

## **ANNEX 1.3 Belgium country report**

### **1 Summary**

Nearly three quarters by value (71%) of Malaysia's wood product imports into Belgium comprise sawn hardwood, with the remainder made up of hardwood mouldings (13%), wood furniture (8%), plywood (4%) and parquet panels (4%). Malaysia is the single largest supplier of hardwood sawn lumber into Belgium.

Timber is a key focus of environmental procurement policies in the public sector in Belgium. However public sector policies, which are estimated to impact directly on around 5-10% of the Belgian timber trade, focus exclusively on certified wood products, particularly FSC, and are unlikely to recognise FLEGT VPA licensed timber.

The Belgium government, trade and civil society are firm advocates of additional legislation at EU level to prevent imports of illegal wood products.

Members of FBCIB, Belgium's timber trade association whose membership accounts for over 90% of timber imports from Malaysia, are implementing an environmental procurement policy which seeks evidence that timber derives from legal sources. While the policy is still in the early stages of implementation and is not yet being fully enforced, it has potential to generate demand for FLEGT VPA licensed timber.

Companies importing and distributing Malaysian timber in Belgium are very aware of the FLEGT VPA process and would value FLEGT VPA licenses as a mechanism for business-to-business assurances and to assist their conformance to the FBCIB procurement policy.

Most importing companies would give preference to FLEGT VPA licensed timber over unlicensed timber from another country. However their real preference is for fully certified timber (particularly FSC) and there is very little willingness to pay a premium for FLEGT licensed timber, certainly no more than 5%.

Importer's lack of willingness to pay a premium for FLEGT VPA licensed timber reflects lack of end-user demand. Public sector demand focuses on full certification, whereas there is only limited interest in environmental timber procurement amongst private sector end-users.

It is unlikely that the main buyers would cease purchasing from Malaysia if she does not sign up to the VPA. They would resort to private sector legality verification and certification systems where necessary.

Malaysia has a relatively positive image within the Belgian timber importing trade, both with respect to the quality of products and level of service and the provision of environmental assurances. However, there is also a belief that Malaysia needs to move rapidly to full certification in order to maintain a competitive edge in the Belgian market.

### **2 Methodology**

This report has been prepared jointly by Rupert Oliver, Director of FII Ltd, and Pierre Desclos, an independent consultant commissioned by FII Ltd. It is based primarily on interviews undertaken by Pierre Desclos in November and December 2007 with timber

trading companies in Belgium, trade associations, government departments and NGOs. Interviews with trading companies are highly representative of Belgium imports from Malaysia. All the trading companies interviewed buy, sell or process wood or wood based products coming from Malaysia. The companies interviewed account for more than 90% of sawnwood, mouldings and plywood imports from Malaysia. In most cases the CEOs of the companies were consulted personally. Interviews with government officials were with the head of the responsible department. Interviews with trade associations were with the responsible director or general secretary.

**Table 1: Number of organisations interviewed in Belgium by interest category**

Organisations	Number interviewed
Wood importing companies, distributors and merchants	13
Central government organisations	1
Trade Associations	2

It proved much more difficult to identify and interview relevant people in the Belgian furniture and construction sectors. The furniture trade is part of a wider general import activity and there is no furniture importers association. Pierre Desclos contacted several Belgian companies importing furniture from Asia but none indicated they were importing any product from Malaysia. Efforts were made to consult construction companies, but none seemed to know, or had any interest in, where the wood for their windows, doors and flooring comes from.

### 3 Current market position of Malaysian wood products in Belgium

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

Product	Total import 2006	Malaysia import 2006	Malaysia share of total import	Total Import Trend	Malaysia Import Trend	Key competitors
	Million euro	Million euro	Million euro	% 05-06	% 05-06	
Hardwood sawnwood	284	59	21	5	22	France, Cameroon, USA, Brazil
Hardwood mouldings	135	6	4	14	48	Indonesia, China, Brazil
Wooden seating	368	6	2	2	7	Italy, Poland, Netherlands, Germany
Hardwood plywood	156	5	3	-5	931	Indonesia, China, Brazil
Parquet panels	77	4	5	1	226	China, France, Germany, Thailand

Nearly three quarters by value (71%) of Malaysia's wood product imports into Belgium comprise sawn hardwood, with the remainder made up of hardwood mouldings (13%), wood furniture (8%), plywood (4%) and parquet panels (4%) (Table 2, Chart 1). Charcoal is significant in volume terms but of negligible significance in value terms (Chart 2).

