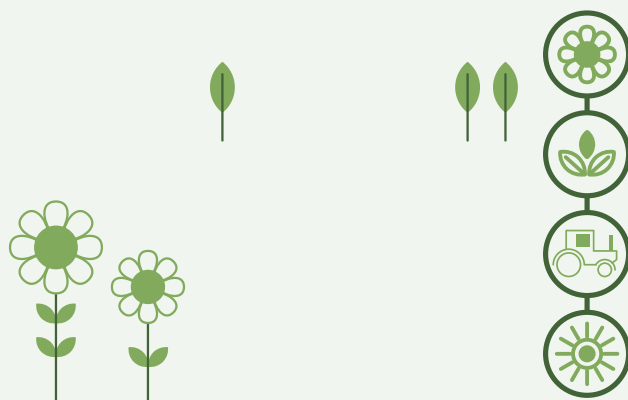


# POLICY BRIEF ON SUSTAINABLE RUBBER MANAGEMENT IN LAOS



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# 01

## Executive summary



Rubber (*Hevea brasiliensis*) tree plantations were first introduced into Lao PDR by the French in 1930 at Bachieng District, Champasak Province, but this never caught the attention of policy makers, traders, business groups or stakeholders until the end of the 1990s. Starting in 2004, based on the government policy on investment promotion, the high price of rubber, many foreign companies have been investing in rubber tree plantations in Lao PDR through concessions. However, the large-scale rubber production caused many issues, such as conflict over land use with local communities, limited and unskilled local labor, and forest degradation. The government has since 2012 suspended land concession by issuing the Prime Minister Order No.13.

The government recognized the important of rubber sector in socio-economic development and livelihood development. The rubber export in 2024 was US\$ 450 million . The objectives of this study are to engage rubber companies in aligning with national and international standards, carbon market mechanisms; propose policy options and incentives for improved compliance and sustainability; contribute to dialogue among policy-makers, private sector actors, and development partners on enhancing responsible investment in the rubber sector by desk review.

The recommendations are offered regarding the rubber sector governance improvement, regional international partnership, empowerment of the smallholders, better collaboration between the foreign companies and local community for sustainable rubber development.

# 02

## Key messages



- The government recognized the important of rubber sector in socio-economic development and livelihood development. The rubber export in 2024 was US\$ 450 millions and ranked among top ten export commodities from Laos.
- At present there are about 320,000 ha of rubber plantations in Laos. of which about 60% of the total area is in the North, 17% in central Laos, and 23% in the south. The majority, about 70%, of the rubber production areas in Laos are concessions by foreign companies, and only 30% are owned by smallholders
- The governance of the rubber sector is complex and expansive because its production chains relate to the mandates of several government ministries
- Legal framework for rubber sector governance and management is not well developed.
- The government has suspended the land concessions for rubber plantation since 2012 by issuing the PM Order No. 13, 2012, ‘PMO13’, due to negative impact, but small farmers continue to plant rubber on their own land.
- Lao PDR currently export 100% both the rubber block and cup lump to only two countries: China and Vietnam due to lack of Lao Rubber Standard.
- Lao PDR is not yet a partner of many regional and international rubber cooperation and organizations. For example, Laos is not yet a member of ANRPC



- It is not known that the Lao rubber imported by China and Vietnam is used to process the rubber products for export to EU.
- The European countries currently demand more higher standards for importing products, including natural rubber. The EUDR is the new EU initiative to limit deforestation caused by forestry and agricultural activities all over the world.
- Chinese and Vietnamese rubber companies are increasingly open to engaging with CSOs to improve the social and environmental dimensions of their operations in implementing guidelines for sustainable natural rubber production (MRLG, 2024). Natural Rubber Sustainable guidelines developed by VRG and CCCMC has been locally adapted with pilot testing in Lao PDR.

## 03

## Rubber development in Lao PDR

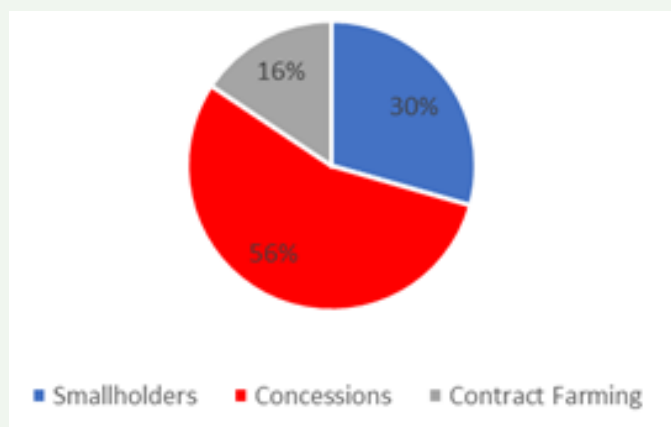
In Laos, natural rubber is currently produced and undergoes preliminary processing for 100% export and is not yet a rubber products processing and manufacturing industry in the country. There is no synthetic rubber production in Laos.

