



Forest Conversion Trends in the Mekong Region

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Khvay Samnang, artist



“I think that Rubber Man’s [message] is that...they lost their land, they lost their house, they lost their forest. The ethnic people believe they lost their spirit already”

<http://www.cambodiadaily.com/archives/the-lost-spirit-60229/>

1. *Some orienting questions:*

- How might we **understand and approach** the concept of “*conversion timber*” [and its relation to FLEGT?]
- What are the major **drivers** of such forest conversion in the Mekong?
- How **significant** of an issue is forest-land conversion & conversion timber in the Mekong countries, in terms of volumes and values?
- To what extent does conversion timber appear in regional and global **trade flows**?

Starting a conversation on conversion timber...

- ‘Conversion timber’ not just as a ‘object’ but as a political-regulatory concept, based upon legal-bureaucratic practice, and founded upon overall state control over the ‘political forest’ (Peluso and Vandergeest, 2001)
- Parallels with ‘conflict timber’
 - Brack (2012) notes that the FLEGT VPA license system was modeled in part upon Kimberly Process for conflict diamonds

'Conversion timber' as....

- ... commercial timber derived from land use change as related to the implementation of agri-business, hydropower, mining, transport infrastructure, coastal development, tourism/real estate/SEZs, or other types of land development
 - Illegal conversion timber as the overlapping sub-type of illegal logging during land use conversion
 - Very **powerful financial incentives** pushing forest conversion and illegality in conversion timber across the region

“Conversion timber” is complex--

- Combines elements of **territoriality** (in relation to the jurisdictional spaces where forest conversion can occur- e.g. not in protection forests);
- And within legally permitted zones- there would also be further criteria on the **spatial extent** in which legal conversion can occur (e.g. not above the inundation zone of hydropower dams inside a protected area);
- Attention to **control over species** (i.e. focus on commercially valuable and traded species);
- And could even hone in on specific **product categories and trade relations** (e.g. a focus on illegal, conversion, round log exports from Laos to Vietnam)
- *Here, we might keep in mind what is both realistic and useful for promoting sustainable forest management in the Mekong*

Barr, Barney & Laird (forthcoming) *'Governance Failures and the Fragmentation of Tropical Forests'*

“... in considering how extra-sectoral land-use conversion influences forest management, we have found that forest fragmentation is often an **intentional, yet typically understated**, objective of government spatial planning processes. In some cases, forest fragmentation is even **implicit in the approach of certain conservation mechanisms** such as the designation of ‘high-conservation value forests’.

Can conversion timber be seen as both intentional and a 'legitimate' practice?

- A pragmatic approach? commercial development and conversion of forest-land to non-forest uses in Southeast Asia is occurring and will continue to occur.
- Some degree of continued forest conversion is justifiable, and indeed a desirable development outcome, that would hold significant economic benefits for Southeast Asian countries
 - Questions of course are how forest conversion is managed, according to what legal & sustainability process and standards, how legal conversion timber and land is put to productive economic use, and for whose benefit

Some views on conversion timber

- First, need **commercially sound business** models for justifying and managing conversion timber
 - Creating a “business-friendly” environment hold best opportunity for poverty alleviation
- **Comprehensive, properly conducted ESIA**s can identify issues with forest conversion and provide mitigating solutions- they can and should be viewed as of tangible benefit to developers (ESIA as corporate responsibility and ‘self-regulation’)
 - Hydropower and mining companies seem more on board with this concept than agri-business firms
- **GIS monitoring** can then act as the compliance mechanism
- Attempting a high degree of **complexity** around regulating conversion timber through VPA/FLEGT would be self-defeating in the Mekong context

2. How do global trends in the production, processing, and consumption of agro-commodities influence forest conversion in the Mekong?

... Start with some price trends

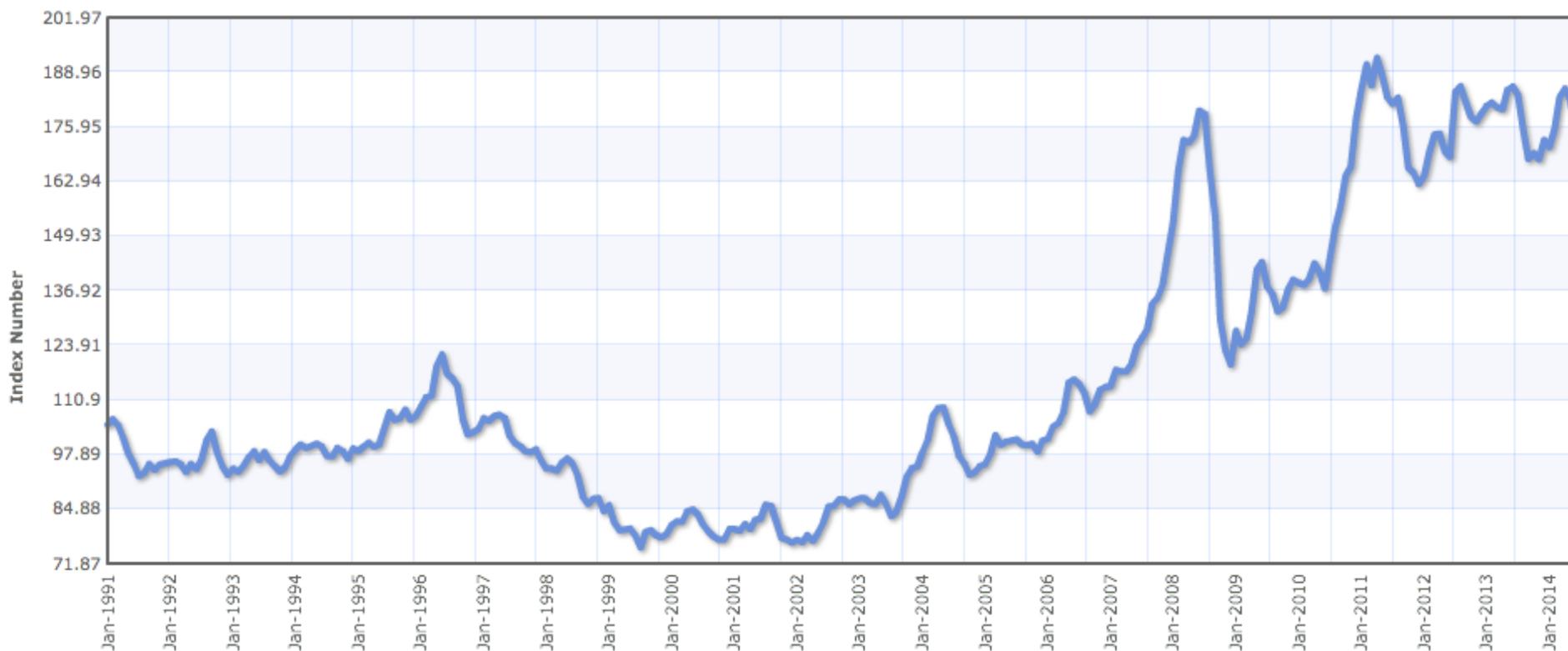


Palm oil Monthly Price - US Dollars per Metric Ton

Commodity Food Price Index Monthly Price - Index Number

Range 6m 1y 5y 10y 15y 20y 25y 30y

Jan 1991 - Jun 2014: 70.650 (67.29 %)



