

From Gambling to Investment: Commercial banana production in Lao PDR

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Research background

China is currently the largest foreign investor in Laos and banana investment is the largest fruit investment made by Chinese investors in Laos. Banana investment in Laos is mainly concentrated in the northern provinces, where the investors are all Chinese and 100% of the bananas produced are sold to China. Early Chinese investment in bananas in Laos was mainly stimulated by high market prices, with a large number of short-term and small-scale investors entering Laos to grow bananas, resulting in the banana boom. They usually exist as informal investments, highly mobile and only aiming for short-term profits. Later, due to the sudden outbreak of yellow leaf disease and the fall in market prices, most investors suffered major losses, and some even simply abandoned their banana plantations and ran away. Therefore, many investors consider growing bananas in Laos like gambling, getting involved because of the high prices, but no one knows what will happen the following year. Also due to limited government regulation, land rent disputes and labour problems are frequent. And some investors use large amounts of fertilizers and pesticides in pursuit of high yields, causing serious environmental pollution to the surrounding environment at the end of their investment.

Due to the huge negative impact of banana investment, the Lao government issued a ban on bananas in 2016 to restrict investment. Banana investment and trade between China and Laos are facing huge challenges for investors, farmers, communities and government departments. Therefore, this research takes the current banana investment by Chinese in Laos as an example to explore the transformation and development of commercial banana production in Laos.

Research purpose

The main purposes of this research are to investigate Chinese banana investment in the northern Laotian provinces of Oudomxay and Luang Prabang, to clarify the current state of banana investment in Laos after the banana ban, to find out how Chinese investors organize banana production, and to concentrate on the effect of Covid and China-Laos railway on commercial banana production.

Results/Achievements

1. Banana investment in northern Laos is now governed by a formal system compared to the previous one. All investors must first formally register their companies, and the investment proposal must then be approved by provincial and district governments. Investors are also required to pay land restoration deposits and sign contracts with provincial government, district government, village heads and villagers. Additionally, governments have increased their daily management of banana plantations, concentrating on factors like pesticides and fertilizers that have an influence on the environment. Banana investment in Laos is becoming more formalized than the previous informal investment.
2. Different types of investors have different strategies. Usually the banana investment cycle is only 5 years, after which yellow leaf disease can easily break out. Smaller investors will choose to change to a new location after five years to deal with yellow leaf disease. But there are also larger investors with extensive growing experience and more capital investment who can

mitigate yellow leaf disease by monitoring soil acidity and alkalinity, controlling fertilizer application, crop rotation and developing disease-resistant seedlings. However, yellow leaf disease cannot be eradicated and will still be affected after a period of time, and as a result, some investors have started to move from the north to southern Laos.

3. 2021 saw the closure and meltdown of the only border crossing between China and Laos due to the impact of Covid, resulting in heavy losses in domestic banana investment in Laos. As investors could not ship out, they distributed bananas directly to locals for free or just remained in the ground. However, due to investment contracts and the restrictions imposed by government regulation, there is no abandonment of the plantations. The China-Laos railway officially opens in December 2021, but the impact on banana investment in Laos is limited. Because of Covid, the two countries are not yet connected, and Lao bananas cannot be shipped directly to China now. However, investors remain positive about the changes that will be brought about by rail transport in the future, encouraging long-term banana investment in Laos.

Plans for further research

This research is mainly based on the perspectives of government departments and Chinese investors, and lacks the perspectives of other stakeholders involved in banana investment. Therefore, the next study will focus on the perspectives of other stakeholders, such as local Lao villagers, Lao workers on the plantations, and banana middlemen, to see how different groups interact in banana investment.



Photo 1: Banana trees full of mountains



Photo 2: Rural primary schools in Laos