In 2006, Belgium imported sawn lumber to the value of 59 million euro from Malaysia amounting to 21% of Belgium's total hardwood sawn lumber imports of 284 million euro (Chart 3).

As in the Netherlands, Belgium's imports have to be considered in the light of the key role Belgium plays in the transshipment of goods to neighbouring European countries, notably the Netherlands, France and Germany. The Belgian port of Antwerp is the largest forest products port on the continent. Two thirds of its tropical hardwoods imports are re-exported.

Chart 1

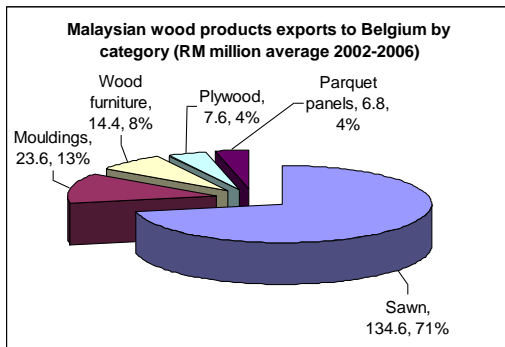
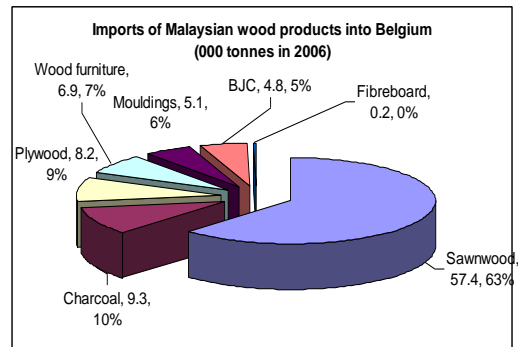


Chart 2



Each year between 2003 and 2006, Belgium exported around 130,000 tonnes of tropical hardwood sawn lumber against imports of around 200,000 tonnes. For sawnwoods, it is estimated that out of 85,000 m3 imported from Malaysia, around 50,000 m3 are consumed/processed in Belgium and 35,000 m3 are re-exported. The Malaysian sawn lumber that is not re-exported is consumed primarily in Belgium’s joinery sector.

Belgian importing companies interviewed for this study indicated that Malaysian species traded in the country include meranti, merbau, mengkulang, kapur, white seraya, keruing, and balau/selangan batu.

Belgium has a significant flooring industry which is a major focus of demand for tropical hardwoods, including Malaysian merbau. The decking sector is also heavily oriented towards tropical hardwoods. Malaysian balau/selangan batu is the preferred species, but lack of availability and high prices have led many buyers to switch to Brazilian species.

Chart 3

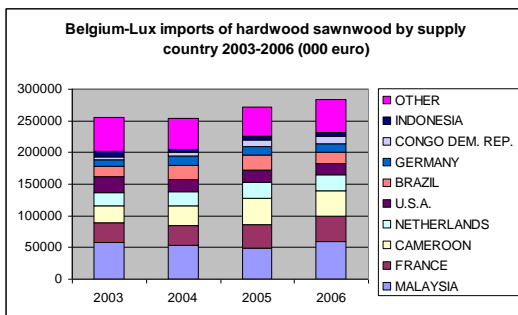
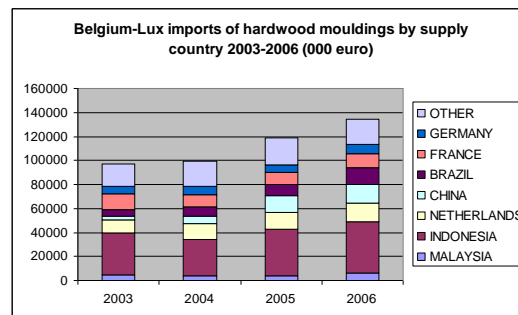


Chart 4



Belgium’s imports of hardwood mouldings have followed a similar trajectory as those of the Netherlands, rising steeply over the last 5 years with larger volumes being derived from Indonesia and China (Chart 4)

Belgium’s imports of Malaysian furniture mainly comprise wood seating and represent only a relatively small share of the entire market which is dominated by Italy, Poland, and Germany (Chart 5). Belgium also has a fairly significant furniture manufacturing sector with annual production of €3.7 billion in 2003.

