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## [Asian Development Bank subsidising deforestation in Laos](#)

Lao government officials, international aid agencies and forestry consultants are almost unanimous in claiming that large-scale reforestation is urgently needed in Laos to address the problems associated with deforestation. Yet, under the Asian Development Bank's US\$11.2 million "Industrial Tree Plantation" project, forests are being further destroyed and replaced by monoculture plantations. The beneficiaries are private companies such as BGA Lao Plantation Forestry Ltd, which is currently establishing 50,000 hectares of eucalyptus plantations in Khammouane and Bholikhamsay provinces. The timber from the plantations will be exported as wood chips to Japan via the deep sea port of Cua Lo near Vinh in Vietnam.

BGA has received direct or indirect subsidies from the governments of Laos and Japan as well as from the Asian Development Bank. Without these subsidies the project would probably not be commercially viable. As it is the subsidies are accelerating deforestation.

The Lao government handed over the land for the plantation rent-free for the US\$30 million, 50-year project in return for a 5 per cent share in the project. The government then bought a further 10 per cent share in the scheme. Under Lao Forestry Law plantations are exempt from land tax, and BGA pays only 5 per cent income tax on its operations.

The government has allowed BGA to carry out the land allocation programme, in the areas where the company plans to establish plantations. A representative of BGA explained, "BGA does the land allocation. So far 10 villages have been mapped." When asked whether any villagers were reluctant to have plantations on their land, he replied, "No. We did the presentation, so no one said no."

The three companies originally forming BGA were: General Finance (a Thai finance company); GF-Brierley, a 50-50 joint venture between General Finance and Brierley Investments Limited (founded in New Zealand, but now registered in Bermuda with its head office in Singapore) and Asia Tech (a Thai plantation company). GF-Brierley also held a 22 per cent share in Asia Tech.

With the onset of the Thai financial crisis in mid-1997, Asia Tech pulled out of the project. General Finance was one of 56 finance companies closed in 1997 by the Thai government because of mounting bad loans. In August 1998, Thailand's central bank filed criminal charges against six executives of General Finance. The six were charged with extending US\$8 million in loans without proper valuation of the collateral. Brierley and the Lao Government have thus become the only partners in BGA.

The head of General Finance, Narongchai Akrasanee apparently played a key role in laying the foundations for BGA's investment. As well as being director of several other Thai and regional companies, he has been advisor to several Thai Prime Ministers and in 1997 Narongchai was the Thai commerce minister.

In March 1997, he took part in a three-day official visit to Vietnam with the Thai foreign minister, Prachuab Chiyasarn. According to a report in the Bangkok Post, the Thais "expressed great interest

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in Routes 8 and 9". Route 8 links Thailand's Nakhon Phanom province with Laos's Khammouane and Vietnam's port city of Vinh, and its rehabilitation was crucial for exporting wood chips from the BGA project. The Japanese government funded the rebuilding of Route 8.

During his Vietnam trip, Narongchai also discussed the problem of delays in exporting goods caused by bureaucratic red tape at Lao and Vietnamese borders. The Asian Development Bank subsequently arranged a series of studies and workshops to discuss ways of alleviating delays at customs, and in November 1999 the transport ministers of Thailand, Laos and Vietnam signed an agreement aimed at removing the restrictions on transporting goods between the three countries.

When BGA completes its wood chip factory, electricity will come from the nearby 210 megawatt Theun Hinboun dam. Funded to the tune of US\$60 million by the Asian Development Bank, the dam was completed in 1998. Since the dam was closed it has caused massive problems for people living nearby, who have seen the fisheries in the river destroyed along with their livelihoods.

In 1999, BGA received funding under the ADB's Industrial Tree Plantation project, and last year 70 per cent of BGA's expenses came in the form of concessionary loans from the ADB project.

So far BGA has only established around 650 hectares of plantations, but villagers are already seeing their swiddens and forests converted to monoculture eucalyptus plantations. In Ban Lao Kha, BGA cleared areas of dense natural forest before planting eucalyptus trees. Villagers in Ban Lao Luang report that they have to walk further to collect mushrooms and other forest products, and wildlife such as mice and birds have moved to remaining forest areas away from the plantations. BGA sprays the regenerating forest between the rows of eucalyptus trees three times a year with the herbicide glyphosate, making sure that the plantations remain monocultures.

By Chris Lang,