A GREATER MEKONG SUBREGION?

Reflecting on 16 Years of the ADB's GMS Initiative

Since its inception in 1992, the Asian Development Bank's Greater Mekong Subregion (GMS) initiative has promoted fast-paced economic growth – underpinned by large-scale infrastructure development, economic integration and resource extraction – as the way of 'alleviating poverty' in the Mekong Region. Drawing from people's actual experiences of 'development' in the region, Jonathan Cornford questions the so-called "success story" of the GMS programme, and highlights how 16 years of accelerated infrastructure development and natural resource extraction have led to irrevocable damage to the region's ecological systems, compromising the livelihoods and cultures of numerous communities in the Mekong.

Over the last decade and a half, the Asian Development Bank's (ADB) Greater Mekong Subregion (GMS) initiative has been central to reshaping the economic and political landscape of the Mekong Region. If the rhetoric is to be believed, the GMS initiative has been a standout success. Certainly the initiative has led to the pouring of more concrete – into roads, bridges and dams – than many would have believed possible in 1992. More importantly, it is claimed that the GMS initiative has made the Mekong a poverty alleviation success story. At the Third GMS Summit held in Vientiane in March 2008, the heads of Mekong governments and the President of the ADB jointly proclaimed:

> The significant reduction in the incidence of poverty in our subregion since 1992 is a remarkable outcome. While many factors contributed to this development, the GMS program has certainly been a key element in reducing poverty, a goal which remains at the core of our development efforts.

In making this statement, the proponents of the GMS programme are defending a particular model of development that certainly has generated enormous wealth for elites in the region. But has it really made a positive contribution to poverty? What has really happened in the lives of those who are marginal and vulnerable in the region? Although the claimed mandate

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of the GMS has been to help poor people and improve livelihoods, there is good reason to suggest that the net impact of GMS development has been to exacerbate difficulties for many, most notably the multitudinous ethnic minorities of the Mekong.

The upgrading of Route 9, the Lao section of the East-West Corridor, has facilitated an increase in logging in southern and central Laos.

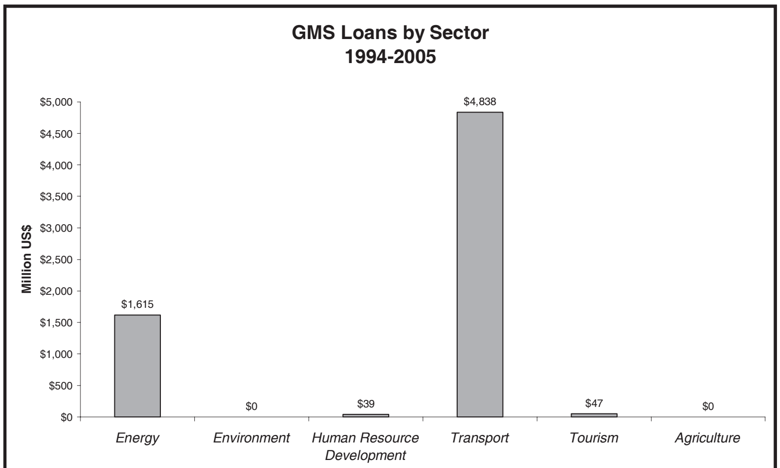
A brief history of a bold vision

The GMS initiative was launched in 1992 with a bold economic vision for the six Mekong countries – to create a single borderless economy. This was in the days before the Bank developed “the single overarching goal of eliminating poverty” (1999), when the language was unashamedly growth, growth and growth! From the beginning, the focus of the GMS programme has been to facilitate the free flow of goods, capital and people by putting in place the necessary hardwiring – roads, power plants and transmission lines. Accompanying this, there has been a range of technical assistance projects and policy interventions promoting the role of the private sector, liberalising regional trade and investment, and promoting export-oriented natural resource exploitation.

Back then, the main ‘development dilemma’ being discussed by the Bank was “Where will the money come from?” This dilemma was overcome through the 1990s as the Bank increasingly drew in the private sector, other donors, and Thai and Chinese capital to assist with financing projects and initiatives under its ambitious framework. As it evolved, the GMS initiative took a more sophisticated veneer. It took on a range of thematic areas – including concerns such as environment, human resources, agriculture and tourism – and in 2002, after a decade of operation, declared that its primary goal is nothing less than to “lift people from poverty and promote sustainable development for all.”