Companies interviewed for this study were asked to comment specifically on the competitive market position of Malaysian timber products in Belgium. With respect to sawn lumber, interviewees generally identified Africa as the key competitor for sawn

lumber, with a few also identifying Brazil. Malaysian suppliers of sawn lumber were judged almost universally to compare well against these competitors on price and quality. On availability and delivery time, interviewees were split between those who believed that delivery time was “rather slow” and others stating delivery time is better than the competition.

Chart 5

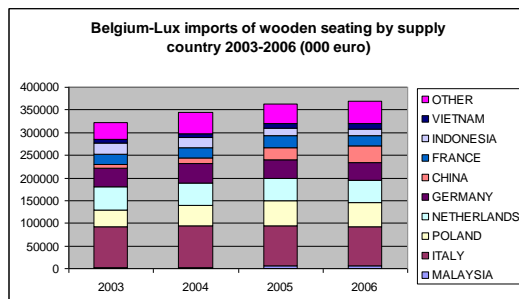
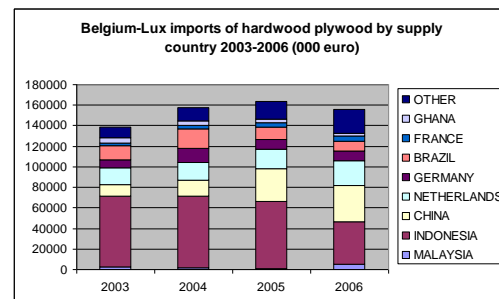


Chart 6



Indonesia was identified as the key competitor in the market for mouldings and parquet panels. Most interviewees felt that Malaysia compared well against Indonesia in the supply of mouldings on price, quality and delivery time. However one interviewee felt Indonesian quality was superior.

China, Brazil and Indonesia were identified as the key competitors in the plywood market. Interviewees indicated that Malaysian plywood price and quality are both generally perceived to be slightly lower than Indonesia but higher than China.

Interviewees were generally positive about Malaysia's competitive ability to provide assurances of environmental probity. This may be expected given that the companies interviewed, being current stockists of Malaysian timber, have an interest in developing markets for this product. Of the 13 companies interviewed, none said they had a negative perception of Malaysian forestry practices. 3 said that they had a “very positive” perception, 6 said they had a “quite positive” perception and the remaining companies said they had neither a positive nor negative perception. 9 of the 13 companies said that Malaysia compared favourably against its major competitors on this issue. 6 of these companies said this view was due to ready availability of MTCC certified product, although 1 interviewee (one of the largest Belgian importers of Malaysian wood) said that this benefit was constrained by lack of MTCC acceptance by Belgian end-users in the public sector.

## 4 Belgium government policy

### 4.1 Central government procurement policy

In March 2003, the Belgian Federal government passed a resolution against illegal logging. This follows a similar resolution in the Flemish parliament in May 2002. It contains the following recommendations:

- Support for concrete initiatives to combat illegal logging and to promote sustainable forest management.
- The development of a public procurement policy which favors credibly certified timber.
- The development of a Best Practice Code in collaboration with the timber sector which excludes trade in illegal timber.

Also in 2003, the Federal Government voted an Agreement on Green Public Procurement Policy for timber. This document includes a commitment by the Federal Authorities “to use only wood coming from sustainable forestry and to prohibit illegal wood from the Belgian market<sup>1</sup>”. In 2004, the 2004-2008 Federal Plan on Sustainable Development<sup>2</sup> was published which includes an explicit statement of support for the FLEGT VPA process.<sup>3</sup> The Federal Decree<sup>4</sup> (Circulaire P&O/DD/2) governing the national green public procurement policy for timber and wood products was approved in November 2005 at ministerial level and made operational in March 2006.

The policy is mandatory for Federal government departments and agencies and voluntary for regional and local government agencies. The policy covers all primary and secondary solid wood products, together with manufactured joinery products (doors, windows, flooring) and wooden furniture.

The policy refers explicitly to environmental, social and ethical criteria in public procurement and specifically requires that timber is derived from “sustainable forest management as certified by an independent body based on internationally recognised criteria.” It does not provide for any recognition of FLEGT VPA licensed timber.

