ANNEX 1.2 Netherlands country report

1 Summary

Nearly 40% of all imports of hardwood sawn lumber into the Netherlands derive from Malaysia. Malaysian dark red meranti is widely used in the Dutch window sector. Malaysian merbau occupies an important position in the Dutch door and stair sectors. Malaysian balau/selangan batu is the preferred species for hardwood decking. The Netherlands has also been importing rising volumes of hardwood mouldings in recent years. Indonesia, Africa and Brazil are key competitors to Malaysia in the Netherlands hardwood sector.

Interviews with timber traders suggest that on environmental issues, Malaysian timber (especially with an MTCC certificate) has to date had an advantage over African timber in providing assurances of legality. There is very little legally verified of certified wood entering the Netherlands from Africa at present. For assurances of sustainability, MTCC certified timber is at a disadvantage with respect to FSC-certified hardwoods from Brazil, although supply of the latter is restricted. Most timber traders do not believe MTCC provides a sufficient assurance of sustainability.

In June 2004 the Netherlands government issued a mandate requiring all public institutions at national level to at least ensure that all timber procured derives from a verifiably legal source and to procure verifiably sustainable timber where possible. In June 2005, the Dutch parliament adopted a motion requiring central government authorities to source sustainable products, including wood, in all public tenders by the end of 2010.

Under current Dutch government guidance, FLEGT VPA licensed timber would meet the minimum requirement for legal timber. However no decision has been taken on whether FLEGT VPA licensed timber would continue to meet the minimum requirement after 2010. The Netherlands Minister of Environment has indicated that she would like government procurement policy to contribute to combating illegal logging and sees some potential to enter into some form of partnership with VPA countries offering FLEGT licenses that are working towards eventual sustainable forest management.

National policy in the Netherlands is that regional and local governments should achieve a target of 50% procurement of sustainable products by 2010, but with a view to achieving 100% as soon as possible. At this level of government, ENGO and FSC promotional campaigns have had a major impact on attitudes to timber procurement and there is a strong tendency to prefer FSC certified wood only.

The Netherlands government has a formal position in favour of the use of additional legal options against the trade in illegally harvested timber. The Minister for Agriculture, Nature and Food Quality has intervened twice in Brussels calling upon the European Commission to develop such measures. However the Netherlands government has not specified a favoured legislative option and is awaiting the findings of the EC.

The Netherlands Timber Trade Association (VVNH), whose membership accounts for a majority of the trade in Malaysian wood products (estimated to be in the region of 70-80%), has in general been in favour of any measure that would deal with illegal timber undercutting the competitive position of bona fide traders. They have therefore joined with NGO's to call for an import ban since 2004. VVNH also has a very strong policy on responsible procurement which seems well adapted to creating market demand for FLEGT VPA licenses as a baseline requirement for tropical timbers, while at the same still creating incentives for suppliers to move progressively to certification.

Interviews with Dutch importers of Malaysian timber suggest very high levels of awareness of the FLEGT process and a relatively positive attitude to Malaysian forestry practices. The vast majority of interviewed companies would give preference to wood with a FLEGT VPA license over wood without a license. On the other hand, none of companies would cease to buy Malaysian wood without a VPA license. Other forms of assurance delivered by the private sector would be considered equally appropriate.

The general view on premiums is that importers would not be willing to pay a premium above 10% for FLEGT VPA licensed timber, with 3%-5% being more realistic. The majority of end-users would not be willing to pay a premium, although premiums of up to 25% may be possible in isolated circumstances.

Interviews with trading companies suggest that certified sustainable wood (particularly FSC) is preferred, although there is also recognition of supply problems in tropical countries and FLEGT VPA licenses are seen as one potential way to fill the gap until such time as more certified sustainable tropical wood is available.

Interviews for this study indicate that the level of awareness and commitment to environmental timber procurement practices is significantly lower in the Dutch joinery, construction and furniture sectors than in the wood importing and distributing sectors. Where there is interest, it has been strongly influenced by the marketing campaigns of WWF and FSC Netherlands and focuses on FSC certification.