Rubber (*Hevea brasiliensis*) tree plantations were first introduced into Lao PDR by the French in 1930 at Bachieng District, Champasak Province, but this never caught the attention of policy makers, traders, business groups or other stakeholders until the end of the 1990s. The high income, due to the high price of rubber, from latex sales in 2003 by small Lao producers marked a turning point in rubber production in Lao PDR.

Starting in 2004, based on the government policy on investment promotion, many foreign companies have been investing in rubber tree plantations in Lao PDR through concessions. The concessions mean that the government grants the land for foreign companies to invest in agriculture, including rubber, mining, and hydropower. However, most of the concessions, thousands of hectares, have been taken from local communities with inappropriate compensation; the local people have lost the land, or access to the land, or the right to use it. This has had a negative impact on the livelihoods of especially the poorest communities and the poorest within communities. At the same time, this policy attracted more Chinese state-owned and private enterprises, who have heavily invested in northern Laos. Vietnam also has a policy to promote rubber production in southern Laos (Bouahom B., et al., 2022).

Large scale rubber production also causes many issues concerning land, labor and environment, such as conflict over land use with local communities, limited labor and unskilled local labor, and forest degradation. Therefore, the government has since 2012 been undertaking a 'Quality of Investment Review' by issuing the Prime Minister Order No. 13, on suspension of all new land-based investment projects associated with mineral exploration, rubber and eucalyptus plantations (PM Order No. 13, 2012, 'PMO13'). After the concession suspension, the small holders continued to plant rubber.

At present there are about 320,000 ha of rubber plantations in Laos. of which about 60% of the total area is in the North, 17% in central Laos, and 23% in the south. The majority, about 70%, of the rubber production areas in Laos are concessions by foreign companies (concessions plus contract farming arrangement), and only 30% are owned by smallholders (Figure 1). Smallholder rubber farmers are currently continuously planting rubber on their own land.



In the rubber industry in Lao PDR, gender plays a significant role, with women's participation and experiences varying across different contexts and stages of the rubber value chain. While women are increasingly involved in various roles, including leadership positions. The government promote the empowerment of the small farmers by organizing in groups and cooperatives. At present, there are many groups of rubber smallholders but not well organized yet, and there is only one rubber cooperative in the country.

The average yield of rubber in Laos is 1.77 ton/ha, the yield in the northern provinces being 1.58ton/ha, 1.88 ton/ha in central provinces, and about 2 ton/ha in southern provinces (NAFRI, 2016). It is estimated that by 2024 about 80% of rubber trees were being tapped. Natural rubber production was estimated to have been around 500,000 tons in 2024 (MAF,2024) . It is planned to increase the rubber production area to 400.000 ha in 2030

## 04

## Key findings and Challenges

- **Rubber sector governance**

The governance of the rubber sector is complex and expansive because its production chains straddle the mandates of several government ministries. The various government organizations involved in the plantation sector in general were described in Smith et al. 2020, and Smith and Alounsavath 2015. Other papers (Lu and Schönweger, 2019) and reports (Hett et al., 2015) also describe complicated elements of rubber sector governance. The report describes specific authority and poor coordinated functions associated with investing in rubber cultivation and the processing and export of latex and rubberwood in the future.

In summary, the rubber governance in Laos involved many authorities including six ministries and 21 departments, and all provinces and districts involved in rubber plantation (Bouahom B., et al., 2022). However, the coordination among these actors is difficult and lack of the clear leading office. The rubber sector generally governed by the Forest Law, Land law and other related laws. The first direct legal framework for rubber management was the Agreement of the Ministry of Agriculture and Forestry on Rubber management no. 4288/MAF, dated 17 October, 2023. However, the implementation of this Agreement faced several difficulties, challenges and was ignored by other line authorities. At present, the MAF is working on higher level of legal framework and developing a new Prime Minister Decree on rubber management for mainstreaming and effectiveness of rubber sector governance

