http://chrislang.org>, www.chrislang.blogspot.com

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World Rainforest Movement
Maldonado 1858 - 11200 Montevideo - Uruguay
tel: 598 2 413 2989 / fax: 598 2 410 0985
wrm@wrm.org.uy