Forest certification schemes are assessed against 11 criteria by an “Expert Group” in which the following organisations are represented:

- the Belgian Woodworking and Furniture Industry
- the Belgian Federation of Wood Importers
- the environmental organisations
- the trade unions
- the Federal Ministry of Foreign Affairs and Development Cooperation
- the Federal Ministry of Environment

The Expert Group has decided that FSC certification meets the government requirements, together with “PEFC country certification which provides a strongly developed social dialogue and respect for the rights of indigenous populations”. A list<sup>5</sup> of approved PEFC certification schemes is published by the Expert Group. Equivalent certification carried out by an independent body and based on the Belgian government criteria may also be acceptable, and is assessed ad hoc by the Expert Group. As described in the official Circular, it is foreseen that every two years an independent in-depth evaluation of the policy and the certification schemes will be undertaken (next scheduled for early 2008).

Public procurement in the country is estimated to account for around 5-10% of the total forest products market. Government officials interviewed for this study said that they are under significant pressure both at Ministerial level and from ENGOs to implement the procurement policy. They also indicated that the policy is being widely promoted through good and frequent contacts with the private sector. There is also a government publicity campaign targeting the wider public. However, government officials also indicated that there is no active monitoring of policy implementation, which may constrain the real market impact.

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<sup>1</sup> *Accord de gouvernement fédéral, 2003, p. 53*

<sup>2</sup> [www.plan2004.be/pdfs/plan\\_fr.pdf](http://www.plan2004.be/pdfs/plan_fr.pdf)

<sup>3</sup> *Action 19 A sustainable forest policy : fight against illegal logging. § 31917. 2)*

<sup>4</sup> [www.guidedesachatsdurables.be/bs\\_mb/circulaire%20PO-DD-2.pdf](http://www.guidedesachatsdurables.be/bs_mb/circulaire%20PO-DD-2.pdf)

<sup>5</sup> [www.guidedesachatsdurables.be/bs\\_mb/compromis%20def\\_FR.doc](http://www.guidedesachatsdurables.be/bs_mb/compromis%20def_FR.doc)

Government officials interviewed for this study were very well aware of the FLEGT process and said they are supporting the process by cooperating with the EU authorities. However this support does not currently extend to providing recognition of FLEGT VPA licensed timber in the Federal government procurement policy.

## 4.2 Regional and local government procurement policy

Both the regional governments of Flanders and Wallonia have for long been engaged in the debate over sustainable timber procurement, coming at the issue from two very different angles. The northern and more urban Flemish region of Flanders tends to look to the FSC to provide assurances of sustainable forestry practices. The more rural French speaking region of Wallonia, with a significant domestic forest resource, tends to look to PEFC.

Due to intense marketing by the WWF targeting there has been very strong interest in FSC certification in Flanders. A large proportion of Flemish municipalities and provinces are already committed to procuring exclusively FSC certified wood products and have been for some time. As early as the year 2000, the WWF was able to report that *“one third of all Flemish town and cities and all Flemish provinces signed the specific chapter of this agreement regarding the use of FSC certified wood for public works. This mean that they have to use FSC labeled wood or an equivalent label that proves that the timber comes from forests that have been independently certified following internationally recognised criteria, unless the contractor can prove that the technical requirements in the tender specifications make this impossible”*.

The Flanders regional government has very actively promoted timber procurement policies that strongly favour “FSC or equivalent” certification schemes amongst municipalities and provinces. This is being achieved through a system of environmental co-operation agreements, so called “Samenwerkingsovereenkomst”. These are voluntary agreements that a municipality or a province can conclude with the Flemish authorities. The local authority commits to a range of minimum environmental requirements, together with a series of optional environmental projects in exchange for financial support from the Flanders government. In 2006, it was reported that 255 of the 308 Flemish communes were engaged in this process<sup>6</sup>.

The most recent set of requirements for Samenwerkingsovereenkomst, published in 2007 and applying to the period 2008-2013, establishes as one baseline requirement that participating local authorities must implement a timber procurement policy favouring products from sustainably managed forests. A detailed standard has been prepared by the WWF, referred to as the *standaardbestekvoorschrift*, which defines requirements for sustainable timber. This standard is distributed and actively promoted by the Flanders government. The criteria draw heavily on the FSC certification requirements and in practice are likely to limited purchases to FSC certified products. There is no reference to FLEGT VPA licensing in the criteria.