- **European Union Deforestation-free Regulation (EUDR)**

The European countries recognized the significant loss of forest due to deforestation for the last three decades which are the main reasons for the implementation of EUDR and currently demand more higher standards for importing products, including natural rubber. The EUDR is the new EU initiative to limit deforestation caused by forestry and agricultural activities all over the world. The regulation targets key commodities, including soy, cattle, palm oil, coffee, timber and rubber. For Laos, three commodities namely coffee, rubber and timber required strict compliance to sustainability standards

Under the proposed EU regulation, operator companies are obligated to conduct due diligence to ensure only deforestation-free are allowed into the EU market. Companies must show that commodities were not produced on any land deforested and degraded after 31 December 2020. Commodities must also have been produced legally. At present, there is no information on if the Lao rubber imported by the Chinese and Vietnamese companies investing in Laos used to produce the rubber products and export to EU

The compliance deadline is December 2025 for large business and June 2026 for SMEs. Business must submit a Due Diligence Statement that includes risk assessments and geolocation data to ensure deforestation-free production in their supply chains. The actions requested by EU pose significant challenges for the smallholders and processors in China, who are the main actors in the rubber supply chain



- **Compliance with international requirement**

Toward sustainability, two prominent organizations, the Program for the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council® (FSC), have announced that they are developing tools to assist companies in adapting to the EUDR. Based on available information, in Lao PDR there is only Daklak Rubber company that received Forest Stewardship Council (FSC) in 2024 and a few companies are working on the Program for Endorsement of Forest Certification (PEFC) certification. It is currently an important sign that some companies are working on these certifications in cooperation with smallholders due to the sustainable development policy and demands for certification from buyers, end users and import countries.

- **Institutional setting for rubber management, international collaboration and marketing**

There are several Regional and international bodies organized with aims to improve market transparency, promote sustainable production, and address important issues like price volatility and environmental impact, by facilitating the cooperation among stakeholders, including producers, consumers, and governments, to ensure a sustainable natural rubber supply chain. Regional and international bodies such as the Association of Natural Rubber Producing Countries (ANRPC), the International Rubber Study Group (IRSG), and the Global Platform for Sustainable Natural Rubber (GPSNR)) play important role in rubber governance for natural rubber producing countries, the rubber companies, smallholders' support, natural rubber import countries and the buyers. Lao PDR is not yet a member of these organizations.

The Association of Natural Rubber Producing Countries (ANRPC) is an intergovernmental organization whose members are rubber producing countries. It currently has 13 members: Bangladesh, Cambodia, China, India, Indonesia, Malaysia, Myanmar, Papua New Guinea, Philippines, Singapore, Sri Lanka, Thailand, and Vietnam. These 13 countries account for about 90 per cent of the global production of natural rubber.

Being a member of the Association of Natural Rubber Producing Countries (ANRPC) offers several benefits for both member governments and the rubber industry. These benefits include access to authentic and valuable information and statistics on the natural rubber industry, opportunities for policy formulation and collective bargaining, exposure to industry events, and support for sustainable and socially responsible practices .

The International Rubber Study Group (IRSG) is an intergovernmental organization with the main objective of improving the transparency of the world rubber market and strengthening international cooperation on rubber issues, including the Sustainable Natural Rubber initiative. The Group has nine-member countries and more than 100 industry members.

The International Rubber Research and Development Board (IRRDB) is a research and development network which brings together natural rubber research institutes in almost all the natural rubber producing countries, covering 95% of world natural rubber production.

The Global Platform for Sustainable Natural Rubber (GPSNR) is an international, multi-stakeholder, voluntary membership organization, with a mission to lead improvements in the socioeconomic and environmental performance of the natural rubber value chain. After ratification of the ASEAN regional initiative in 2018, several initiatives have been implemented by different stakeholders and development partners, such as NGOs with government-related authorities.



## National interventions

**The Department of Forestry.** The Department of Forestry (DOF) assigned by the Ministry of Agriculture and Environment plays a crucial role in managing and regulating the rubber sector, particularly in relation to forest conservation, sustainable land use, and the legality of rubber production. The DOF works to ensure that rubber plantations are developed in a way that minimizes negative impacts on forests, biodiversity, and local livelihoods.

**Lao Rubber Association.** Lao Rubber Association (LRA) has been established in 2019 as a non-profit Civil Society Organization. LRA is dedicated to promoting sustainable growth in Laos' rubber industry by uniting farmers, entrepreneurs, investors and stakeholders to drive sustainable natural rubber industry, strengthen the Lao rubber industry through knowledge sharing, advocacy, and connecting stakeholders across the value chains.