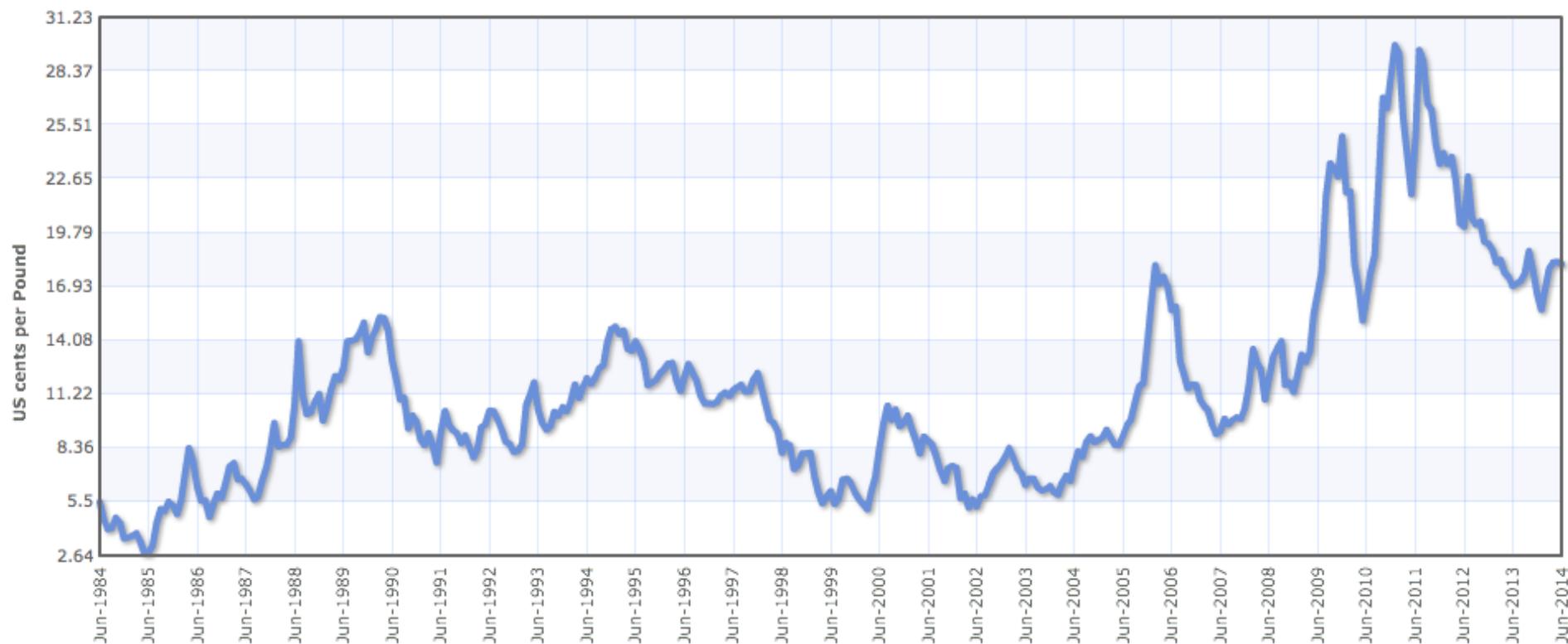
Description: Commodity Food Price Index, 2005 = 100, includes Cereal, Vegetable Oils, Meat, Seafood, Sugar, Bananas, and Oranges Price Indices

US Dollars per Metric Ton

Sugar Monthly Price - US cents per Pound

Range 6m 1y 5y 10y 15y 20y 25y 30y

Jun 1984 - Jun 2014: 12.610 (228.44 %)