FSC promotional campaigns in the Netherlands have been very effective. A NGO sponsored survey during 2007 indicated that 55% of the general public recognises the FSC brand.

In short, while FLEGT VPA licensing is a useful mechanism for business-to-business communication between overseas supplier and Dutch importers to satisfy baseline requirements for legal timber, they will not satisfy emerging demands from end-users in both the public and private sector for certified sustainable timber. For purposes of long term market access in the Netherlands, the focus needs to be on using the FLEGT VPA process as a launching pad for further development of certified sustainable forest management.

2 Methodology

The report has been prepared jointly by Rupert Oliver, Director of FII Ltd, and the Probos Foundation located in Wageningen, The Netherlands[1]. The report is based primarily on interviews carried out by the Probos Foundation in November and December 2007 using a set of standard questions with 41 organisations amongst a range of market participants in 9 different interest categories (Table 1). This information is supported by secondary sources of data where relevant.

Table 1: Number of organisations interviewed by interest category

Organisations	Number interviewed
Wood trading & importing companies	9
Joinery and construction companies	5
DIY and furniture retailers	4
Central government organisations	3
Regional/local government organisation	7
Trade Associations	4
Housing Associations	2
ENGO's	5
Other (research institute, trade journal)	2

3 Current market position of Malaysia in the Netherlands

Table 2: Malaysia share of Netherlands wood product imports by product and growth trends

Product	Total import 2006 Million euro	Malaysia import 2006 Million euro	Malaysia share of total import Million euro	Total Import Trend % 05-06	Malaysia Import Trend % 05-06	Key competitors
Hardwood sawnwood	414	161	39	18	36	Brazil, Cameroon, USA
Hardwood mouldings	162	19	12	54	117	Indonesia, Brazil, China
Wooden seating	278	9	3	2	-9	China, Poland, Germany
Other wooden furniture	184	4	2	5	22	Indonesia, China, Germany
Wooden dining/living room furniture	259	3	1	3	-58	Indonesia, China, Romania

Nearly three quarters of the value of Malaysian wood products imported into the Netherlands comprise sawn lumber (Table 2, Charts 1-2). In 2006, Netherlands imports of Malaysian sawn lumber amounted to 127,000 tonnes valued at 161 million euro. Nearly 40% of all imports of hardwood sawn lumber into the Netherlands derive from Malaysia (Chart 3). Malaysian dark red meranti (referred to in the trade variously as bukit, seraya and nemesu depending upon origin and the particular species of shorea involved) is widely used in the Dutch window sector. Meranti for window frame manufacture is purchased as pin-hole no-defect (PHND) in standard sizes (notably 3"x5"). Due to limited availability and relatively high prices, dark red meranti has lost market share in this sector in recent years to African sapele (mainly from Cameroon) and Brazilian sapupira/angelim pedra.

Merbau has occupied an important position in the Dutch door and stair sectors, although recent supply problems have encouraged a search for alternatives. This has

[1] *The Probos Foundation is an independent non-profit organisation with expertise in the collection, analysis and reporting of market information relating to the forest sector. It aims to ensure that the social debate on sustainable forest management is based on reliable facts and figures.*

only been partially successful as other species that share some of merbau's particular characteristics of hardness, durability and aesthetic appeal – such as afzelia and iroko – have also been difficult to obtain.

Hardwood competitiveness in the Dutch market is heavily dependent on ability to supply very dense and durable species. The Dutch Warranty Institute for House Building (GIW) stated in 2003 that their members should use only wood of durability class I for the construction of exterior wooden frames, windows and doors.