The Government of Flanders has also declared its intent to make sustainable procurement compulsory for all local administrations in the region before 2015.

While the Flanders region has favoured FSC certification, the public sector in the Wallonia region has been positively resistant to this form of certification, becoming a

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<sup>6</sup> [www.iewonline.be/IMG/pdf/398-3-marchespublics-annexe2-01-2006.pdf](http://www.iewonline.be/IMG/pdf/398-3-marchespublics-annexe2-01-2006.pdf)

firm advocate of PEFC certification. Around 50% of forests in the region are PEFC certified. Many of these forests are owned by small private forest owners who represent a significant political lobby in the region. At present, Wallonia is not actively implementing a specific timber procurement policy at regional level. However, it is deeply engaged in environmental issues and efforts are being made to promote sustainable procurement generally. The Wallonia Directorate-General of the Natural Resources and Environment (DGRNE) has established an EMAS registered environmental management system to guide development of its administrative services. As part of the EMAS process it is considering the environmental impact of its procurement activities. The Wallonia government has also supported the development of a website providing guidance to local authorities and the general public in the region on sustainable procurement ([www.achatsverts.be](http://www.achatsverts.be)). At present there is no specific guidance provided on wood products. The guidance on paper products recommends procurement of FSC or PEFC certified products (when alternative recycled products are not available).

### 4.3 Additional legislative options

The Belgian Federal government has for long been a leading advocate within the EU for development of a tougher European stance on illegal logging. At the end of June 2004, the Belgian Federal Government raised at the EU Environment Council meeting the possibility of new regulations that would make it a criminal offence in the EU to import wood from illegal sources. Belgium were major sponsors of a joint declaration to be issued by Belgium, Germany, France, Denmark and the United Kingdom asking the European Commission *“to come up with further reaching legal options to tackle the trade in illegally harvested timber and forest products entering the EU, to complement the voluntary agreements.”* In addition, before the Council meeting, Belgium had asked other Member States to include a demand for EU legislation on illegal timber imports in the Council’s conclusions on Biodiversity.

Interviews with Belgian government officials for this study indicate that they continue to advocate additional legislation to control imports of illegal wood at EU level. However, they have not reached any conclusions on the detailed structure and content of such legislation.

During interviews, both the Belgian timber trade association (FBCIB - Fédération Belge du Commerce d’Importation de Bois) and the Belgian Wood Industries Federation (Fedustria) indicated their support for additional legislation at EU level. They favoured Option B (putting the burden of proof on the supplier to provide evidence that wood is legal), although they did not rule out the alternative Option A (Lacey-style Act putting the burden of proof on the prosecutor to demonstrate that wood is illegal).

Belgian ENGOs, notably Greenpeace and WWF, have been firm advocates of additional legislation to prevent imports of illegal wood into the EU. 9 Belgian wood importers and distributors signed the WWF/Greenpeace sponsored “FLEGT Industry Statement” calling for additional legislation (De Noordboom, Ecobos-P&E, Ecobouw, Ecostructuur, ENCE Group, Eurabo, Luyten Woonontwerp, Quintelier Gebr, Servaege).

## 5. Private sector procurement policy and views on FLEGT VPA

### 5.1 Trade associations

The FBCIB membership includes importers of primary and secondary solid wood products (sawn lumber, veneer, plywood, panels, mouldings, decking, cladding), but does not include furniture and other manufacturers. The FBCIB membership accounts for 85% of the overall Belgian timber trade and, drawing on interviews, for over 90% of Belgian imports of Malaysian primary and secondary wood products.

FBCIB is promoting a responsible procurement policy amongst its member companies which has two objectives, to seek evidence of legal compliance from suppliers, and to promote sustainable forest management certification. The policy is not compulsory for FBCIB members, but all members have signed voluntarily. The policy has been developed internally by FBCIB's 'Environmental Review Group' composed entirely of FBCIB member companies.