**Rubber cooperative.** The government policy is to promote and empower smallholder organization in groups and cooperatives to enhance productivity, processing and marketing capacity . In 2012, the Had Yao Natural Rubber Cooperative was founded together with the smallholder rubber producers to strengthen entrepreneurship. However, after more than ten years following the establishment of the first rubber cooperative, there are no more rubber cooperatives.

## Opportunity of rubber sector

**Rubber and Forest Cover.** The government recognizes that rubber plays significant role in social economic development and is part of planted forest that contribute to the achievement of national target of forest cover up to 70% by 2030 (highlighted by the Minister for Agriculture and Forestry Dr. Linkham Douangsavanh. during the opening remark for regional dialogue of sustainable rubber management in the region that was held in late November 2024 in Vientiane

To reach this target, the government is encouraging the private sector to establish tree plantations where rubber significantly contributed 57% of total tree plantation to forest cover.

## Carbon credit

Natural rubber plantations can generate carbon credits, providing additional income for farmers and contributing to environmental sustainability. These credits can be sold to entities seeking to offset their carbon emissions, creating a financial incentive for sustainable rubber farming .

Rubber tree can absorb a significant amount of carbon over their lifespan, up to 1.1 tons of CO<sub>2</sub> , in Indonesia as much as 1.028 to/ha (Alchemi Putri Juliantika Kusdiana , 2015), in Thailand in averaged 36.7 tons CO<sub>2</sub> per year per ha (Satakhun, D., et al. 2019).

Lao Thai Hua Rubber Co., ltd a member of Lao Rubber Association initiated the carbon credit project in Pakading, Bolikhamxay Province, Lao PDR” in 2008 with 402 families in 660 ha. The verification showed that about 22 tons of CO<sub>2</sub> sequestered per year per ha. This is a great potential of how the rubber could contribute to the sustainable development and get additional income to latex and rubber wood for local



## Rubber Trade and Export

Rubber produced in Laos currently is exported mainly to China and Vietnam in both rubber cup lumps and blocks by Chinese and Vietnamese investors. Two kinds of rubber are exported namely (i) rubber cup lumps, (ii) rubber blocks. Information from the Department of Agriculture showed that in 2021 around 20% of rubber exports from Laos across border checkpoints were in the form of cup lumps and around 80% in rubber blocks. Trade data on rubber exports from Laos varies from different sources.

Chinese companies have mainly invested in the north of the country, Thai companies have invested in the central provinces, and Vietnamese rubber companies, particularly a member of VRG – Vietnam Rubber Group have invested mainly in the southern provinces of Laos. The foreign companies who invested in rubber plantations also owned primary rubber processing factories for production of rubber blocks for export to their own countries according to their own standards.

Rubber exports from Laos come from two sources: Processing plants operated by foreign companies and cup lumps collected from smallholders by company representatives and or dealers at various purchasing points.

# 05

## Recommendations



- The responsible authorities related to rubber are not well developed, coordinated, monitored or evaluated in rubber sector investment. The rubber sector governance is complex, and many organizations are involved in the early stage of the investment process, but lack careful monitoring and evaluation. It is recommended to establish the Lao Rubber Board for mainstreaming rubber governance and management
- It is recommended that Lao PDR to be a member of ANRPC-Association of Natural Rubber Producing Country.
- Integration of local policy to compliance with RAI and other international standards (to be included in the ongoing draft Prime Minister Decree on Rubber Management
- Develop and implement a Lao Rubber Standard is vital to enhance sustainable development and provide access to better markets.
- Foreign investment as major rubber producers (70%) in Laos should be encouraged to implement sustainable rubber development, cooperate with small farmers and responsible investment. Promote local use of latex to add values and develop attractive Policy and enabling environment for domestically rubber products processing
- Engage local and foreign rubber companies to be members of the LRA
- Empower the rubber small farmers by organizing into groups and cooperatives for knowledge and information sharing, democratic decision making, stronger voice in market place, access to credit, to group certification in partnership with processing companies and buyers/importers.
- Mainstreaming the ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry (ASEAN RAI) into the national legal framework. Build the capacity of civil society organizations, for instance, the Lao Rubber Association, in order to support rubber smallholders
- It is estimated that in the next five years, most of the rubber trees will be matured and could be harvested and processed. The government should be well prepared for the rubber wood industry promotion.

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**<https://lra.maf.gov.la>**



**<https://laotradestat.moic.gov.la/estat/>**