Chart 1

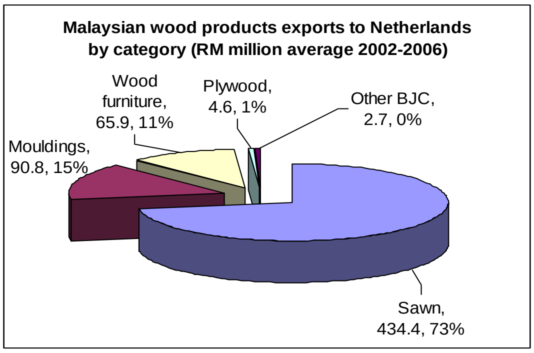
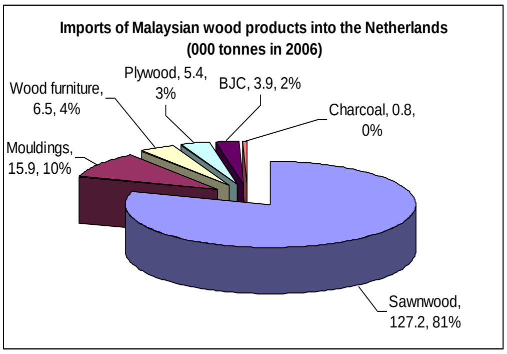


Chart 2



The Netherlands is also a significant importer of Malaysia balau/Selangan Batu which remains the preferred species of tropical hardwood for decking. However lack of availability and high prices have meant some loss of market share to competitively priced alternatives from Brazil, such as garapa and massaranduba.

Chart 3

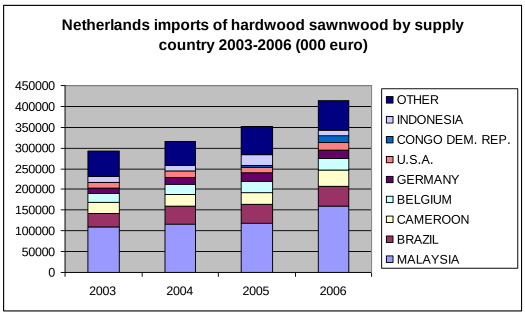
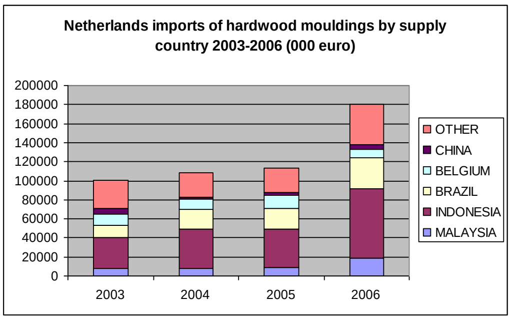


Chart 4



The Netherlands has been importing rising volumes of hardwood mouldings in recent years, with a particularly sharp increase between 2005 and 2006 (Chart 4). Although imports of Malaysian mouldings increased in line with the overall trend, there was a significant loss of market share to Indonesia and Brazil during this period. The rapid increase in imports of hardwood mouldings from Indonesia is likely to be strongly associated with that country's ban on exports of rough sawn timber implemented at the end of 2004. Importers have switched from Indonesian sawn lumber to mouldings in response. Traders suggest that the effects have not been particular beneficial from an environmental perspective as the "mouldings" are often not tailored for specific Dutch applications and are simply designed to get past the export ban. There is therefore a need for further processing – and wastage – following import into the Netherlands.

During interviews undertaken for this study, Dutch traders suggested that the key competitors to Malaysian timber in the Netherlands market are Brazilian and African hardwood products. Traders suggested that timber quality from these various sources is comparable to Malaysian product. However Malaysia has an advantage over its competitors with respect to availability and delivery time. Even at times of strong demand in the world market, Malaysia seems able to deliver on-time to the correct specification.

On environmental issues, Malaysian timber (especially with an MTCC certificate) has had an advantage over African timber in providing assurances of legality. There is very little legally verified of certified wood entering the Netherlands from Africa at present. For assurances of sustainability, MTCC certified timber is at a disadvantage with respect to FSC-certified hardwoods from Brazil, although supply of the latter is restricted. Most timber traders do not believe MTCC provides a sufficient assurance of sustainability.