Over this time the GMS programme played a defining role in the way that development has proceeded among the six Mekong countries, especially in Laos and Cambodia. When Mekong Heads of State gathered for the first GMS Summit in 2002, it was clear that the GMS framework of development had been largely internalised – it was now ‘owned’ by Mekong governments. The very term Greater Mekong Subregion, or simply GMS, had entered the lexicon as a commonly used geographic reference for mainland Southeast Asia.

Despite the mass of words that have been generated by the GMS programme about poverty, environment and sustainability, a quick look at the numbers demonstrates that it has first and foremost been a programme for building roads and dams. The table below shows the absolute dominance of loans in the transport and energy sector, overall constituting 98 per cent of loans over the life of the programme. This has financed such well known and controversial projects as the Theun-Hinboun, Nam Theun 2 and Nam Leuk dams, and cross-border highways such as the East-West Corridor, the North-South Corridor and the Southern Economic Corridor.



Source: Soutar, L. 2007. *Unravelling the GMS: An overview and update on key structures, programs and developments.*

Cumulatively, these transport and energy projects, with accompanying policy interventions, have amounted to an economic transformation of the GMS which has fundamentally changed the way that natural resources are being accessed, used and managed. Simply put, roads and dams have brought widespread competition for resources between local users and external commercial interests. Through an array of processes – commercial forestry, commercial fisheries, tree plantations, large-scale cash cropping, mining and hydropower development – the land, rivers and forests of the Mekong are being transformed from common property resources to sources of private capital within the new market economy.

How has this economic transformation been experienced by the region's rural communities, which still represent well over 75 per cent of the population in most Mekong countries?

While commercial investors (both domestic and foreign) have reaped a windfall through the growth of the resource economy, the resource-based livelihoods of many rural communities are facing a crisis of viability. Across the region people are telling the same story: declining fish catches, disappearing forests and increasing pressure on agricultural land. Indeed, the decline in access to natural resources is becoming one of the primary drivers of poverty in the region.

A poverty success story?

There is no doubt that the GMS programme has resulted in dynamic economic performance among Mekong countries. Between 1994 and 2004 GDP across the region grew at an average of 6 per cent per year, despite the economic crisis of 1997/8. In 2005 and 2006 GMS economies were growing at more than 8 per cent per year. The ease of travelling, communicating and doing business across the Mekong Region has also undoubtedly improved dramatically over this time. International investment is now streaming into the formerly isolated economies of Laos, Cambodia and Vietnam and intra-regional investment is booming – much of the new investment in infrastructure, mining, hydropower and industrial tree plantations is now coming from within the region. Trade, especially intra-regional trade, is also booming. All of this is clearly evident in the cities and urban centres of all Mekong countries.

But how has this economic transformation been experienced by the region's rural communities, which still represent well over 75 per cent of the population in most Mekong countries? In particular, what has been the experience of those who are poorer and more vulnerable?

The ADB makes a clear and bold claim about what has been happening to poverty in the GMS:

> Since 1992, when the GMS Program started, poverty incidence in the GMS countries has declined significantly. Between 1990 and 2003, the proportion of people living on less than $1 a day fell from 46% to 33.8% in Cambodia, 33% to 13.4% in the People's Republic of China, 52.7% to 28.8% in the Lao People's Democratic Republic, 10.1% to less than 1% in Thailand, and 50.7% to 9.7% in Viet Nam.

The ADB attributes this decline in poverty directly to economic growth of the GMS countries and draws a link between this growth, poverty reduction and effect of the GMS programme:

> The GMS Program has contributed to this significant achievement, although it has not been possible to quantify the precise impact of the Program due to methodological difficulties and insufficient data.

In public communication about GMS development, these data are presented as clear and simple justifications for the forms of development promoted by the ADB. But does this data really tell us anything substantial about poverty?

The problem with income measures of poverty

The ADB's claim about poverty reduction in the Mekong depends on an assumed link between the number of people "living on less than $1 a day" and the number of people living in poverty. The further assumption is that as people's incomes rise above $1 a day their quality of life improves. The problem is that this does not necessarily bear much relation to people's actual experience of quality of life. *In fact, it is quite possible for people to experience rising incomes and declining standards of living*.

