



Overview of illegal logging in Laos and related trans-boundary trade

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Current state of forests and timber trade in Laos

- High rate of forest loss – from 70% in 1940 to 41,2% in 2002
- Deterioration of forest quality (dense forest area from 29% in 1992 to 8,2% in 2005), fragmentation (large forest compartments decreased from 88% to 54%).
- No prospects for SFM because low potential of production forest areas - 3.5 million ha with quota stands at ca. 150,000 per year (not issued last years)
- All exported “legal” timber now comes from conversion activities (infrastructure, hydropower, mining, plantations)
- Main destination of Lao timber: Vietnam (75% of roundwood and 47% of sawnwood), China (24 and 16%), Thailand (34% of sawnwood)
- Lao timber contributes 16% to Vietnam’s annual round and sawnwood import (14% to Thailand’s sawnwood import)

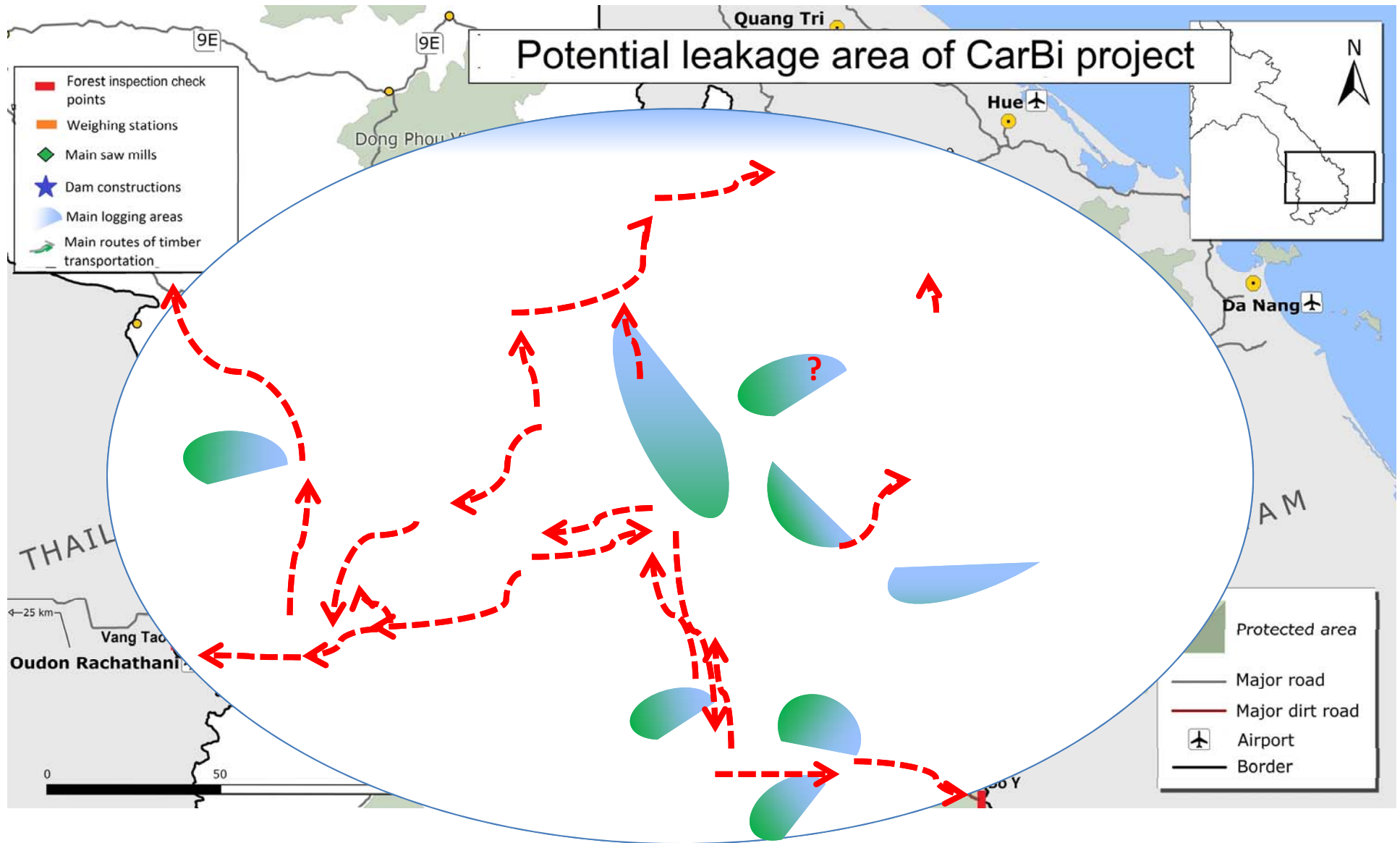
Main reasons for illegal logging in Laos