Chart 5

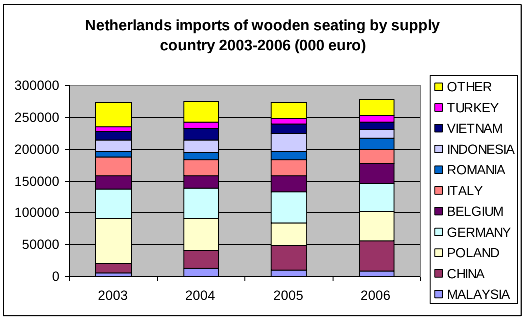
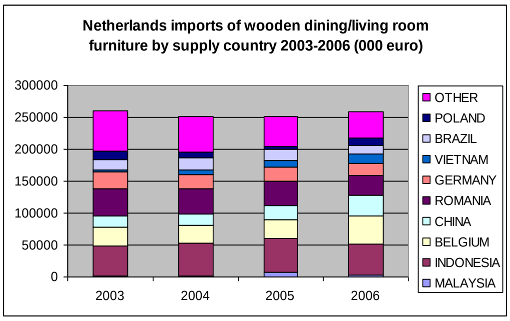


Chart 6



In 2006, the Netherlands imported wooden seating to the value of 9 million euros from Malaysia (Chart 5). However this formed only a very small component (around 3%) of the Netherlands overall import of this product. The Netherlands domestic furniture sector is relatively small (with production value of €4.3 billion in 2003) and has come under significant pressure from imported products in recent years, initially from Poland and more recently from China.

The Netherlands import trade needs to be considered in the light of the significant role played by Dutch importers in the supply of wood products to neighbouring European countries. With the increasing trend towards just-in-time ordering in Europe, smaller importers in other European countries have come to rely more heavily on short term purchases from existing landed stocks held in the Netherlands. Between 2003 and 2006, the Netherlands exported around 115,000 tonnes of hardwood sawn timber valued at €85 million each year, including around 80,000 tonnes valued at €60 million identified as tropical hardwood.

4 Netherlands government policy

4.1 Central government procurement policy

The Dutch government has long had ambitions to ensure that all wood traded in the country derives from sustainable sources. During the 1990s, the government adopted a target of having all timber on the Dutch market (not only public procurement) sustainable by the year 2000. However this proved impossible to achieve and ambitions were toned down. In June 2004 the government issued a mandate according to which "*all public institutions at national level are obliged to procure verifiably sustainable timber where possible…. In addition public buyers should at least ensure themselves that timber comes from a verifiably legal source*".

In June 2005 the Dutch parliament adopted the motion Koopmans/de Krom requiring central government authorities to source sustainable products, including wood, in all public tenders by the end of 2010.

Central government has implemented a monitoring system on sustainable procurement policies which covers all governmental organisations.

Central government procurement is estimated to account for approximately 10% of national solid timber consumption. All wooden products and paper products are covered by the government procurement policy.

The Dutch government has stated that it will use the UK government CPET criteria for defining legal timber. It requires that legality against these criteria is verified by an accredited body or auditor complying with NEN-EN-ISO 45012. In interviews for this study, the Ministry of Housing, Spatial Planning and Environment (VROM) stated that FLEGT VPA licensed timber would meet government requirements for legal timber.

In January 2008, the detailed criteria and guidance for sustainable timber are still being developed. Between 2004 and 2007, the Dutch government was engaged in a process to build a national consensus around a National Assessment Guideline (BRL) that provide the basis for a Dutch national certification system for sustainable forest management and chain of custody. The intention was to achieve acceptance of the sustainable forestry standard by all relevant interests in the Netherlands including forest, trade, social and environmental organisations.

However, the BRL development process proved to be very challenging. After initial agreement of the BRL standard, Dutch environmental and social organisations withdrew from the process in October 2005. Other stakeholders then continued to work with the Dutch government to further refine the system. VROM also appointed experts for the Equivalence Assessment Board (EAB) which was established to assess existing forest certification systems against the BRL standard.

