
Laos: Subsidies for Swedish profits in the forestry sector

On 7th November 2000 the formal opening of a US\$2.9 million laminated-wood processing factory took place at Nabong Farm, 30 kilometres from Vientiane, the capital of Lao PDR. The factory will initially sell timber pallets to IKEA, the Swedish retailing giant, and in future will produce furniture under the trademark Vicwood. Financing came from a series of loans --US\$550,000 from IKEA, US\$800,000 from the International Finance Corporation, the private sector arm of the World Bank, and US\$300,000 from Swedfund, the Swedish IFC counterpart. The timber will come from Burapha's 1,200 hectares of Eucalyptus camaldulensis plantations, and from the Asian Development Bank's Industrial Tree Plantations project, which aims to establish 10,000 hectares of plantations in Laos.

Burapha's publicity materials claim that the factory will bring "beautiful hardwoods" to "discerning world markets without devastating the natural tropical forests". However, while IKEA has found a new source of cheap timber, with or without Burapha's factory project the logging of Laos' forests continues.

The Burapha Group is structured perfectly to gain the most from the subsidies available for plantation development in Laos. The company is a subsidiary of the Swedish forest industry company Silvi Nova AB, and in Laos consists of three companies: BAFCO (Burapha Agroforestry Co. Ltd.); NAFCO (Nabong Farm Co. Ltd.); and BDC (Burapha Development Consultants Co. Ltd.). The first two companies are commercial ventures --BAFCO produces and exports wood based products from its own plantations, and NAFCO is a dairy farm which supplies Vientiane with dairy products, chicken and eggs. BDC however plays a very different role, being the largest consulting firm in Laos, providing advice on financial analysis, engineering, environment, forestry, agriculture and livestock and rural development.

In the early 1990s Burapha Development Consultants (along with Jaakko Poyry) won a contract for consultancy services for the Asian Development Bank's US\$16 million Industrial Tree Plantations Project. Today, the Burapha Group factory in Nabong buys timber from eucalyptus plantations established under the ADB project.

In 1995 Jaakko Poyry and Burapha produced a report for the ADB commenting on the Lao Government's laws on plantations, Directive 186. Among the consultant's recommendations were that export taxes and transport taxes should be reduced. In other words, the consultants recommend increasing their company's profits at the expense of villagers' land and livelihoods.

When the Lao Government gets advice from forestry consultants through a project funded by the Asian Development Bank, it may believe that it is getting the best advice that money can buy. In Burapha's case however there is a clear conflict of interest. The company is providing advice recommending more subsidies through the ADB to produce cheap timber which Burapha then buys and exports. No wonder that a Burapha representative in Vientiane said about the ADB project, "The project for Burapha has been a success, I'm not sure about the project as a whole".

By: Chris Lang,