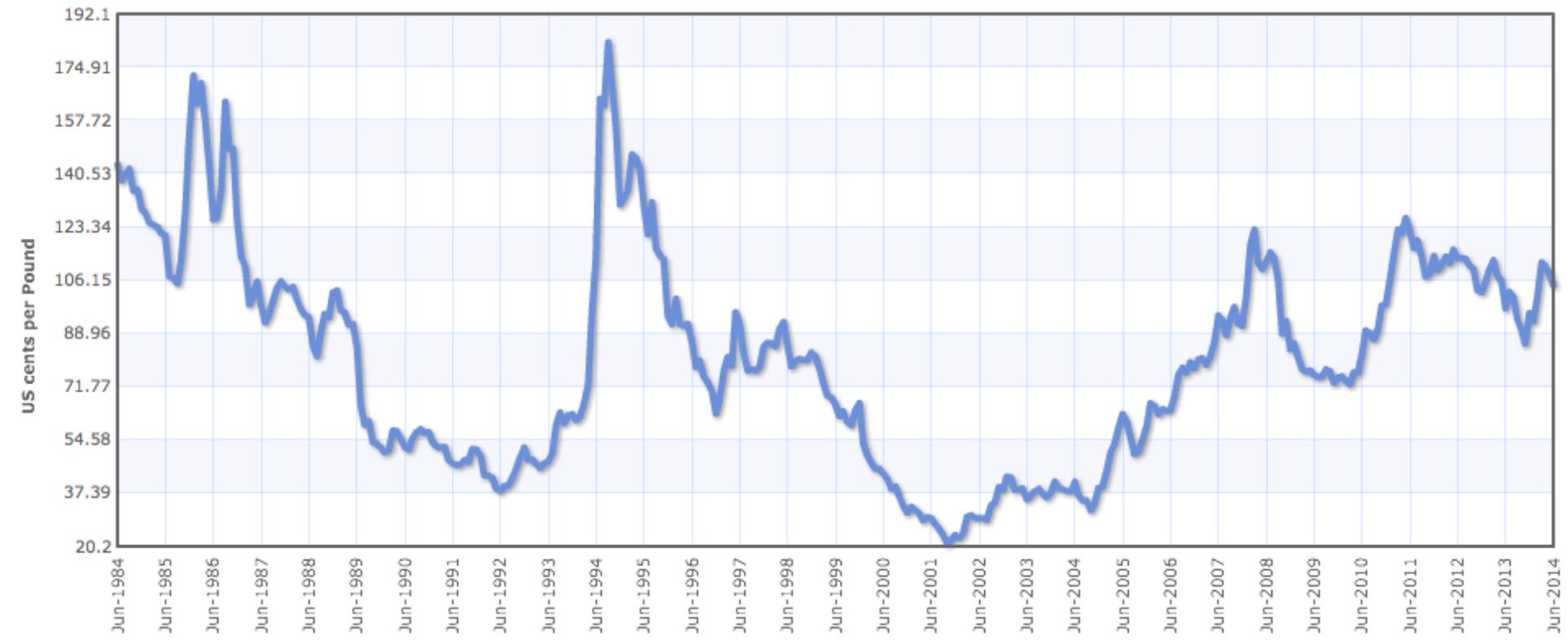


Description: Sugar, Free Market, Coffee Sugar and Cocoa Exchange (CSCE) contract no.11 nearest future position, US cents per Pound

Coffee, Robusta Monthly Price - US cents per Pound

Range 6m 1y 5y 10y 15y 20y 25y 30y

Jun 1984 - Jun 2014: -39.040 (-27.17 %)

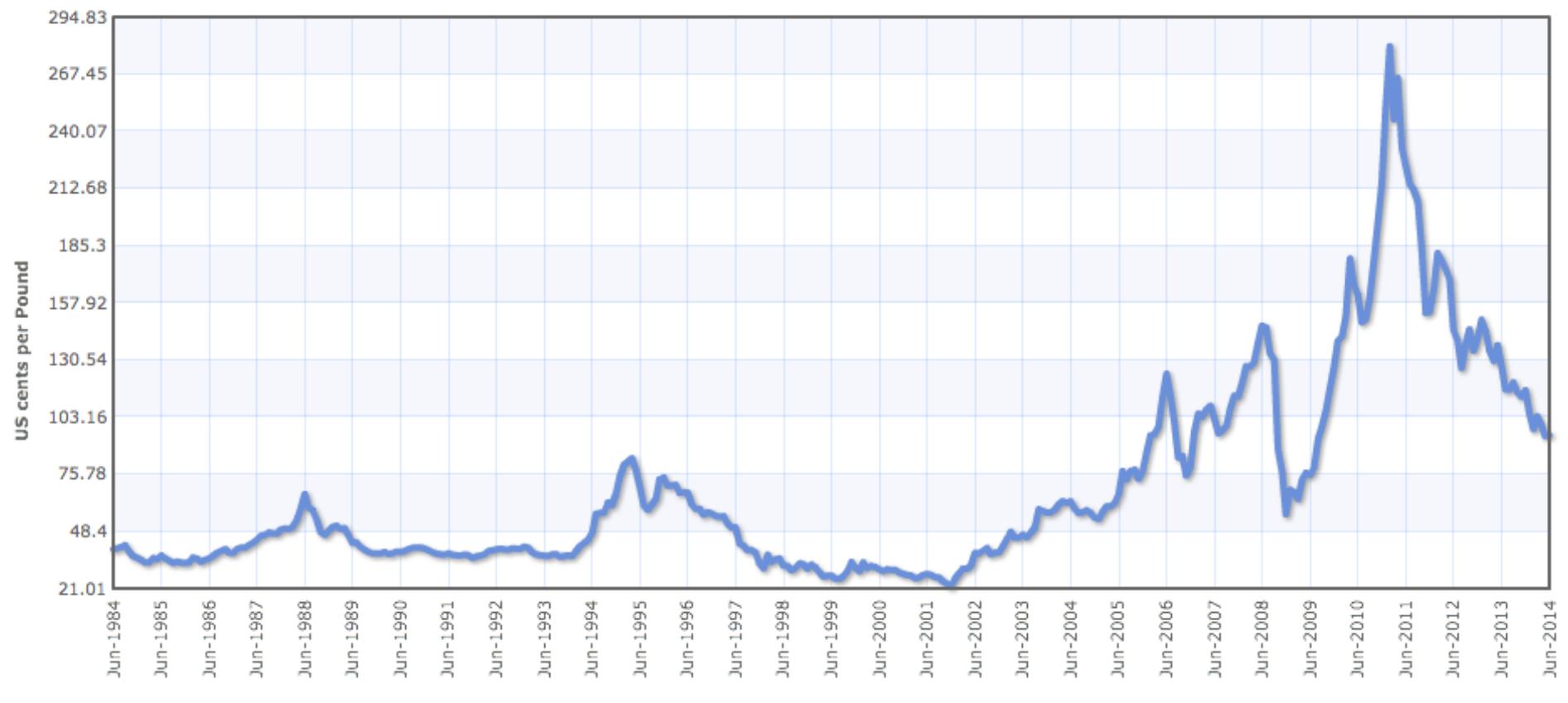


Description: Coffee, Robusta, International Coffee Organization New York cash price, ex-dock New York, US cents per Pound

Rubber Monthly Price - US cents per Pound

Range 6m 1y 5y 10y 15y 20y 25y 30y

Jun 1984 - Jun 2014: 54.760 (137.28 %)