The EAB then performed a series of test run on certification systems during 2007 (including FSC, PEFC and national systems). However, none of the certification systems could pass the BRL test. Efforts are now ongoing to develop an improved and simplified set of criteria based on experience gathered during the test runs. When finalised, the BRL standard will be used solely for the purposes of timber procurement (the original idea was that BRL would provide a universal system of certification for the Netherlands market).

With respect to FLEGT VPA licenses, during interviews for this study VROM suggested that, under current guidance, such licences would not be accepted after 2010. However, it was clear from interviews with VROM, together with Rijkswaterstaat (Directorate-General for Public Works and Water Management) and Rijksgebouwendienst (Department of Public Building Service) that there is a high level of awareness of the FLEGT VPA process at this level of government. Furthermore there is on-going internal debate over the possibility of changing the guidance to allow recognition for FLEGT VPA licensed timber after 2010. No final decision on this has yet been taken. In June 2008, the Netherlands Minister of Environment indicated that she would like government procurement policy to contribute to combating illegal logging and sees potential to enter into some form of partnership with VPA countries offering FLEGT licenses that are working towards eventual sustainable forest management.

4.2 Local government procurement policy

National policy in the Netherlands is that regional and local governments should achieve a target of 50% procurement of sustainable products by 2010, but with a view to achieving 100% as soon as possible.

Local authorities in the Netherlands have been a key focus of FSC promotion over the last 15 years. In 1992, Friends of the Earth and WWF jointly initiated the “Heart for Wood” Campaign. Originally aimed primarily at limiting use of tropical wood, the campaign soon shifted to the promotion of FSC certification in all forest types. By the end of the 1990s “Heart for Wood” claimed to have a membership of around 250 municipalities (out of a total of 633 in Holland), together with 10 state departments, about 75% of DIY chain stores in the Netherlands along with 139 housing corporations and 72 project developers. The degree of actual commitment to purchases of FSC certified products by most of these organizations seems to have been limited and the Heart for Wood Campaign itself disappeared in 1999 when it was absorbed into the FSC Netherlands “Stichting Goedhout!” campaign in 1999 (see section 6).

Nevertheless, Heart for Wood and other FSC promotional campaigns have left a clear legacy amongst Dutch local authorities which now identify “sustainable timber” very closely with FSC certified products. Five local authorities were interviewed for this study (Municipalities of Utrecht and Hiversum, Counties of Noord-Barabant, Overrijssel, and Lochem). All of these stated that FSC is the only acceptable form of evidence that wood is legal and sustainable. All but one indicated that they already have a policy of only accepting FSC certified wood. None of the local authorities were aware of the FLEGT VPA process.

All the local authorities interviewed were taking part in a monitoring program for sustainable and responsible procurement implemented by the national government. The aim of the program, which can be voluntarily adopted by local authorities, is to ensure that 50% of the total volume of goods (in €) procured by each local authority is “sustainable”. The results of the monitoring program are reported to the National Parliament every two years.

4.3 Additional legislative options

The Netherlands government has a formal position in favour of the use of additional legal options against the trade in illegally harvested timber. The Minister for Agriculture, Nature and Food Quality has intervened twice in Brussels calling upon the European Commission to develop such measures. However the Netherlands government has not specified a favoured legislative option and is awaiting the findings of the EC.

The Netherlands Timber Trade Association (VVNH) has in general been in favour of any measure that would deal with illegal timber undercutting the competitive position of bona fide traders. They have therefore joined with NGO's to call for an import ban since 2004.

The Netherlands Association of Timber Manufacturers (NBVT) expressed support for Option A, a Lacey-style Act placing the burden of proof that wood is illegal on the prosecution.

Of 5 NGOs interviewed, two (both national offices of international NGOs) supported legislative option B (requiring the importer to provide proof of legality for all wood products). Two others indicated that they were only interested in promoting FSC at this stage and were not advocating any form of legislation. One local NGO had never heard of FLEGT and took no stance with respect to additional legislative options.

5 Sectoral analysis

5.1 Timber Trade

5.1.1 Trade associations

VVNH is an umbrella organisation representing roughly 300 timber trading companies. There are a number of related trade associations that are extraordinary members including the Netherlands Association of Timber Agents (NATA), and the importers' association Vereeniging van Importeerende Groothandelaren in Hout.