The policy requires signatories to sign a statement affirming their commitment to sourcing legal products. According to this statement, Members must *"seek evidence of compliance from suppliers that they are operating in accordance with laws and regulations of the producing country. In this connection a formal written declaration that the timber is legally produced will be requested from the suppliers"*. The suppliers' statement must declare *"that all activities performed by and at the instructions of our company are in conformity with the laws and regulation in force in our country."*

In addition, FBCIB members must *"continue to support credible timber certification schemes, such as FSC, CSA, PEFC, SFI and MTCC, which remain the most useful tools to achieve legal harvesting and well-managed forestry"*.

An interview with FBCIB confirmed that they were well aware and supportive of the FLEGT VPA process. FLEGT VPA licensing would assist member companies' efforts to fully conform to the policy. FBCIB is committed to ensuring implementation and encouraging recognition of the policy. No time-bound targets have been set or monitoring systems established, but there is an intention to introduce these. Measures are being taken to promote the policy more widely through seminars, advertising and general communication.

An interview with Fedustria (Wood Industries Federation) confirmed that this association is not at present developing a procurement policy or code of conduct for its members. Fedustria were only partially aware of the FLEGT VPA process and said they had little knowledge of Malaysian forestry issues. They noted that their members have little or no direct contact with supplying countries and buy from Belgian importers. Fedustria implied that the main responsibility for dealing with the legality of wood products should lie with the overseas supplier and the importing company. However Fedustria indicated that they were supportive of the general aims of the FLEGT VPA process and would be willing to recommend it to their members.

### 5.2 Trading companies

The following conclusions may be drawn from interviews with 13 companies together responsible for over 90% of Belgian imports of Malaysian primary and secondary wood products:



- Awareness of FLEGT was relatively high amongst interviewed companies. Of the 13 companies, 4 were “very aware” of the FLEGT VPA process, 6 were “partially aware”, and only 3 were unaware (mainly those further down the trading chain).
- Of the 13 companies, 9 were signatories to the FBCIB Code, including all the largest importers of Malaysian timber. However, many interviewees were unable to provide much detail on the content of their procurement policies and there was little evidence of companies setting time-bound targets and actively monitoring their own conformance against the Code.
- On the other hand, commitment to chain of custody certification was very high amongst interviewees, particularly for FSC. Of the 13 companies, 11 had chain of custody certification including 4 with both FSC and PEFC and 7 with just FSC.
- 11 of the 13 companies, including all the largest importers of Malaysian timber, said that they would prefer FLEGT VPA licensed timber from Malaysia over unlicensed timber from other sources. However some importers said they would only consider giving preference to FLEGT VPA licensed timber when alternative certified products were not available. There was a feeling amongst several importers that while adoption of a FLEGT VPA was a positive and appreciated move, more significant moves to supply certified sustainable products were necessary.
- It is unlikely that the main buyers would cease purchasing from Malaysia if she does not sign up to the VPA. They would resort to private sector legality verification and certification systems.
- Contradictory views were expressed with regard to price premiums for FLEGT VPA licensed timber. Of the 13 companies, 7 companies said they would be unwilling to pay any premium for FLEGT VPA licensed timber. The remainder said they would be willing to pay a small premium in the range 0.5% to 5%.
- 5 of the 6 companies that said they would be willing to pay a premium for FLEGT VPA licensed timber said that their own customers would be willing to pay an equivalent premium.
- No interviewee felt that the marketing impact of Malaysia signing up to a FLEGT VPA would be negative. 2 of the 13 interviewees felt the marketing impact would be negligible, with one emphasising the need for Malaysia to move rapidly to full certification. The remaining 9 interviewees felt that the marketing impact would be positive, with a significant number suggesting it would be very positive.
- Only one interviewee said that they are importing wood products from countries other than Malaysia that they knew or suspected may contain Malaysian wood raw material. This interviewee noted that some Malaysian timber may be facing tropical plywood made in China. Overall, interviewees were of the opinion that the volume traded through third countries is likely to increase only modestly. The volume of triangular trade is expected to be constrained by the cost of trans-shipment and moves by Malaysian industry to develop more secondary processing capacity.

- With respect to the factors driving uptake of responsible procurement policies, most interviewees indicated that pressure from the NGOs is very significant, while pressure from public sector buyers is moderately significant and increasing. However pressure from customers and end-users in the private sector is perceived to be negligible. Most interviewees had difficulty answering the question on the influence of shareholders and investors as their own companies are not in a shareholding situation and few had heard of such pressure in the forest products trade and industry.