For example, in Sekong province of southern Laos, the average yearly income in 2003 was only US$120 – well below the $1 a day mark. However, a 2003 study by the World Conservation Union (IUCN) has shown that the value of goods that households in Sekong sourced from forests – if they had to be bought at the market – was equivalent to US$525 per household per year. This shows that forest resources make a significantly more important contribution to food security and health than monetary income yet they do not even register on the "$1 a day" poverty radar.

More importantly, this shows that if people lose access to forests in Sekong (as is happening), then even if they experience a doubling or trebling of income (thereby lifting them above the $1 a day measure and supposedly "out of poverty") they will still have experienced *a decline in their standard of living*.

Actually, if we pay attention to the data presented by the ADB, all they really tell us is that the monetary economy has become more prevalent in Mekong countries in the last decade and a half. Given that the essence of the GMS programme has been to spread and deepen the operation of the market (i.e. monetary) economy, this is hardly surprising.

Clearly the fundamental problem in using monetary or income measures for poverty in the "transition" economies of Laos, Cambodia, Burma and regions of Vietnam and China is that *a large portion of the goods and services that make a positive contribution to the quality of life of many are sourced outside of the monetary economy.*

The intensification of poverty in the Mekong

Some important studies

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- Lyttleton, C., P. Cohen, H. Rattanavong, B. Thongkhamhane, and S. Sisaengrat. 2004. *Watermelons, bars and trucks: dangerous intersections in Northwest Lao PDR: An ethnographic study of social change and health vulnerability along the road through Muang Sing and Muang Long*. Institute for Cultural Research of Laos and Macquarie University.
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- Raintree, J. and V. Soydara. 2001. *Human Ecology and Rural Livelihoods in Lao PDR*. Vientiane, Lao PDR.
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Fish is not only the single most important source of dietary protein for people living near the Sekong River, Lao PDR (above) but also provide an important source of income for many families.

When we look at the actual experiences of people who are considered poor, the story is quite different to that being proclaimed by the ADB. There are now a plethora of in-depth localised empirical studies which have charted the multiple dimensions of how economic change has been experienced by marginal communities in the Mekong. When taken together such studies present a disturbingly consistent picture of the impact of rapid economic development in the Mekong – one that suggests rural communities, especially those of the region's many ethnic minorities, are paying a high price (see Box: Winners and losers on Route 17B, northwestern Laos).

Winners & losers on Route 17B, northwestern Laos

At the Third GMS Summit in March 2008, the prime ministers of China, Thailand and Laos, officially opened the last remaining section of the Northern Economic Corridor (Route 3) which connects China more directly to Thailand.[1] Economic corridors have been promoted by the ADB GMS as crucial to transforming Laos from being a landlocked into a “land-linked” country, stimulating new business among Mekong neighbours, and bringing more jobs and greater prosperity to the region.

Contrary to the GMS rhetoric about “inclusive growth”, however, the opportunities for different groups to reap benefits of increased trade and investment brought by transport corridors are far from equal. For many ethnic minorities from the highlands who resettle near the road, the prospects of improving their livelihood conditions are not good, as seen in the example of Route 17B, another road linking Thailand with China (via Laos).

The upgrading of Route 17B (funded by the World Bank) in the late 1990s brought huge demographic changes to two districts in Luang Namtha Province, northwestern Laos, through which the road traverses. Most notably, the road has facilitated the relocation of a number of upland ethnic groups (e.g. Akha, Kui, Hmong, Tai Dam) to the supposedly more economically viable lowlands. The relocation has also been driven by Lao government policies aimed at eradicating opium production and controlling rotational swidden agriculture with upland ethnic communities moving to the lowlands in search of viable livelihood alternatives. In more recent years, “as the numbers of people moving down have increased dramatically, those that do become financially better off become the exception rather than the rule.”

One important factor is the rapid decline of agricultural land available, a factor compounded by the expansion of in-migration of traders, investors and agricultural labourers, mainly from China, who are utilising the road as an incentive to grow cash crops like sugar, watermelon, capsicum and rubber for sale back in China (and Thailand).