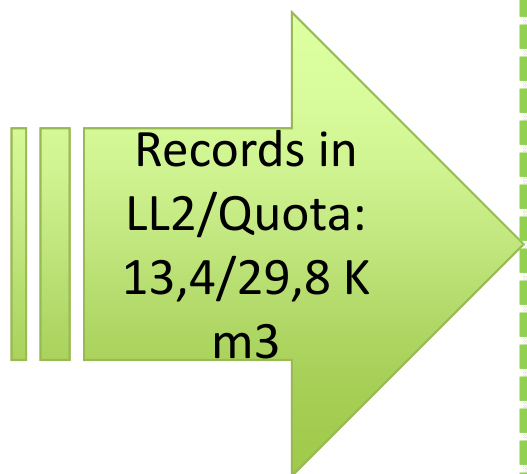
- Growing demand for natural wood in Vietnam, Thailand and China mainly due to rapid development of the export-oriented wood processing industry and reforestation policies
- Overcapacity of processing factories (estimated at 3-3.4 million m³)
- Ambiguous and sometime unnecessarily complicated legislation provides opportunity for violations and corruption (in 2012 Laos ranked 160 out of 176 countries by perceived levels of corruption, CPI)
- Lack of reliable forest inventory prior issuing of logging permit facilitates wood laundering
- Lack of law enforcement regarding numerous development logging quotas (infrastructure, hydropower, mining, cash-crops plantations)
- Vietnamese authorities do not recognize the existence of trans-boundary illegal timber trade and have thus little motivation to validate legality of imported timber origin

Scope of illegal logging in Laos

- Technically, most of timber harvested in Laos is illegal because logging and trade do not comply with legislation incl.:
 - ✓ prohibition of logs and sawn wood export,
 - ✓ ban on conversion of forests into plantations,
 - ✓ ban of debt-repayment and bartering of timber in exchange for development support
 - ✓ requirement of EIA for development projects,
 - ✓ lack of border demarcation for logging sites and logging plans etc.
- Lack of baseline data on illegal timber means that no reliable estimate of how this trend will develop can be made
- In framework of CarBi project study timber was considered as from unauthorized sources if harvested in excess of issued quotas and outside of official logging areas

