



In Laos, Log and Sawwood Export Ban Implementation Appears Successful

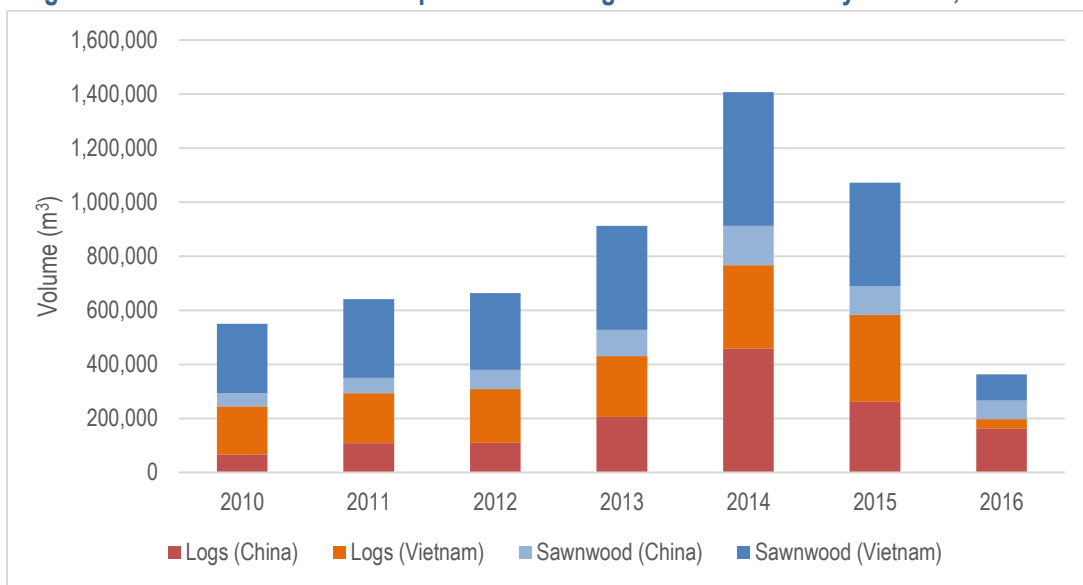
Trade data show recent policies are successfully curbing the timber export boom, with large impacts on trade with Vietnam and China

26 April 2017 | WASHINGTON, D.C. | Decisive actions taken by the government of Laos, in the form of a Notice (no. 1360 in August 2015) and a Prime Ministerial Order (PM15 in May 2016) prohibiting the export of logs and lightly processed “sawwood,” appear to be paying off, [according to a new analysis](#) by the Washington, D.C.-based organization Forest Trends.

The report points to a precipitous decline in the volume of raw logs and lightly processed “sawwood” being exported from Laos to its primary consumer markets as evidence of this success. **Exports to China and Vietnam – which together import the vast majority of Lao timber – fell nearly 75 percent from 2014 to 2016**, thanks in large part to this two-part government crackdown on exports. The dramatic decline in exports followed exponential growth in recent years, with volumes peaking in 2014.

Forest Trends analyzed import statistics sourced directly from Vietnam and China Customs over a seven-year period. The report authors contend that these findings signal progress towards more effective enforcement of laws and regulations designed to protect Laos’ valuable natural resources and promote economic development.

Figure 1: Vietnam and China’s Imports of Lao Logs and Sawwood by Volume, 2010-2016



Source: Vietnam Customs and China Customs statistics, compiled by Forest Trends.

The goals of the 2016 ban, PM15, were both economic and environmental, **aiming to shift the industry’s focus toward producing more valuable finished products in more sustainable quantities in-country.** Requiring timber to be processed within Laos before export creates jobs and enables higher sale prices (and tax revenue), thus maintaining most or all of the product value in-country. It also serves to check the country’s challenge with combatting illegal logging and associated trade, as it is more difficult for timber harvesters to illegally “cut-and-run” with raw logs when these logs are required to be

transported to domestic mills. In addition to allowing for only specific finished products to be exported, PM15 includes other elements, such as strengthening the monitoring of harvest operations in forest conversion areas and other requirements that promote sustainable management of the Laos forest landscape.