Chinese investment in cash-crops in the valley has increased the demand for labour enormously, and this itself has become a source of conflict and competition among highland settlers.

“Competition for land and other resources is rapidly increasing and many of the more recent settlers in the lowlands rely on wage labour to maintain daily livelihood”. Serious rice shortages and insufficient land, capital or expertise with market demands for new cash crops have forced villagers to either labour for, or rent their land to, wealthier villagers and neighbouring ethnic groups, including Chinese businessmen. The Chinese have dominated the new commercial opportunities and the expansion of Chinese funded and managed market gardens has opened up doors for exploitative relationships:

“During the initial years of sugar cultivation, many problems between Akha growers and Chinese buyers have emerged that highlight the fraught transition from more typically subsistent lifestyles into those oriented to sedentary cash-crop production. The Akha complain that they don’t always receive the money they are due, arguing the weights of sold sugarcane are reduced in the accounting and recompense; that they seldom receive payment on time or sometimes not at all; that Akha middlemen take large cuts and pay the growers markedly less than they are due and so forth, with little ability to seek legal redress in each instance.”

At the same time, relocation from the highlands has caused social and health impacts, with Akha villages reporting large numbers of death during the first two years of resettlement. A series of interrelated factors are behind the high mortality, including lack of physiological immunity to mosquito-borne diseases such as malaria; a lack of access to safe drinking water, sanitation and culturally appropriate health services. Added to these are traumas associated with social and cultural dislocation from their homelands which has led to further marginalisation and community disempowerment.

Endnotes:

[1] It starts at Chiang Khong district in Thailand’s Chiang Rai province, passes through Laos’ Huay Sai, Luang Nam Ta and Boten, before reaching Jinhong in Southern China.

Source: Lyttleton C., P. Cohen, H. Rattanavong, B. Thongkhamhane, and S. Sisaengrat. 2004. *Watermelons, bars and trucks: dangerous intersections in Northwest Lao PDR: An ethnographic study of social change and health vulnerability along the road through Muang Sing and Muang Long*, Institute for Cultural Research of Laos and Macquarie University. Available at: www.oxfam.org.au/campaigns/development_banks/docs/Watermelon_Bars_and_Trucks.pdf

There are eight consistent themes which can be extrapolated from this body of literature:[1]

1 **The single greatest determinant of vulnerability in the face of economic change in the Mekong Region is ethnicity.** Ethnic minorities in the Mekong are the most acutely affected by changes in the natural resource base; an inability to compete in new agriculture and new commerce; and rapid cultural change. While members of ethnic *majority* populations – the Lao in Laos, the Khmer in Cambodia and the Kinh in Vietnam – can also be affected by these changes, and many are, ethnic minority groups *are nearly always affected*.

2 **The second greatest determinant of vulnerability in the face of economic change is the level of dependence on natural resources (especially forests and rivers).** Those who are most dependent on natural resources are the group under the most pressure from rapid external incursion on resources (in the form of logging, land concessions, mining and hydropower), and also the group least able to adapt to the new market economy.

3 **The ability of natural resources to continue to support poor people's livelihoods in the Mekong is at a crisis point.** Forests and rivers are in a state of rapid ecological decline caused by human over-exploitation. Some of this has been an inevitable corollary of rapid population growth, however, a large part has resulted from the establishment of private (commercial) tenure rights over common property resources, such as through commercial logging, plantations, commercial fishing lots and hydropower dams. Moreover, such a shift in resource tenure serves to deny poor people access to resources they depend on for their livelihoods.

4 **For many subsistence agriculturalists, and especially for many ethnic minorities, the transition to modern agriculture is extremely difficult and perilous.** There are multiple obstacles when attempting this transition, such as lack of suitable land; insufficient knowledge of the new techniques; unfamiliarity with managing credit and lack of access to non-exploitative credit; inexperience in commercial negotiation and lack of commercial networks; and finally the volatile nature of markets themselves.

5 **The transition to modernised and commercialised forms of agriculture can serve to disempower women's roles in agriculture.** Many traditional cultures have sophisticated divisions of labour between men and women which ensure women play an important role in livelihood decision making. By contrast, modern land certificates, availability of training and commercial negotiation tend to entrench the male with greater power as the head of the household. Agricultural wage labour tends to have significant differentiation of remuneration between men and women.