Timber flows from Sekong and Saravan

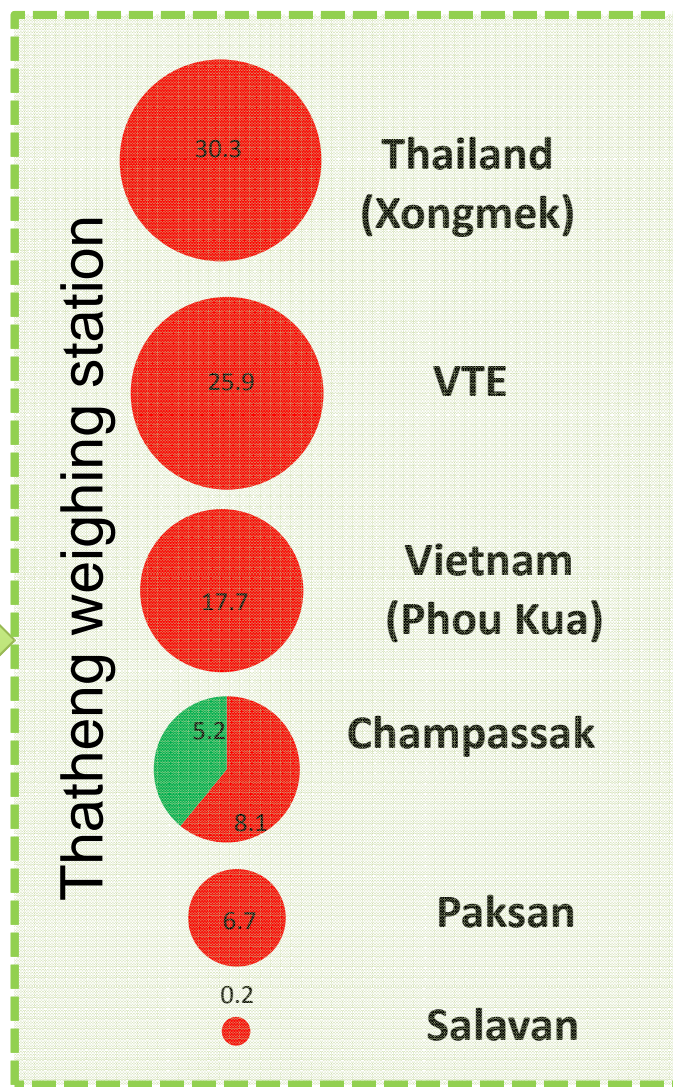




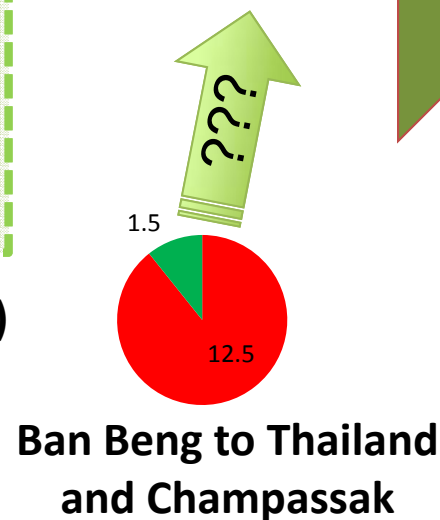
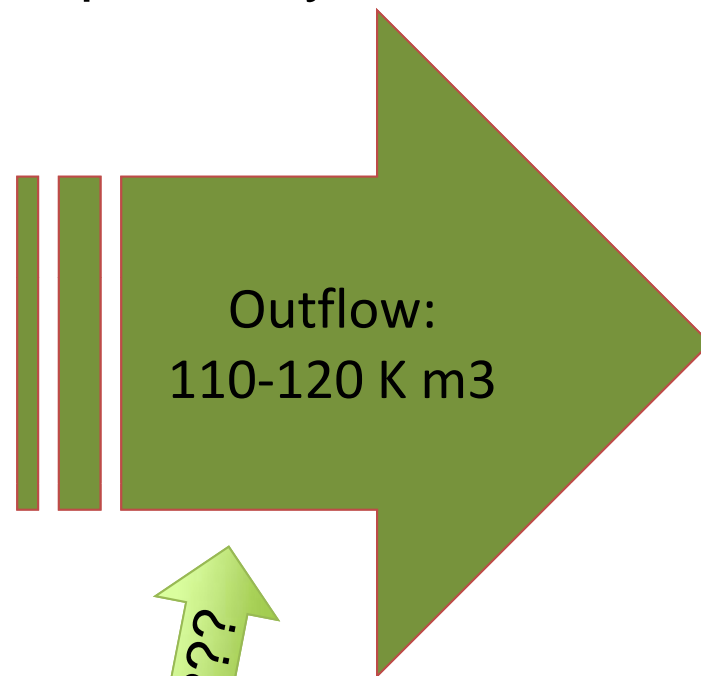
Logs