Deforestation in Laos has been rampant in recent years – the country lost nearly 300,000 hectares of forest in 2015, the latest year for which data is available, according to Global Forest Watch. This destruction has largely been driven by land conversion for large-scale concessions and development projects, but has been **heavily compounded by a domestic wood production industry focused on exporting raw wood material as quickly as possible** and often in contravention of Lao laws and regulations. This recent effort to improve Laos’ forest sector has become a cornerstone of Prime Minister Thongloun Sisoulith’s broader campaign to curb corruption in natural resource management.

“We applaud Prime Minister Thongloun Sisoulith’s government for taking meaningful and sustained steps toward reforming the forest sector in Laos so that it benefits communities and businesses while also protecting forests and, in turn, fighting climate change,” said report co-author Phuc Xuan To.

“These successes in Laos send a valuable message to other countries whose forests are under similar threats: even when limited to imperfect and temporary measures, such as these kinds of bans, governments can achieve major progress as long as there is strong political will at the helm,” Xuan To added.

Other key findings of [the report](#) include:

- **The drop in exports to Vietnam were most prominent after the 2016 ban** and can be seen closely in the months following the Prime Ministerial order. Declines to China were most prominent the previous year, coinciding with an overall drop in Chinese demand for high-value timber and the country’s economic downturn.
- Despite the declines noted in 2016, **trade of logs and sawnwood from Laos to Vietnam and China did not completely cease in 2016 – particularly for high-value species such as rosewood.** In 2016, more than 90 percent of Lao logs imported to China were rosewood species (by value). For Vietnam, more than 80 percent of Lao logs imported into Vietnam (by value) were rosewood species. These continued exports are in direct violation of the 2015 and 2016 bans.
- **The report also pinpoints the most problematic border crossings** in terms of illegal exports continuing to slip out of Laos, where local officials on both sides of the border are flouting the bans or are unable to enforce the bans instituted by the central government.

Although the data in this report show that these export bans have been successful, **there is still pressure to change course on this progress, largely from foreign traders seeking to avoid losses.** While there may be evidence that traders and investors are responding to the bans by processing wood so it can be legally exported, this does not guarantee that these timber products have been harvested legally. Although a useful first step, export bans alone will need to be complemented by the full implementation of all Lao policy and regulatory approaches that aim for sustainable forest management – many of which have a renewed focus in other sections of PM 15.

The Lao government has maintained a strong position on the bans throughout the past year, and is seeking to implement timber trade monitoring in pilot provinces for **Laos’ FLEGT Voluntary Partnership Agreement (VPA) with the European Union** (linked to a FLEGT Timber Legality Assurance System

(TLAS)). The government also aims to run other pilots related to improved demarcation of conversion areas, inventories, and data management.

Full implementation of PM15 can also help Vietnamese and Chinese traders assure the legality of their wood products and, in the case of Vietnam, contribute to the Vietnamese VPA implementation process towards FLEGT licensed timber. At both the regional and national level, keeping strong commitments to PM15 will be necessary for the government of Laos and its neighbors to meet their global commitments to reduce emissions from deforestation and forest degradation.

Demand-side solutions in Vietnam, China, and other consumer countries are also critical. For its part, China has recently signed a Memorandum of Understanding with Laos on cooperation in the forest sector, including on forest law enforcement and governance as well as industry development and the wood products trade. This can be important vehicles to start a dialogue on how the the government in China could help ensure no illegal wood product is entering China from Laos.

“Without more comprehensive reform and sustained work toward improving governance, progress in Laos remains tenuous,” said Kerstin Canby, report co-author and Director of Forest Trends’ Forest Policy, Trade, and Finance Initiative. “It’s up to officials in China and Vietnam to honor the current policy and to ensure that illegal forest destruction isn’t simply displaced from Laos to other countries in the region.”

To learn more, [download the full report](#).

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