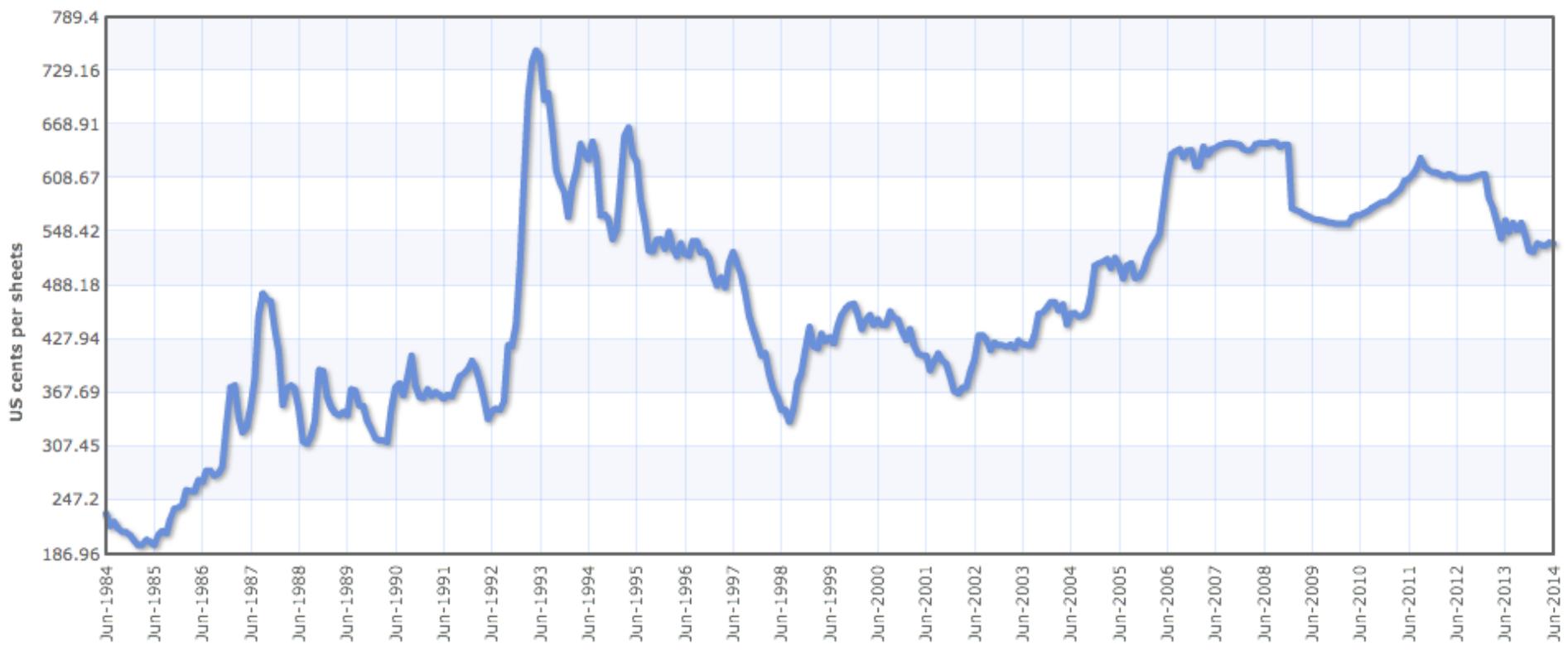


Description: Singapore Commodity Exchange, No. 3 Rubber Smoked Sheets, 1st contract, US cents per Pound

Plywood Monthly Price - US cents per sheets

Range 6m 1y 5y 10y 15y 20y 30y

Jun 1984 - Jun 2014: 302.463 (130.02 %)

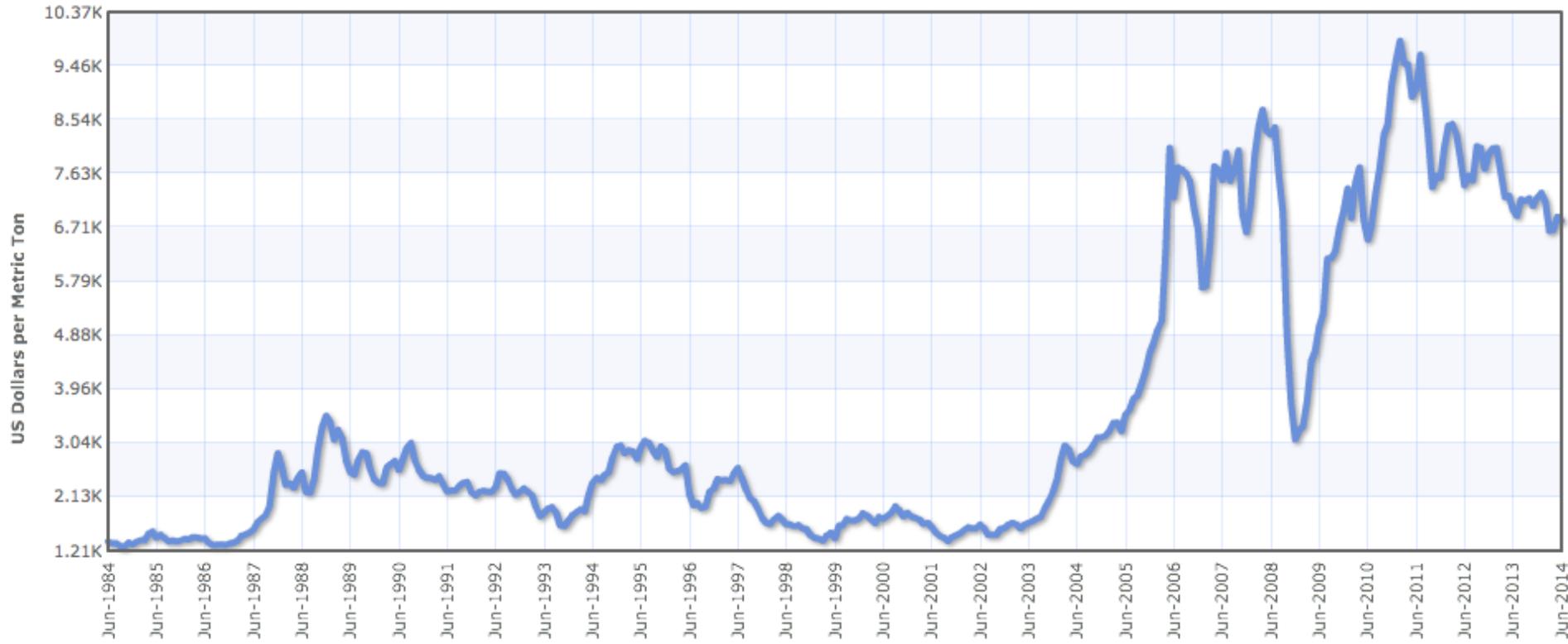


Description: Plywood (Africa and Southeast Asia), Lauan, 3-ply, extra, 91 cm x 182 cm x 4 mm, wholesale price, spot Tokyo

Copper, grade A cathode Monthly Price - US Dollars per Metric Ton

Range 6m 1y 5y 10y 15y 20y 25y 30y

Jun 1984 - Jun 2014: 5,456.480 (399.84 %)