Finished

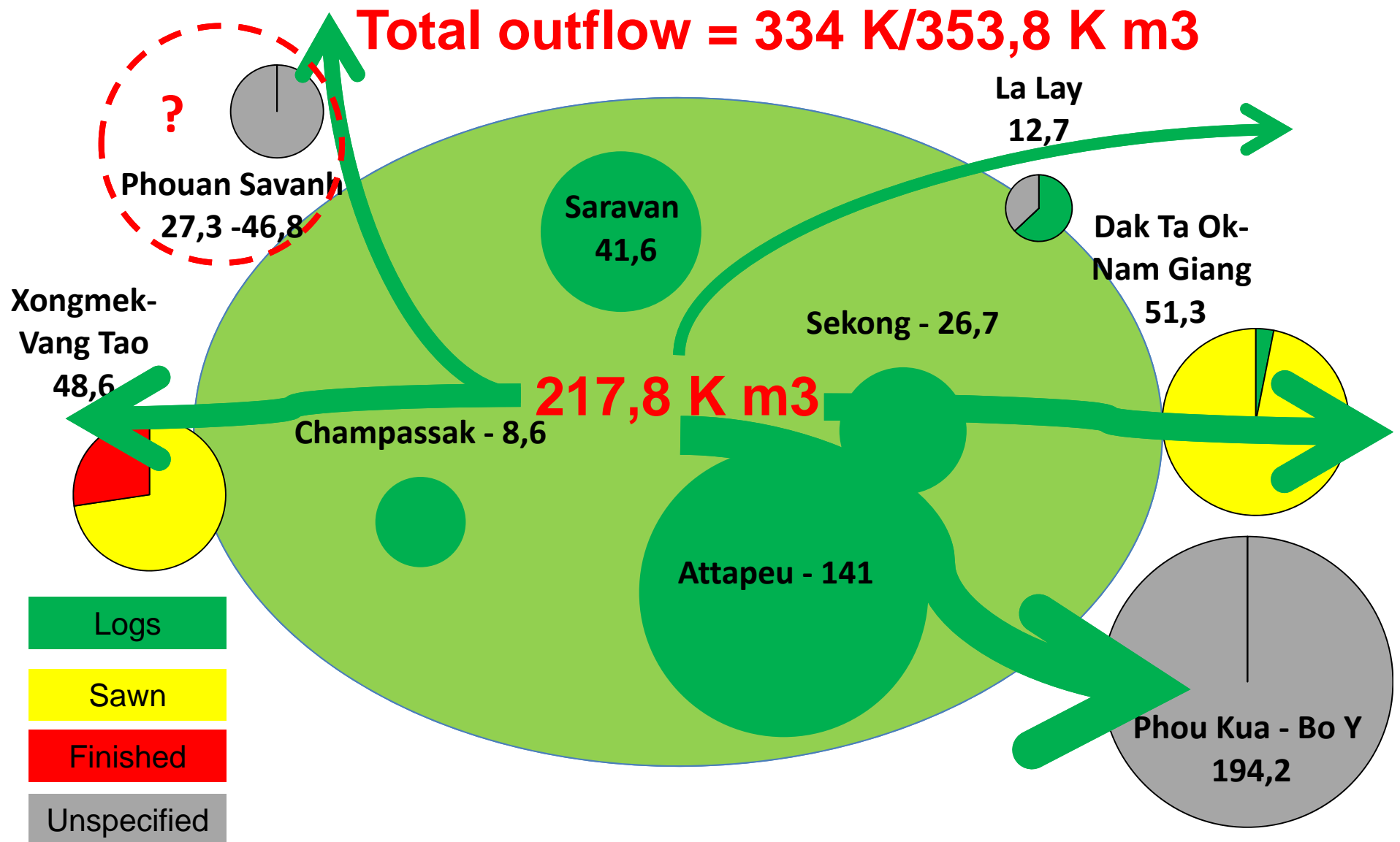
Unspecified



Total outflow from
Sekong in 2010-2011
season exceeded
quotas by 3,7-9 times



Total outflow in 2011-2012 season exceeded volume recorded in LL 2 at least by 53-62%



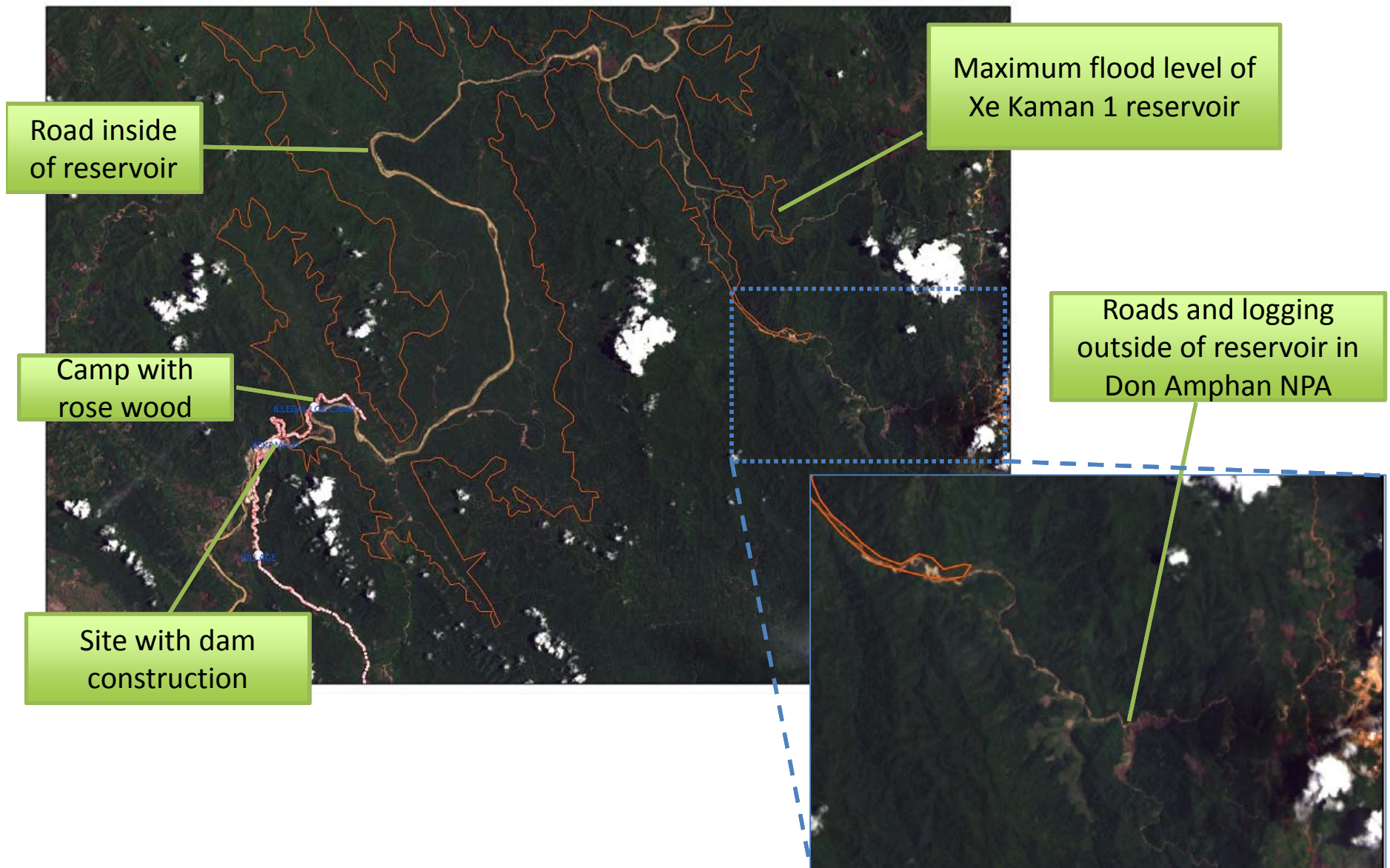
Illegal logging associated with construction of Xekong 4 dam (Sekong)



