

THE U.S. LACEY ACT: TACKLING THE ILLEGAL TRADE IN TIMBER, PLANTS AND WOOD PRODUCTS

Funding for Implementation in 2012



Funding the implementation and enforcement of the Lacey Act is one of the most cost effective actions available to support American jobs, save the world's forests, and reduce global greenhouse gas emissions.



PORT OF LONG BEACH, CA.

In May 2008, the U.S. passed groundbreaking amendments to the U.S. Lacey Act to ban trade in illegal plant products, including wood. In response, many companies have reported changes in their supply chains, increased diligence toward their suppliers, and expressed enthusiasm for increased enforcement. As the U.S. government continues to refine and improve implementation and enforcement, it is clear that industry, environment and labor groups support its dedicated effort.

Illegal logging declined as much as 25% worldwide over the past decade, with reductions as high as 50% - 75% in some key countries. However, the work is far from done. A July 2010 study released by the London-based think tank Chatham House,¹ based on data from twelve countries involved in the global trade of timber and wood products, emphasized the key role of legislation such as the amended Lacey Act. The study has "already identified positive effects of the Lacey Act amendments in terms of the response of producer and processing-country governments and the private sector." ***It also underscored the importance of full and effective implementation of the Lacey Act moving forward.***

ILLEGAL LOGGING IN GLOBAL AND U.S. MARKETS

The Lacey Act is critical to ensuring the environmental and economic integrity of the forest products industry and trade in the United States and abroad. Illegal logging has concrete, adverse impacts on both the U.S. and global economies. Left unchallenged, illegal logging depresses global prices for timber and timber products by an average of 7 – 16 percent.² Among U.S. imports, approximately 25 percent of all hardwood plywood and 10 percent of sawn timber may be from illegal sources.³ The Chatham House report demonstrates that these numbers actually increased in the U.S. from 2002 – 2006, before beginning to decline in 2007. This decline coincides with the consideration and passage of the Lacey Act amendments.

THE PRICE OF ILLEGAL VS. LEGAL WOOD

Illegally sourced wood costs less to bring to market because bad actors do not pay their full share for labor, tariffs, or royalties. In many cases, timber is blatantly stolen from source countries to be laundered in the global marketplace. According to a study by the Center for International Forestry Research (CIFOR), it costs large forest concessionaires \$85/m³ to harvest, process and deliver legal timber to mills, compared to \$32/m³ for illegal timber.⁴ Similarly, small forest concessionaires pay \$46/m³ to bring legal wood to a mill, whereas illegal harvesting operations spend approximately \$5/m³ to deliver timber to mills. In addition, export-oriented illegal logging is such a destructive activity because it does not benefit the communities or governments who should, by right, reap the benefit from the harvest

MAHOGANY BLOCKS WITH BARCODE TRACKING SYSTEM, Honduras.





RUSSIAN TIMBER, Suifenhe, China

of their natural resources. Instead, it profits a small group of corrupt officials and criminal timber barons at the expense of people and the environment, human rights and the rule of law.

IMPACTS ON THE U.S. INDUSTRY

Full and effective enforcement of the Lacey Act to reduce illegal logging worldwide would have a significant impact on the U.S. forestry sector. For example, the forest and paper products industry accounts for approximately five percent of total U.S. manufacturing output and ranks among the top ten manufacturing employers in 46 states. According to a study by Seneca Creek Associates, the production of suspicious roundwood, lumber, and plywood products has been valued at approximately \$23 billion. Approximately \$5 billion of this enters global markets, representing 7 – 10 percent of global trade in primary wood products. This translates to an approximate **\$1 billion loss** to U.S. industry annually as American businesses are undersold by the cheaper illegal supply.⁵

Reducing the supply of illegal wood and wood products would raise the value of U.S. forest product exports, boosting the value and strength of the U.S. forest products industry and supporting U.S. jobs. Without illegal logging, U.S. exports of sawnwood, wood panels and roundwood would increase by over **\$460 million per year**.⁶ In addition, eliminating suspected illegal shipments of roundwood from global markets would increase the value of U.S. wood product shipments by **\$500-\$700 million per year**. Closing the door on illegal wood will also provide greater certainty that supply countries are receiving full value for their legal wood in the global market.