65% of the total volume of timber imported into the Netherlands is by members of the VVNH. Interviews for this study indicate that a significant proportion of Malaysian wood imported into the Netherlands, estimated in the region of 70%-80%, is traded through members of VVNH.

The VVNH has a very strong policy on responsible procurement. The VVNH has both formulated a Mission and adopted a Code of Conduct.

One of the commitments expressed in the Mission is that "*the VVNH promotes trade in timber demonstrably originating from sustainably managed forests and sees to it that its members take the interests of both the employees and the environment in the Netherlands as well as in the producing countries into consideration*" (VVNH 2006).

The primary objectives of the VVNH Mission are: by 2009, to have achieved certainty as to the origins of 100% of the timber traded by VVNH members; and by 2009, 75% of all timber imported and traded by VVNH members should originate from demonstrably sustainable forests.

Furthermore, the Mission establishes secondary objectives specifically related to product segments. With regard to hardwood, the objective is that by 2009, 50% of the tropical hardwood imported should be demonstrably legal timber, while 25% of all hardwood should originate from demonstrably sustainable forests.

The VVNH adopted a Code of Conduct in 2003, which was endorsed by all members in 2004, who are "legally obliged to observe it". In turn, the members are entitled to call themselves Approved Timber Traders, an expression for which VVNH holds the copyright. The Code of Conduct requires that "*VVNH members shall exclusively bring timber on the Netherlands market in conformity with current legislation and regulations (agreed nationally as well as internationally)*". Among six further commitments is one to "preferably deal in timber demonstrably originating from sustainably managed forests".

The VVNH has adopted a system of sanctions which can be applied to cases where members fail to observe any of the provisions of the code. A system has also been established to deal with third party complaints related to the code of conduct. In the event that the VVNH Mandatory Advisory Committee considers a complaint justified, it may impose one of the following sanctions in accordance with the gravity of the offence: a warning in the event of the first offence; a fine of up to €45,000; suspension from VVNH; and expulsion from VVNH.

In order to assist members to implement the Code of Conduct, VVNH has continued to fund the Keurhout certification system. Keurhout originally began in 1996 as a partnership between the Dutch government and the private sector. It became responsible for assessing forestry certificates against a set of “minimum requirements” of sustainable forest management established in a government white paper for the Dutch parliament in February 1997.

However, after Keurhout failed to achieve any substantive support from the environmental movement and due to funding problems associated with lack of market demand for Keurhout products, Keurhout was subsequently taken on by the VVNH. Keurhout was then expanded to include procedures for legality verification based on the Keurhout Protocol for the Validation of Claims of Legal Timber. Timber from forests judged to be sustainable by the Keurhout Board of Experts can bear the Keurhout logo. Timber from legally verified forest areas recognised by Keurhout may be marketed on the Dutch market using the “Keurhout Legaal' logo.

The Keurhout Board of Experts acts entirely independently and autonomously and comprises mainly academic experts from a range of fields. A seat on the Board is left open for a representative of the environmental community which has, however, consistently refused to participate.

At present MTCC certified timber is considered by Keurhout to satisfy requirements for legally verified forestry but not for sustainable forestry. FLEGT VPA licensed timber is likely to achieve a similar status.

5.1.2 Timber trading companies

It proved difficult to assess the precise volume of Malaysian timber procured annually by the various timber importing and distributing companies interviewed for this study. Many companies considered this information commercially confidential and were unwilling to provide precise figures. However, the nine companies in this sector interviewed include many of the Netherlands largest hardwood importers and distributors (including amongst others Jongeneel, Stiho BV, Pontmeyer, Houthandel Habraken, Propex timber, and DLH Nederland). The information gathered from interviewees is therefore believed to be highly representative of the views of importers of Malaysian wood in the Netherlands.

The interviews indicated that:

- Awareness of the FLEGT process is very high amongst Dutch importers of Malaysian timber. All timber traders interviewed for this study had heard of the FLEGT VPA process.