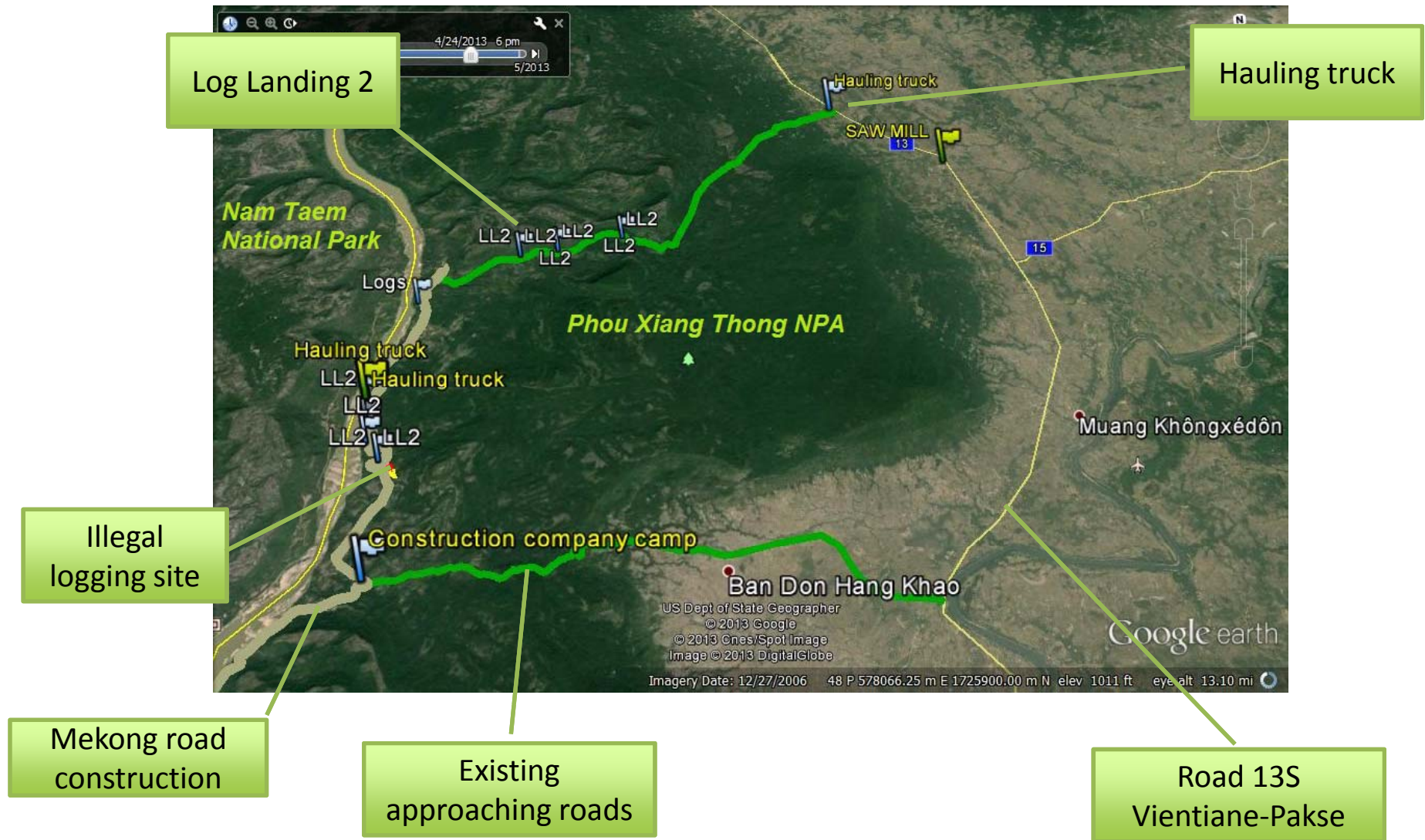


Logs without marks loaded to truck with Xekong 4 logo ca. 37 km away from Xekong 4 construction (a, b) ; truck with “Xe Kaman 1 logging management committee” logo comes to Vietnam according to driver, met in Sekong ca. 200 km away from border (c, d).