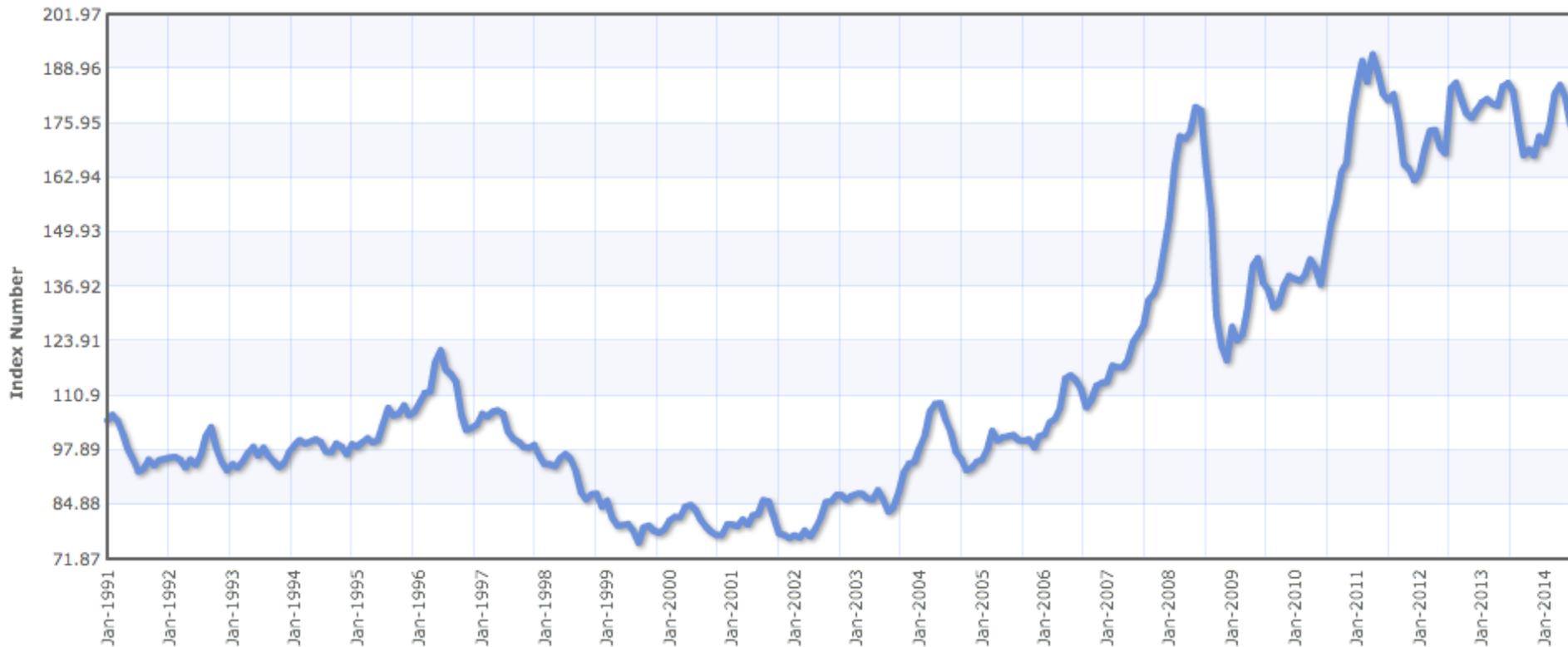
Description: Copper, grade A cathode, LME spot price, CIF European ports, US Dollars per Metric Ton

Unit: US Dollars per Metric Ton

Commodity Food Price Index Monthly Price - Index Number

Range 6m 1y 5y 10y 15y 20y 25y 30y

Jan 1991 - Jun 2014: 70.650 (67.29 %)



Description: Commodity Food Price Index, 2005 = 100, includes Cereal, Vegetable Oils, Meat, Seafood, Sugar, Bananas, and Oranges Price Indices

Commodity Agricultural Raw Materials Index Monthly Price - Index Number

Range 6m 1y 5y 10y 15y 20y 25y 30y

Jun 1984 - Jun 2014: 64.040 (84.11 %)



Description: Commodity Agricultural Raw Materials Index, 2005 = 100, includes Timber, Cotton, Wool, Rubber, and Hides Price Indices



INDIA

BANGLADESH

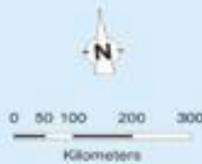
MYANMAR

NAIPYI TAW

ANDAMAN SEA

GREATER MEKONG
SUBREGION

10°00'N



98°00'E

MALAYSIA

108°00'

YUNNAN PROVINCE

PEOPLE'S REPUBLIC OF CHINA

GUANGXI ZHUNG
AUTONOMOUS REGION

HANOI

LAOS PDR

VIENTIANE

THAILAND

BANGKOK

SOUTH CHINA

VIETNAM

CAMBODIA

KHOMER

- National Capital
 - City/Town
 - 1990, 2006, 2015 Committed
 - River
 - - - Provincial Boundary
 - - - International Boundary
- Boundaries are not necessarily authoritative.

How do trends in the processing of agro-commodities influence forest conversion in the Mekong?

Ian Coxhead (2007) “A New Resource Curse? Impacts of China’s Boom on Comparative Advantage & Resource Dependence in Southeast Asia.” *World Development*. 35(7)

Basic argument:

- China’s economic growth and large imports of natural resources will have significant effects on the **structure of neighbouring SE Asian economies**
- China’s dominance in manufacturing **shifts comparative advantage** of resource rich SE Asian economies more towards primary natural resources, dampening SE Asian labour-intensive & medium-capital intensive manufacturing
- In context of relatively poor environmental regulation and institutional constraints in SE Asia (esp. Mekong region), this shift could drive **over-exploitation of resources**, resulting in long-term declines in national welfare (= a **“regional” resource curse**)

