**C I N T R A F O R**

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**The Effects of the 2008 Lacey Act Amendment on International Trade in Forest Products**

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**Executive Summary**

Despite international efforts, illegal logging and its associated social, ecological, and economic effects continue on a scale that is of global concern, with significant amounts of illegally-harvested wood and the resulting wood products entering into international trade flows. Recently, major importers of forest products have begun to implement legislation, such as the U.S. Lacey Act amendment of 2008, prohibiting the possession and/or importation of wood and wood products that are of illegal origin. To date, no studies have systematically investigated the effects of the 2008 Lacey Act amendment on the international trade of forest products. Drawing on bilateral trade data and using a quantitative, regression-based comparative case study methodology, the effects of the 2008 Lacey Act amendment on the international trade in forest products were evaluated. A data-driven method was used to create aggregate control groups for comparisons with countries affected by the policy. If the policy has been effective in reducing the amount of forest products of illegal origin being imported into the U.S., we would expect to see some unique differences in post-policy U.S. imports of wood and wood products from areas with high levels of suspicious wood in their supplies. Results from these analyses show few significant differences in post-policy U.S. imports of wood products of suspicious origins although there was a substantial decline in US imports of primary wood products from suspicious origins.

However, the policy may be affecting the suspicious wood imports of major exporters of finished wood products to the U.S. The results did suggest that Vietnamese imports of wood from suspicious sources have declined significantly in the post Lacey Act period. Our analysis also suggests that leakage of suspicious wood may be occurring whereby wood from suspicious origins may be redirected from markets where timber legality legislation has been adopted (e.g., the US, the EU and Australia) towards less environmentally sensitive markets (e.g., the domestic Chinese market, the Middle Eastern markets and India). In the case of Vietnam, wood furniture exports to the U.S. accounted for 55% of all wood furniture exports in 2012 (by value), and the domestic market for high-value finished wood products is limited. Overall, Vietnam is more dependent on the U.S. market for their finished products and therefore more likely to evidence a large-scale response to the 2008 Lacey Act policy. On the other hand, China’s more diversified markets (both export markets and the domestic market) for finished wood products allows for greater leakage of products sourced from suspicious wood to markets that do not distinguish between legal and illegal wood. This evidence, if corroborated by further analysis, provides some support for the success of the 2008 Lacey Act amendment in reducing suspicious wood imports at an aggregate level.

The apparent reductions in U.S imports of suspicious primary wood products, along with increased imports of finished products from suspicious countries (wood furniture), support the conclusion that an import ban on illegal wood may be more effective at reducing suspicious imports of primary products, which tend to be easier to identify and trace back to source. As discussed in Section 2, the few major enforcement actions for violations of the amended Lacey Act have focused on primary products (raw wood and wood flooring).

Finished products such as wood furniture, on the other hand, often contain a mixture of a variety wood products from different origins. The U.S. import trends show that U.S. law enforcement agencies may need to identify and pursue methods for establishing the legality of mixed-source products, such as finished products, as U.S. importers and businesses reduce their risk of violating the policy by reducing imports of suspicious primary products.