Illegal logging associated with construction of Xe Kaman 1 dam (Attapeu)



Illegal logging associated with Mekong road construction (Saravan)



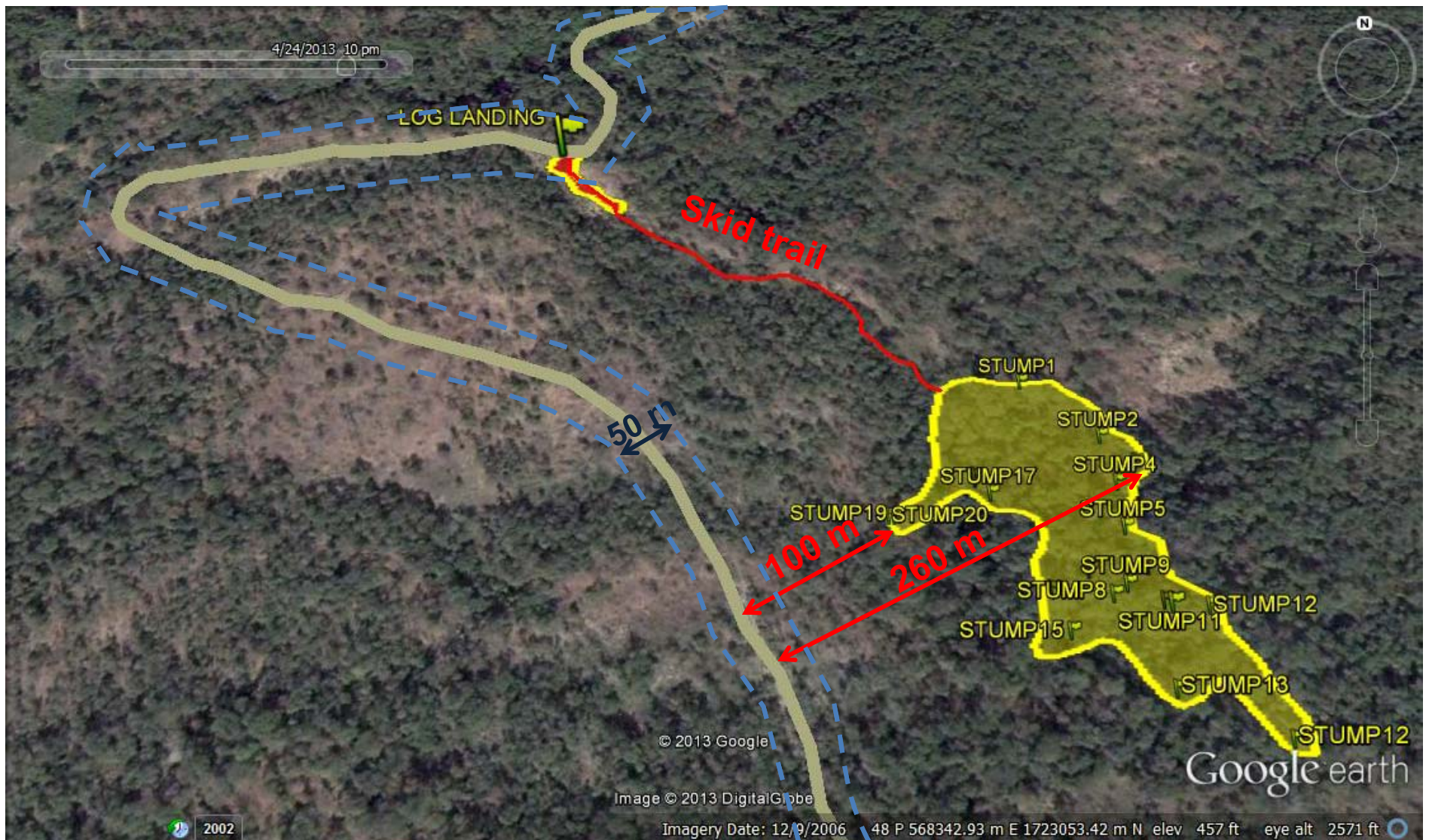


Construction of road along Mekong river in Phou Xiang Thong NPA (Saravan): No logs identified in LL2, no evidence that logs were associated to the road construction activities and that government agencies were monitoring activities or recording trees harvested or logs produced.