6 **Opportunities for commercial agriculture or trading tend to be dominated by outsiders and in-migrants, while ethnic minorities tend to be relegated to the lowest rung of the new economic structure.** Familiarity with commerce, extensive social networks and good connections with government administration give the majority populations an enormous competitive advantage over minority groups. Minority groups tend to enter the market late and are dependent on external credit, technical know-how and marketing.

7 **For many ethnic minority groups, especially shifting cultivators, the loss of traditional agriculture is in effect a loss of culture.** Much about traditional cultures, from religious rituals and festivals, to food taboos and gender relations, is based around locally-specific livelihood systems. When these no longer become viable many other dimensions of cultural identity and practice are also unsettled.

8 **The loss of culture, or rapid change in culture, is primary to the experience of poverty in the Mekong.** Cultural upheaval often results in social dislocation, psychological trauma and increased health risks. It can create a sense of deep hopelessness and despondency among minority groups.

[1] This section summarises the findings of the Oxfam Australia report, Hidden Costs: The underside of economic transformation in the Greater Mekong Subregion, by Jonathan Cornford and Nathanial Matthews. Available at: www.oxfam.org.au/campaigns/development_banks/docs/hidden-costs-greater-mekong.pdf

Importantly these findings are being borne out in the ADB's own internal studies. The 2006 Participatory Poverty Assessment (PPA) for Lao PDR came to a very clear conclusion:

> Compared to the PPA of the year 2000, the original villages that were revisited in 2006 were found generally to be either *about the same or worse off*… the survey shows that poor villagers increasingly experience difficulty in providing food for their families. Natural resources were said to be seriously depleted in almost all locations and many people are casting aside traditional religious values and aesthetic appreciation of natural systems in a competition for the remaining forest products and wildlife. Cultural checks and balances are being replaced by monetarily grounded attitudes of 'first-come-first-serve,' and 'live-for-today.' Ecologically sound livelihoods are being replaced by ecologically destructive ones that involve a high degree of risk. Subsistence economies are being replaced by economies of survival [emphasis added].

Not surprisingly, this document cannot be found anywhere on the ADB's website. Meanwhile the Bank's 2008 Fact Sheet for Laos (at the front of its Lao web page) continues to confidently proclaim:

> Strong economic growth has helped reduce income poverty in the Lao People's Democratic Republic (Lao PDR), with poverty incidence based on minimum food consumption falling to 32.7% in fiscal year 2003, compared to 39.1% 5 years before.

It is clear that the ADB is determined to screen out unfavourable data. At the Annual General Meeting of the ADB in May 2008, the President of the Bank, Haruhido Kuroda, outlined the priorities of the ADB's new long term strategic framework – Strategy 2020. The strategy is basically a renewed commitment for more of the same – infrastructure development, regional integration, private sector facilitation – all under the banner of 'inclusive growth'. President Kuroda states:

Rice transplanting, Vientiane province, Lao PDR. The shift to producing for the market has exposed many farmers to a range of risks, including increased reliance on costly external inputs such as chemical pesticides, lack of access to non-exploitative credit, and volatile prices.

> In particular, Asia's infrastructure demand – estimated at more than $300 billion a year – needs to be met to ensure inclusive growth and poverty reduction. Roads, energy, water, telecommunications – these are the lifelines connecting families and communities to a brighter future. And this makes ADB's role more relevant than ever. Infrastructure development is the single largest share of our lending operations and a key area of our expertise.

In his speech, Kuroda cites the GMS programme as the shining example of this model, describing it as "A partnership that invests in people and programs to create a more inclusive, environmentally sustainable subregion – well integrated within itself, with its neighboring countries, and with the global economy."

Nevertheless the weight of accumulating evidence in the Mekong Region is pointing to the need for a fundamental rethink of the GMS orthodoxies around infrastructure, growth and poverty alleviation. Sixteen years of accelerated infrastructure development and natural resource extraction have led to irrevocable damage to the region's ecological systems and hugely growing disparities between rich and poor and between ethnic groups. The jury is in, but who will listen to the verdict?

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