MITIGATING CLIMATE CHANGE:

The Lacey Act amendments have also helped to slow global climate change. The forests protected by policies such as the Lacey Act and improved local governance measures would have emitted between 1.2 billion and 14.6 billion tons of carbon dioxide if cut down. The upper end of this range is almost double the U.S.'s annual greenhouse gas emissions. As noted in a July 15, 2010 Nature article covering the Chatham House report, these avoided emissions collectively "may have cost as little as \$2.50 per tonne of carbon, as compared to a cost of \$18 per tonne in the European Union carbon trading scheme." Actions to improve governance and stem the trade in illegal timber in both producer and consumer nations will also prove essential to the success of investments in programs designed to reduce emissions from deforestation and degradation.

U.S. LEADERSHIP

Strong enforcement and adequate funding for the Lacey Act would bring a multitude of environmental, social and economic benefits to the U.S. and global markets. Lacey Act implementation would level the playing field for responsible manufacturers, particularly in the U.S., supporting the many jobs provided by the U.S. forest products industry. Eliminating illegally sourced wood products in U.S. markets also promotes more responsible harvest and trade practices in other importing countries. Australia is watching U.S. leadership on this critical issue as they contemplate similar action, and in July 2010, the EU followed the U.S. example and approved its own strict ban on selling illegal wood into the European marketplace.



INTACT BRAZILIAN FOREST, near Belem

(ENDNOTES)

1. Chatham House. "Illegal Logging and Related Trade: A Global Response", prepared by S. Lawson and L. McFaul, 2010.
2. Seneca Creek Associates, LLC, and Wood Resources International, LLC. "Illegal Logging and Global Wood Markets: The Competitive Impacts on the U.S. Wood Products Industry, prepared for American Forest & Paper Association. November 2004, ES-4
3. Environmental Investigation Agency (EIA), 2007. No Questions Asked. 8.
4. Tacconi, L.; Kyrstof, O.; Ferdinandus, A., Lessons to Promote Forest Certification and Control Illegal Logging in Indonesia, CIFOR. 11.
5. Seneca Creek Associates and Wood Resources International. "Illegal Logging and Global Wood Markets, 21
6. Seneca Creek Associates and Wood Resources International. "Illegal Logging and Global Wood Markets, 26



NATURAL FOREST CONCESSION, Brazilian Amazon

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What is required for full and effective enforcement of the amended Lacey Act?

Making Lacey work will require a modest investment but will yield a massive return. In order for implementation and enforcement of the Lacey Act to be as effective as possible, funding is needed in **fiscal year 2012** for the declaration process overseen by the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS); for international outreach and trainings supported by the U.S. Agency for International Development (USAID) and the U.S. Department of State; and for enforcement activities by the U.S. Department of Interior's Fish and Wildlife Service (FWS).

AGRICULTURE APPROPRIATIONS FOR APHIS:

The law requires U.S. importers of wood products to file a declaration identifying the species name and country of harvest. This is a critical measure intended to increase supply chain transparency and assist U.S. agencies with their enforcement efforts. Such declarations have already demonstrated their value as a necessary tool in the government's investigations over the first two years. Both the prohibition on illegal trade and the declaration requirement affect numerous U.S. industries, so it is vital that the declaration process generates data in a streamlined, cost-effective manner without unduly burdening legitimate trade. To that end, APHIS

needs **\$5.5 million** to build an electronic declarations database and to add internal capacity to perform data analysis required for monitoring and enforcement.

FOREIGN OPERATIONS APPROPRIATIONS FOR USAID AND STATE (OFFICE OF OCEANS, ENVIRONMENT & SCIENCE):

USAID and State are undertaking international outreach efforts to explain the requirements of the expanded Lacey Act and its implications for businesses in producer countries seeking to supply timber, plants and wood products to the U.S. These efforts are translating signals sent by Lacey into positive impacts for forests and industry practices. Funding for these programs should continue at **\$4 million**.

INTERIOR APPROPRIATIONS FOR FISH AND WILDLIFE ENFORCEMENT:

The expansion of Lacey to cover plants and plant products will require additional funding for the Fish and Wildlife Service to carry out enforcement activities. The law is effective in part through the deterrent effect it has on bad operators, who perceive their risk of being prosecuted or having goods seized. To this end, periodic public enforcement cases are critical. We recommend an increase of at least **\$4 million** for the USFWS' Office of Law Enforcement (OLE) budget to accommodate this additional mandate.