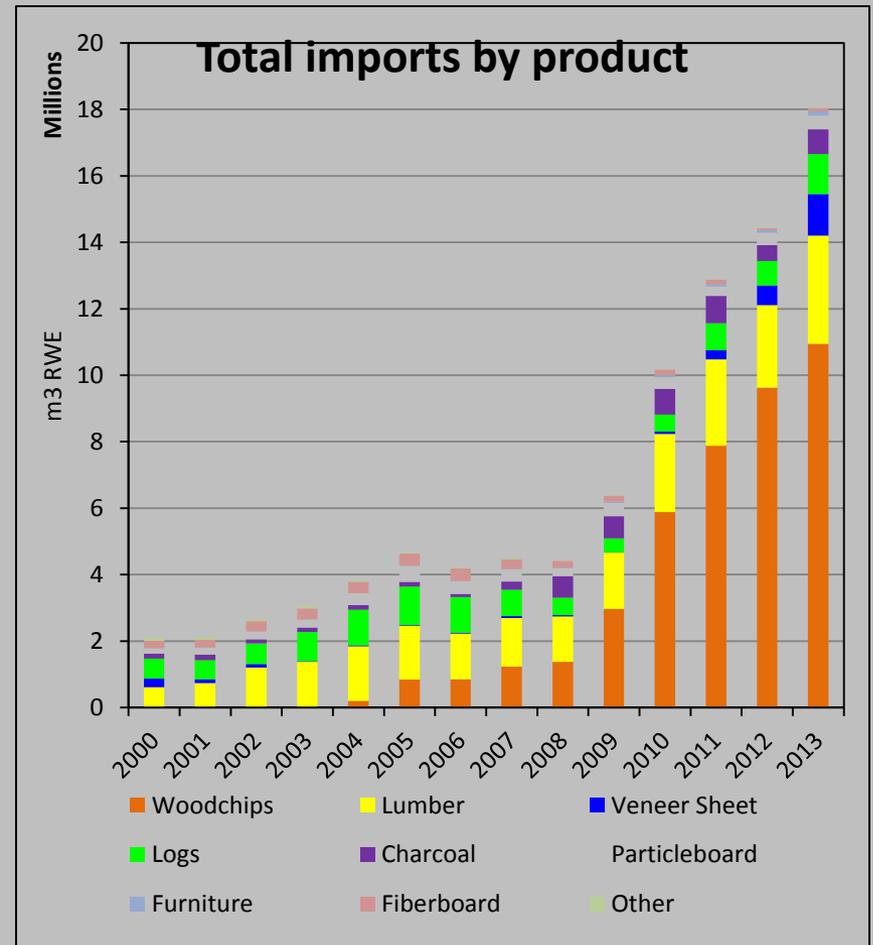
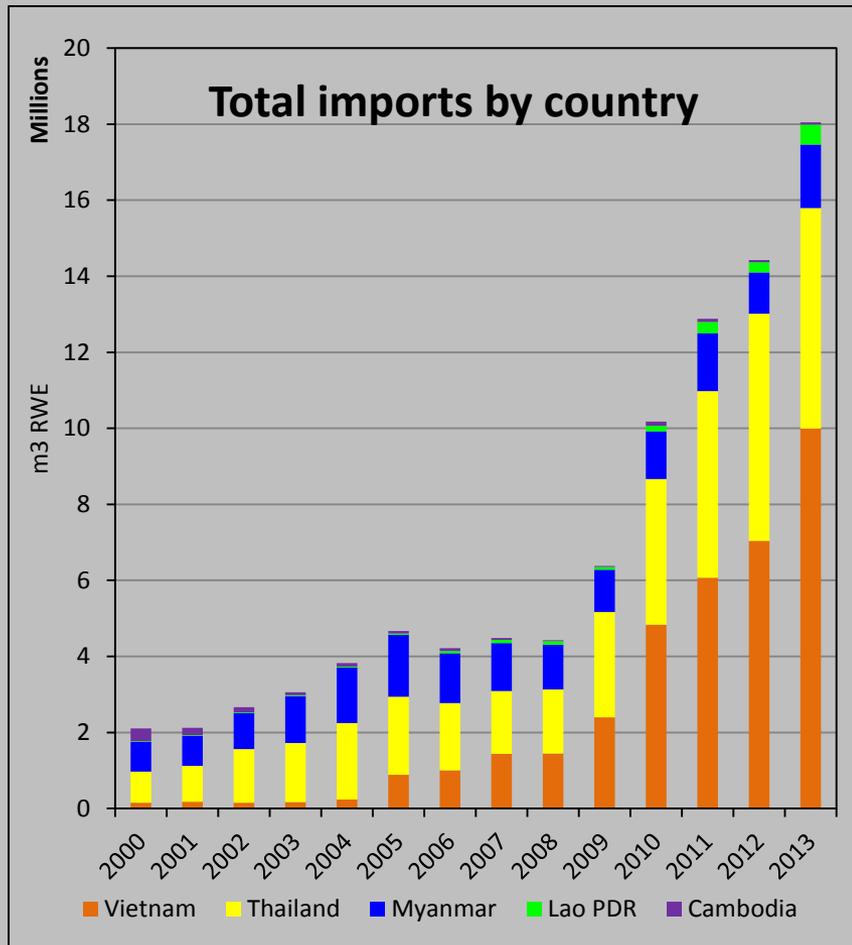
Coxhead (2007: 1115)

cf. Brander, J. A., & Taylor, M. S. (1997). "International trade and open-access renewable resources: The small open economy case." *Canadian Journal of Economics*, 30(3).

- "In the absence of effective controls on resource depletion, and with no guarantee of future control over resource rents, such an economy experiences **a race by all actors to liquidate natural resource wealth in the short term**; in the longer term, therefore, it grows more slowly or not at all."
- "...it may spark an acceleration in resource-depleting activities, including **conversion of forests to industrial agriculture**. In some areas of the region, these changes—being difficult if not impossible to reverse—could spell **long-term reductions in earning power and increased vulnerability** to environmental disasters."