- Most of the traders interviewed were positive about Malaysian forestry practices. Overall most respondents believed there had been significant improvements in Malaysian forestry practices in recent years. Development of MTCC had made a significant contribution to improve the reputation of Malaysian suppliers in this sector.

- Of the 9 companies interviewed in this sector, 8 would prefer to buy wood with a FLEGT VPA license over hardwood products without such a license. On the other hand none of the companies would cease to buy Malaysian timber without a VPA license. Other forms of assurance delivered by the private sector would be considered acceptable.

- Responses with regard to willingness to pay a price premium varied widely. 5 interviewees indicated they did not know what level of premium they would be willing to pay. 2 interviewees indicated that both they and their customers would be willing to pay up to 10%. One interviewee (a major distributor) indicated that while they would be willing to pay 3-5%, their customers would not be willing to pay any premium. Another interviewee indicated that while his company would not be willing to pay any premium, some customers may be willing to pay up to 25%.

- All nine companies indicated that they have an environmental timber procurement policy. Seven of the companies were members of VVNH and bound by VVNH minimum requirements for legal and sustainable timber and for monitoring. 8 of the companies also possessed FSC chain of custody and 3 possessed PEFC chain of custody. Generally, interviewees expressed a preference for FSC certified wood when it is available.

- Interviewees indicated that while certified sustainable wood is preferred, availability is a significant problem with respect to tropical hardwoods. FLEGT VPA licenses were seen as one potential way to fill the gap until such time as more certified sustainable wood could be obtained.

- None of the interviewed timber traders indicated that they are buying Malaysian hardwood products via third countries or felt that this is likely to be an issue in the future.

- Of the 9 interviewed trading companies, 6 believed that Malaysia’s signing of the FLEGT VPA agreement would have a positive impact on marketing of Malaysian wood products. The other 3 either did not know or were unwilling to comment.

- The nine companies interviewed indicated that ENGOs are by far the most significant factor driving company commitment to the timber procurement policy, followed by shareholders and investors. Immediate customers and end users in both the public and private sector were generally seen as less important drivers.

5.2 Joinery and construction companies

Judging from interviews, the level of awareness of and commitment to environmental timber procurement practices is generally lower in the joinery and construction sector than in the importing and distributing sector.

Both BouwNed (Association of Dutch Construction and Infra Companies) and NBVT (Netherlands Association of Timber Manufacturers) indicated that while they are promoting the use of sustainable timber amongst their members, they have not established any mandatory requirements for their members. Both associations promote the concept of forest certification through communication activities including meetings and preparation of brochures.

Two major joinery manufacturers were interviewed for this study. One noted that they are only partially aware of the FLEGT VPA process. This company’s procurement policy is very focused on sourcing FSC certified timber. While it was felt that FLEGT VPA licensing might help marketing of Malaysian timber generally, this company indicated that they were themselves unlikely to give preference to licensed timber over unlicensed timber. They would pay no premium for FLEGT VPA licensed timber. This company noted that they are under little or no pressure from either NGOs or their customers to implement a responsible procurement policy. Their policy commitment to sourcing FSC certified wood was driven internally by the company. The company expressed very negative views with respect to existing Malaysian forestry practices, suggesting that while "Malaysia has criteria for sustainable forest management (MTCC), these are not being respected or monitored."

The other leading joinery company interviewed indicated that they were totally unaware of the FLEGT VPA process. However, they expressed interest in the concept and noted that they would be willing to give preference to FLEGT VPA licensed timber over unlicensed timber. Furthermore, they may be willing to pay a 15% premium for such a firm assurance that timber derived from a legal source. This company indicated that NGOs were a major factor encouraging companies to pursue responsible timber procurement practices and also noted that they were under moderate pressure from their customers, both in the public and private sector.

None of the 3 construction companies or 2 Housing Associations interviewed for this study was aware of the FLEGT VPA process. Four of the five organisations indicated that they possess a responsible procurement policy, although on further enquiry it became clear that this simply amounted to a commitment to use FSC certified wood wherever possible. However one construction company was willing to indicate that they would prefer FLEGT VPA licensed timber over unlicensed timber and be willing to pay a premium of up to 10%.