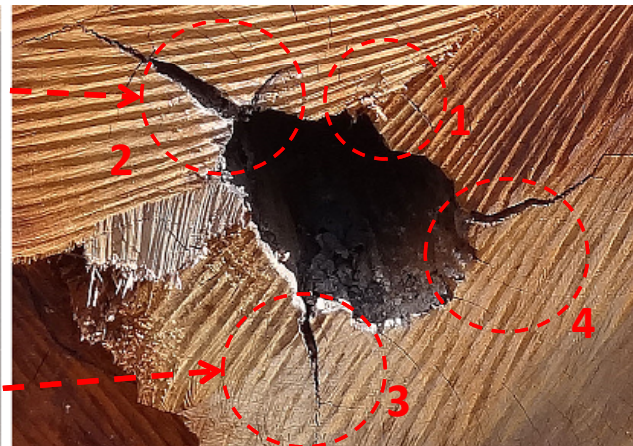
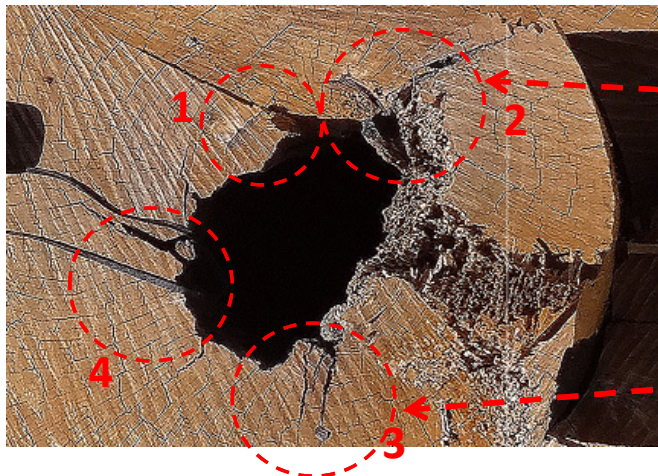


Illegal logging associated with construction of road along Mekong river in Phou Xiang Thong NPA (Saravan): log landing 2 with skid trail to illegal logging on background (a); logs with signs (b); illegal logging site (c); tree stump in illegal logging site (d).

Illegal logging associated with construction of road along Mekong river (Saravan)



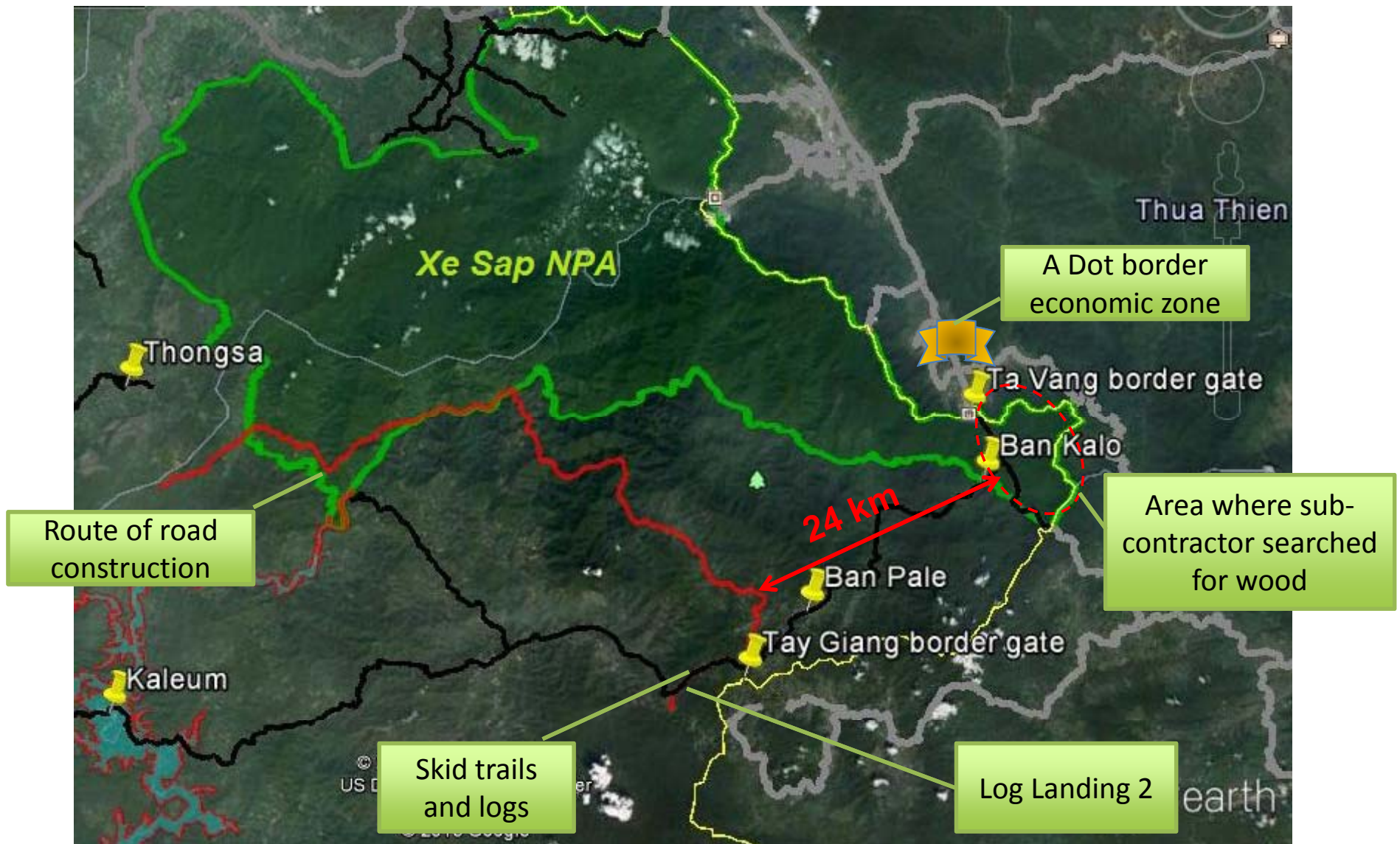
Example of matches between stump on illegal logging site (left) and butt log in log landing 2 (right)