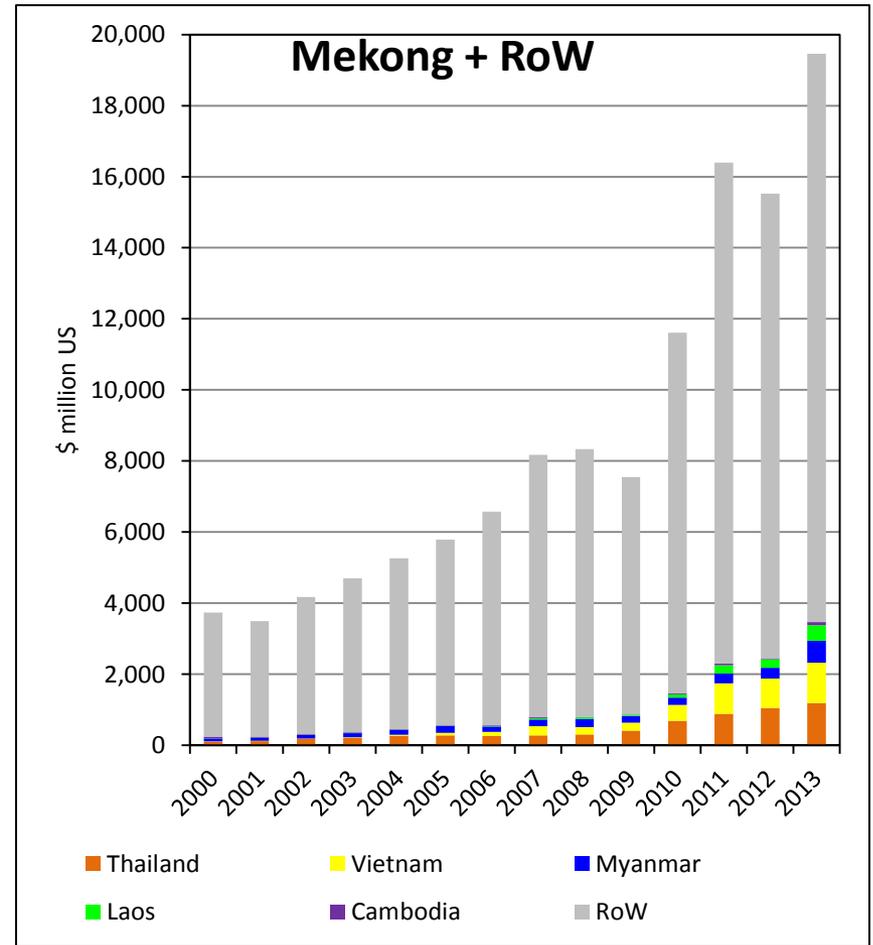
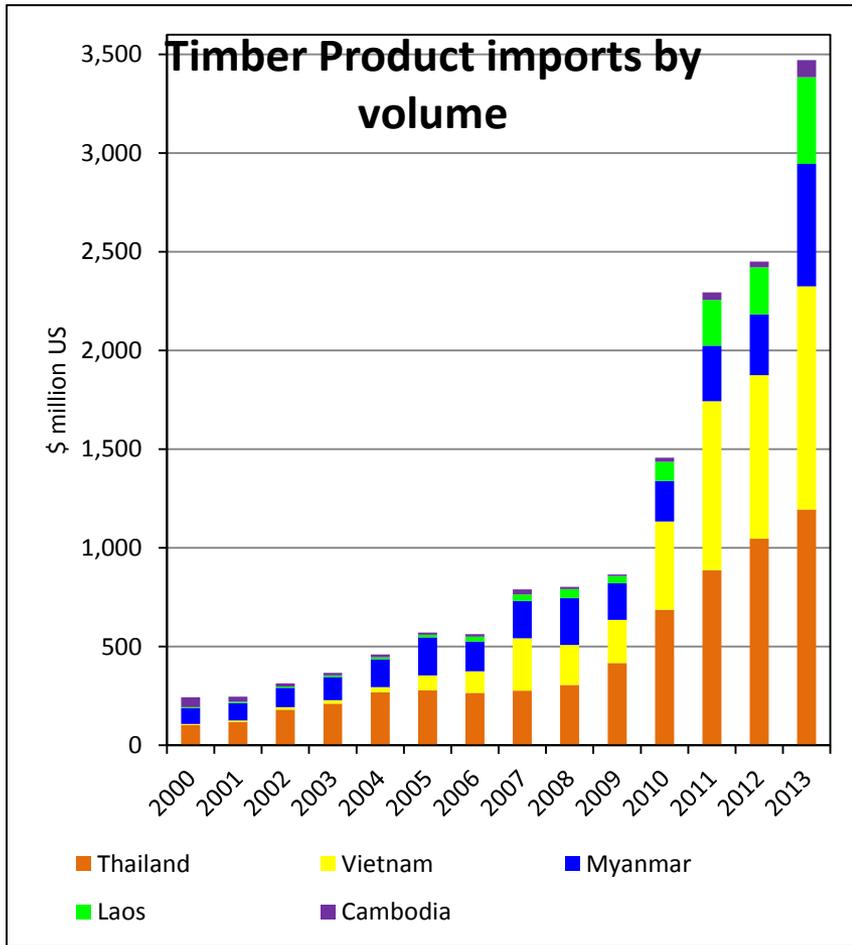
China-Mekong Timber Import Data by Volume

2000-2013 (Source: Forest Trends)

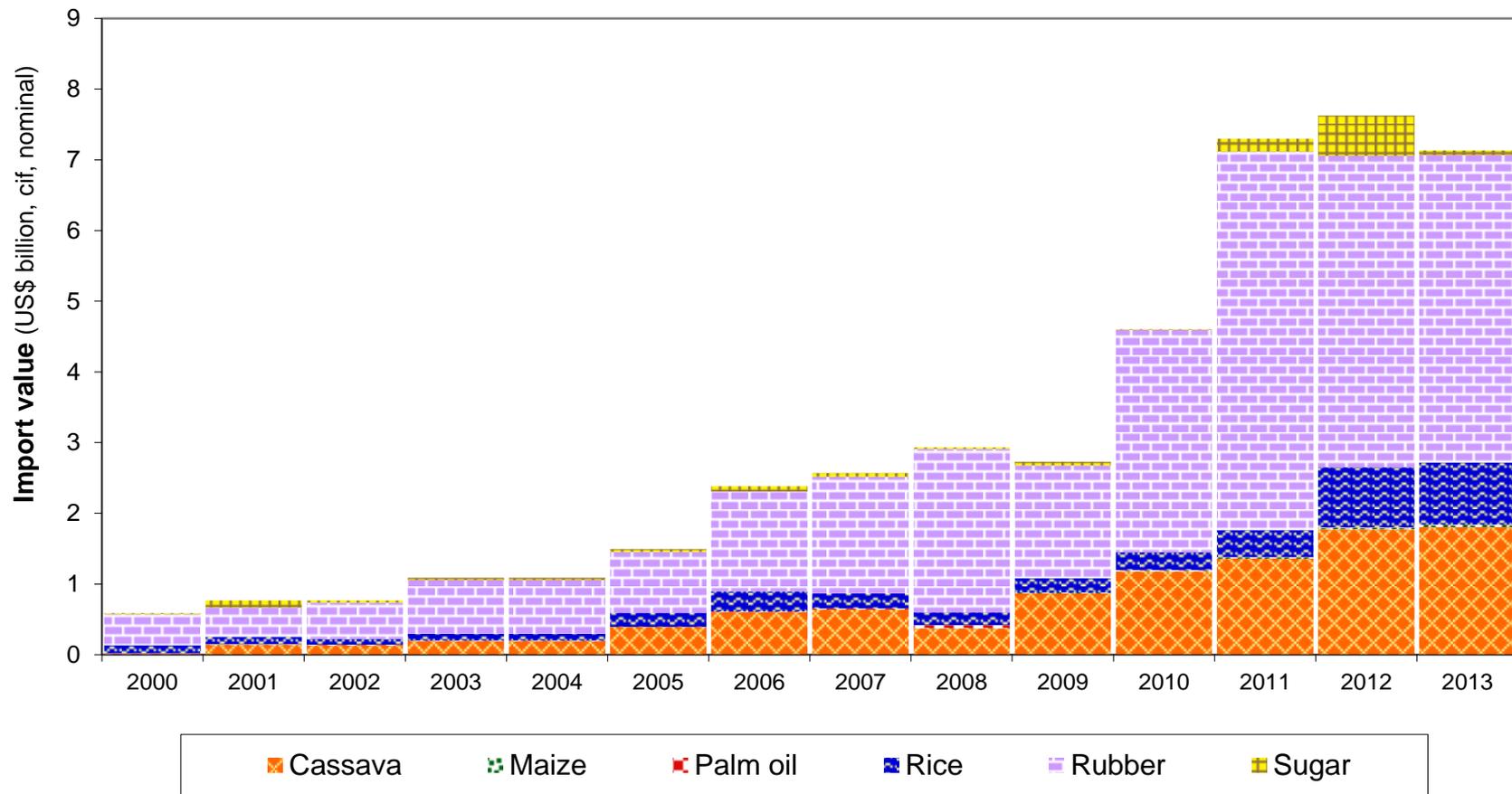


China-Mekong Timber Import Data by Value

2000-2013 (Source Forest Trends)

