LAOS COUNTRY PROFILE

Overview Forestry Sector

The first forest strategy for Laos (FS-2020) was the result of a consultative process that involved government, local authorities, and advisors from the international community taking place in 2005. At that time, the forestry sector was considered the most important economic sector in the country, significantly contributing to fiscal revenue and foreign exchange, and contributing to livelihoods by providing jobs, construction materials and wild foods. Forest cover was estimated at 41.3% of the total land area. The main objectives of the FS-2020 were to increase forest cover and enrich existing forest resources, mitigating impacts on forests from shifting cultivation and establishment of sustainable forest management and utilization, as well as poverty alleviation.

Over the period of 15 years, categorization, mapping and demarcation of a significant share of forest has been achieved. Forest Land is classified into three different forest categories for the purpose of preservation, management, utilization and development. Those categories are: (1) protection forest, (2) conservation forest and (3) production forest. Forest cover has increased to 62%, which was reportedly attributed to natural forest restoration and establishment of plantation on approximately 4.35 mio ha and 0.5 mio ha respectively. The implementation of FS-2020 has recently been under review. Consultations for the establishment of a new Forest Strategy 2035 and Vision for 2050 are currently under way. In 2019 Laos has enacted the 2030 National Green Growth Strategy, amended Land Law and amended law on forests which promote a more framework for sustainable development promoting forest-based initiatives as key drivers for growth, employment and the improvement of livelihoods.

Laos' wood processing industry sources about half of the required wood from within the country (Market Study, 2021). Commercial timber may be sourced from 3 different land use categories, namely Production Forest Areas (PFAs), conversion areas and plantations. The Government of Laos has introduced a series of regulations with the aim to halt illegal logging in natural forests, to promote the establishment and commercialization of plantation timber in degraded areas and enhance value adding by domestic industries. Following wide-spread illegal harvesting, the harvesting of timber in PFAs has been suspended since 2013. Due to the logging ban, timber is mainly sourced from plantations and conversion of natural forests for development and infrastructure projects. Timber plantations are the main source of roundwood representing about 90% of total domestic timber supply (Market Study, 2021). Plantation concessions are granted for areas of degraded forest or barren forestland. Additionally, law permits the establishment of smallholder and village plantations. Even though all forest land and natural forest is state-owned, the new Law on Forests (2019) foresees transfer of land ownership to the individuals, legal entities or organizations that establish plantations. Although the domestic wood processing of plantation timber is strongly encouraged, export of round logs and sawn timber from plantations is still permitted.

Timber Legality and Status of TLAS

In 2012, Laos submitted a letter of intention to the European Union expressing its interest to become involved in the Forest Law Enforcement, Governance and Trade (FLEGT) process. Negotiations for a FLEGT Voluntary Partnership Agreement (VPA) commenced in 2015. Up to now 4 rounds of Joint Expert meetings took place and a roadmap has been proposed to EU. Laos and EU have set aside all 8 Timber Legality Definitions (TLD) during the 4th Joint Expert Meeting (JEM). The TLDs will cover all timber sources and cross-cutting issues as follows: 1) Natural production forest, 2) Conversion areas, 3) Plantation, 4) Natural timber from village use forest and land of individuals, legal entities or organizations 5) Confiscated timber, 6) Imported timber, 7) Labour obligations in forestry, wood processing and trading operations and 8) Wood processing and trading. The Department of Forest Inspection (DOFI) and Provincial Office of Forest Inspection (POFI) have been agreed to fulfil the function of the verification body to systematically check compliance at different steps of the supply chain. The documented and archived compliance evidence allows the licensing authority, Department for Import Export (DIMEX) and Provincial Industry and Commerce Division (POIC) to assess the legality of a timber sales consignment before licenses are issued. Decision No. 0777/MOIC on the Management and Monitoring of Timber Input and Output requires all timber operators to establish and implement an internal monitoring system to ensure no illegally harvested timber enters the supply chain during at the wood processing factories. The testing and outreach of this decision has significantly advanced the national efforts to establish binding timber supply chain control for operators.

Details on trade

The Laotian wood industry is consuming approximately 2.9 million m^3 of industrial roundwood (IRW). There are three major timber flows in the Lao wood sector: (1) Domestic value chains that source from natural forests and plantations and produce products for the national market (ca. 28% of the total IRW turn over). (2) Export value chains that produce (semi-) finished wood products from domestic timber resources (ca. 28% of IRW turn over). (3) An international pulp value chain, which is based on imported wood chips from Viet Nam and Thailand to supply one producer of wood pulp for the export market (ca. 44% of IRW turn over).

The most important primary product of Laos' wood industry is sawnwood, which constituted approximately 50% of the industry's output volume in 2019 (0.6 M m^3 RWE). Veneer and plywood production were estimated at 0.2 M m^3 (RWE). Approximately half of the production is exported, with the vast majority (> 90%) of export volumes being semi-processed sawnwood from plantation timber.

Based on the raw material intake supplied by primary processing industries, the secondary wood processing industry in Laos had an estimated output of ca. 1.1 M m^3 (RWE) in 2019. The most important products were wood furniture and builder's joinery and carpentry products. Out of the total production volume, ca. 0.3 M m^3 (RWE) of secondary processed wood products were exported, while 0.8 M m^3 (RWE) were consumed by the domestic market.

In 2018, wood pulp production started in Laos. The production volume reached 1.3 M m^3 RWE in 2019. The wood pulp production is primarily based on imported wood chips. However, small volumes originating from domestic plantations are also used. Wood pulp producers plan to increase the share of domestic raw material in their supply chains over the coming years.

The implementation of PMO 15 and related regulation since 2016 has led to an increase of finished wood products exports (+ US$ 58 M since 2015), while unfinished wood products dropped substantially (- US$ 53 M since 2015). The main export destinations for semi-processed sawnwood products are China and Viet Nam. For veneer and plywood, the main importing countries are Viet Nam, India and Thailand. The export destinations of finished wood products (i.e. furniture and carpentry products) are China and Thailand. In 2019, wood pulp produced in Lao was almost exclusively exported.

The Government of Laos is currently promoting the establishment of plantations as an important source of timber with low risk of illegality. At the same time, the recently approved Export Instructions for plantation timber describe eased export procedures for plantation timber.