Example of matches between residual on illegal logging site (left) and butt log in log landing 2 (right)



Illegal logging associated with Panon-Thongsa road construction (Sekong)





Skid trail and logs on side of road Kaleum-Ta Vang (a); Logs in log landing 2 with Vietnamese signs (b); border gate Ta Vang (c); upgrading of road to Ta Vang border gate in A Dot border economic zone (d).

Inconsistencies between wood processing capacities and official wood supply (Saravan)

- 50 (31?) factories incl. 17 large scale
- Raw timber received in 2011-2012 – 14,816 m³: from 4 to 1,988 m³/saw mill
- Incl. 3,789 m³ confiscated timber while total volume of confiscated timber: in Salavan in 2011-2012 - 1,401 m³, or 86% of timber confiscated in 4 southern provinces (4.411 m³)
- During 1 hour in June: 7 trucks loaded with ca. 266 tons (665 m³ in RWE) on road supposedly from one cluster of saw mills in Lao Ngam to Thai border - 4,5% of annual supply



Saw mill in Saravan and thai truck with sawn wood on way to border

Example of inconsistencies between wood processing capacities and official wood supply: saw mill N1 (Saravan)

- Biggest factory in province, ca. 100 employees
- Total investment - ca. USD 7,8 million
- Max capacity according to owner - 10,000 m³/year
- Exported products worth millions of USD into Thailand, Vietnam and China
- Group A (wood quota up to 300 m³/year), official annual supply in 2010-2012: 850 – 3,000 m³
- Products (panels, flooring) are destined also for international markets (Japan, USA)



Example of inconsistencies between wood processing capacities and official wood supply: saw mill N3 (Sekong)

- Official annual supply: 2,000 – 2,200 m³
- Max sawing capacity according to owner – 50 m³/day = 10,000-12,000 m³/year
- Capacity of drying kilns – 3,600 m³/year
- Annual carrying capacity of 14 hauling trucks – min. 20,000 m³/year
- Sawn wood comes to processing factory in Quang Tum: indoor and outdoor furniture for Vietnamese and international markets (Australia, Europe)



Loaded logs without stamps/marks and hauling trucks in saw mill.

Main findings

- The outflow of timber products (in RWE) from Xekong in 2010-2011 has exceeded the officially recorded harvest volume in range by 3,7-9 times
- The actual volume of timber moved from the CarBi monitoring area (Champassak, Attapeu, Sekong, Saravan) in 2011-2012 has exceeded officially confirmed logging volumes within this area by at least 53-62%
- Lack of evidence of monitoring harvesting activities within infrastructure projects by relevant government agencies to ensure that harvesting is limited to defined project areas, and complies with forestry regulations
- Officially recorded supply of raw material to saw mills is far below of their processing capacity; this suggest that saw mills use timber from unauthorized sources

Prospects/Scenarios

- Most likely scenario is “business as usual”:
 - ✓ Harvesting will be still driven by needs to supply sawmills and traders with preferred species, log sizes and volumes
 - ✓ Large-scale development projects (incl. regional road network) and agriculture expansion will encourage illegal logging and forest clearance in remote areas (mainly in protected areas)
 - ✓ VN authorities will not strengthen requirements to timber import as it can pose a threat to timber supply to fast growing VN furniture industry.
- Implementation of US and EU requirements to Lao timber (in case of pressure from NGOs site) can encourage Laos to shift to Chinese and Indian markets.