Attitudes of interviewees engaged in the Dutch construction sector seem to have been strongly influenced by the campaigns of WWF and FSC Netherlands to raise the profile of FSC certification in the country. According to reports from FSC Netherlands, following a marketing campaign in early 2007, Woonbrom (a large Dutch housing association), together with 12 other housing associations and several other large parties in the Dutch housing sector, signed an agreement to use only FSC timber for all their construction works. The agreement is estimated to cover around 25% of Dutch housing construction.

5.3 Furniture and retailing sector

CBM, the Dutch furniture industry association, was interviewed for this study. CBM noted that they have 580 members and claim to represent 60% to 70% of the total furniture sector by turnover. The association includes both domestic furniture manufacturers and suppliers to the furniture sector. The interviewee had never heard of the FLEGT VPA process, nor were they promoting any form of responsible timber procurement policy or guidance to their members. The interviewee was unable to express any views on the likely market impact of FLEGT VPA licensing in the furniture sector.

A furniture trader and two furniture retailers were also interviewed for this study. All indicated that they were implementing a responsible timber procurement policy. In each the intent was to source FSC-certified material wherever possible. One company was working with the Tropical Forest Trust to develop sources of FSC certified product. One retailer indicated that they were "partially aware" of the FLEGT VPA process, while the others were unaware of the process. Due to low levels of awareness, none of the companies was willing to comment on likely premiums for FLEGT VPA licensed timber products or to express a view on market impact or acceptability.

6. Environmental groups

Interviews were held with five environmental organisations in the Netherlands. Two of the interviewees indicated that they had a very negative perception of Malaysian forestry practices. One interviewee went so far as to suggest that "*none of the wood which is harvested in Malaysia is legal*", and also raised a number of other issues with respect to "destruction of the natural environment of local communities". Another NGO complained that the MTCC is not sufficient evidence of legality. However one interviewee was willing to acknowledge that Malaysia had "*some good initiatives on sustainability and legality" although still emphasising that "there is still a long way to go*".

Four of the five interviewees were familiar with the FLEGT VPA process and all four expressed their support for the process, although with reservations. They emphasised the need for a credible legality standard and reliable third party verification.

Two NGOs indicated that they are backing additional legislation to control imports of illegal wood into the Netherlands, strongly favouring option B (requiring that all wood imported into the Netherlands is verified legal). They indicated that they have various campaigns in place lobbying in favour of such legislation both nationally and at EU level.

The NGOs also made clear that conformance to a legality standard should only be seen as a stage towards sustainable forestry. Their major emphasis on campaigns to promote certified sustainable timber products would continue.

NGO campaigns in the Netherlands promoting FSC certification have been particularly effective. Every year, FSC runs a public awareness campaign in the Netherlands with the specific objective of increasing consumer recognition of the FSC brand. At the end of the 2007 campaign, a market survey indicated that 55% of the general public in the Netherlands recognised the FSC brand. The last campaign ran between March and the end of May 2007 during the 'gardening season', a time in when large volumes of garden chairs and furniture are sold carrying the FSC trademark. The latest campaign was launched with a press event hosted by the Dutch Prime Minister and received national media coverage. The campaign also included a web-site promoted through electronic mailings and banners on FSC partner websites, and the provision of promotional materials to retailers selling FSC products.

There is an FSC buyers group in the Netherlands - "Stichting Goedhout!" – which is unusual for being the only buyers group in Europe managed by an FSC national initiative (most are run by WWF). As an FSC campaign it has been more explicit than some other buyers groups in its exclusive commitment to FSC as the only credible forest certification scheme. However participation in the GFTN group is now relatively confined, consisting of only 17 companies. Membership has declined significantly in recent years, consistent with GFTN policy to confine membership to a limited range of companies that can demonstrate firm commitment to a specific action plan and that are willing to submit themselves to regular audits.