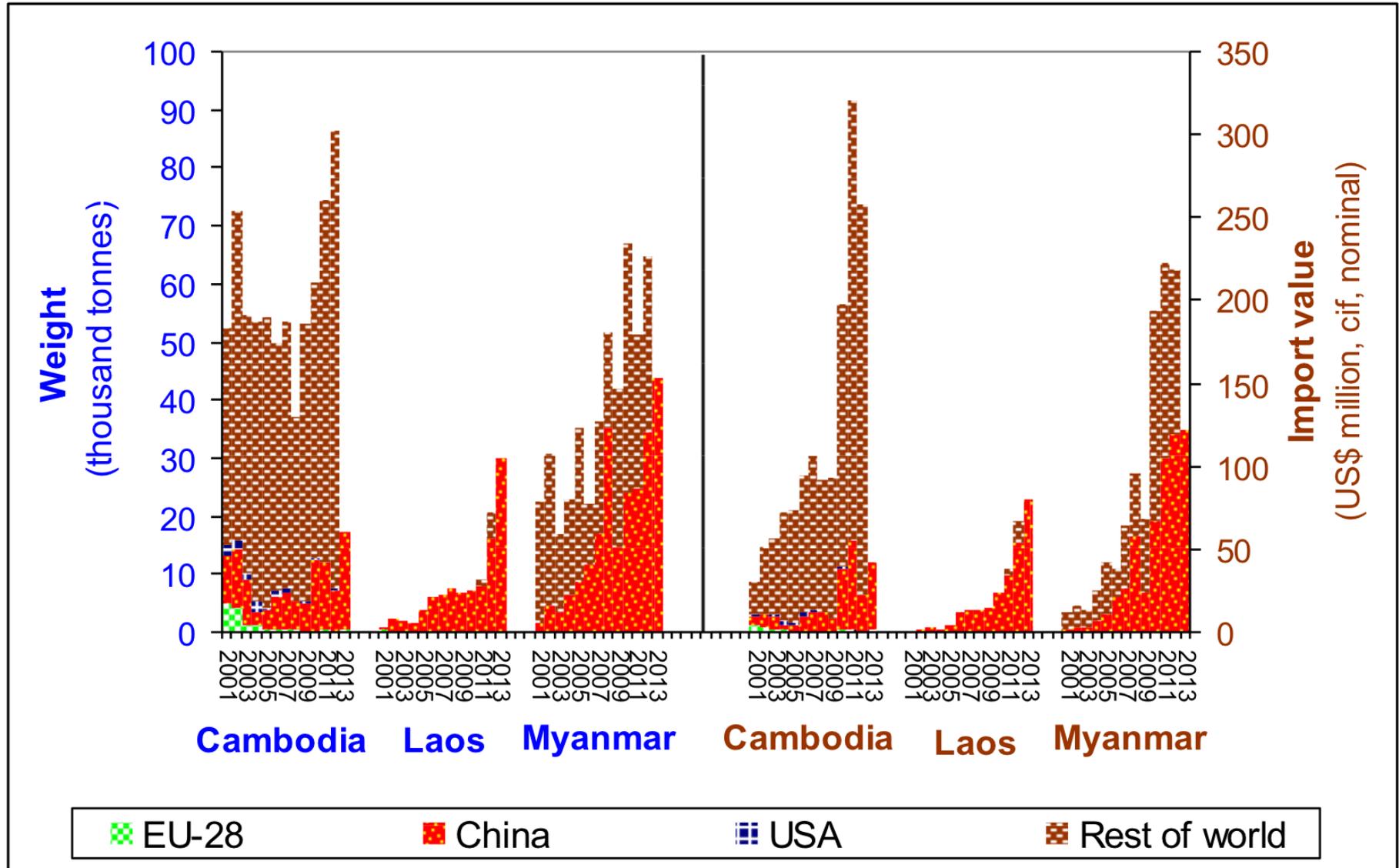


China's imports of selected agricultural commodities from Cambodia, Laos, Myanmar, Thailand and Vietnam (Forest Trends, UN Comtrade)



Rubber (products whose HS customs codes commence with 4001)

Natural rubber imports from Cambodia, Laos and Myanmar



Is there evidence supporting Cox's thesis in the Mekong region since 2007?

- Laos, Cambodia Myanmar also experiencing rapid resource-led growth
 - But are arguably vulnerable to terms of trade shocks in resource prices
- For Laos*:
 - Rapid wage growth and currency appreciation without corresponding productivity gains or efficiency improvements in the general business environment = squeeze on profitability of manufacturing sector
 - Apparent strains with state coordination of project expenditure and a weakening budget position
 - Stubborn 45% child malnutrition rate
 - Public sector institutions are clearly struggling to regulate resource sector pressures

• *Source: "Lao PDR at the Crossroads" , June 9, 2014

- How **significant** of an issue is forest-land conversion & conversion timber in the Mekong countries, in terms of volumes and values?
- To what extent does conversion timber appear in regional and global **trade flows**?



Lao PDR conversion timber from infrastructure projects

(Source: LTS/Grace *et al.* 2012: 39-40)

- The total reported timber supply available from infrastructure project over 4 study provinces @ 44,414 m³, (four times the volume reported from PFA areas)
- Quotas issued for various infrastructure projects are mostly volume based but some can area based (e.g. Phonesak mining area in Salavane)
- For Xekong Province, hydropower contributed 17,500 m³; mining contributed 11,000 m³; and roads contributed 8,000 m³
- Trees to be cleared in infrastructure projects are not clearly identified, limiting traceability

Cambodia: Conversion timber from Economic Land Concessions

- Special ELC implementing sub-decrees are prepared for each individual lease agreement (Muller, 2012)
- But the allocation of economic concessions on state forestland lacks guidelines and transparent standards, leading to a patchwork of different regulations
- Adhoc (2013) identifies an ELC governance framework in which “exceptions become the rule and eviscerate the law.”