



FOREST INDUSTRIES INTELLIGENCE LIMITED

**Report for AF&PA**

**Trade and Environment  
Program in Europe**

**August-September-October 2005 Report**

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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## Consultants commentary and highlights

In the last few months momentum has continued to gather behind the European FLEGT Action Plan. The UK government made passage of the regulations required for full implementation of the Action Plan a priority of their presidency of the EU. European officials now have a mandate to negotiate voluntary partnership agreements (VPAs) with supplier countries and to work towards legality licensing procedures in VPA countries. FLEGT has prompted concerted efforts by several governments to develop public sector procurement policies, notably the UK, Netherlands, France, Germany, Belgium and Denmark. At the same time the private sector has launched a Timber Trade Action Plan which will tighten up timber importers environmental commitments.

Already there are signs that these policy measures are having an impact on European trading patterns. Independent research carried out by Forest Industries Intelligence Limited for the UK government indicates that it is increasingly difficult to supply non-verified products to the public sector. More importing companies in the UK are now implementing policies with the intention of eventually delivering 100% independently certified forest products. Malaysian suppliers are now routinely supplying independently verified timber to the European market, while the largest European-owned companies operating in Africa are forging ahead with systems to independently verify the legality of products.

On the other hand, the research also indicates that moves towards requiring independently verified products still focus mainly on the tropical hardwood sector (where concerns are particularly intense) and on the softwood sector (where certified wood is becoming available as standard), with end user demand still focusing heavily on public sector construction. The countries of north western Europe are also still well ahead of countries in southern and eastern Europe. And implementation of corporate procurement policies is still not prevalent amongst the smaller importers. So many US exporters may not yet be feeling the heat. But the feeling in Europe is that all wood suppliers will in future have to make more far-reaching commitments to independent verification and traceability if they are to avoid loss of market share.

Meanwhile the NGOs are maintaining the pressure, focusing heavily on perceived limitations in the existing FLEGT Action Plan, calling at every opportunity for more far reaching legislation banning the import of "illegal wood" products into the EU.

The process of developing environmental timber procurement policies in Europe, which is heavily influenced by NGOs, has had perverse effects. It now seems standard practice for "stakeholders" in European importing countries to feel it necessary to define "sustainable forestry criteria" – usually with only consultation with supplying nations - that they then seek to impose on these same nations through the medium of trade. It begs the question, how can European consumers have any real insight into the sustainable forestry needs of countries as diverse as the US, Malaysia, Russia and Chile? The idea seems to have arisen in Europe that defining sustainable forestry criteria is a process akin to the development of technical standards for toasters. Meanwhile, the global effort of the last decade to develop sustainable forestry criteria and indicators (Montreal, ITTO, PE) is sidelined. This tendency seems even more perverse when it is considered that each European countries feels it necessary to undertake this process independently, so that the Dutch "sustainable forestry" criteria may well differ substantially from the UK and French criteria.

Other highlights from this report include:

- Recent expansion of certified forest area has focused heavily on the vast boreal forest regions of Canada and Russia (under FSC), and also Australia (under PEFC).
- FSC seems to have made significant progress in Russia, with the development of a National Working Group encouraging widespread industry participation, and by establishing close links with a national certification scheme.
- CoC certification has expanded rapidly in recent months, notably in US, Japan, and Europe
- WWF Global Forest and Trade Network has made significant progress in Asia, with the launch of new networks in China and Vietnam.
- PEFC has just endorsed the Brazilian Inmetro scheme – significant for being the first PEFC scheme including coverage of tropical forests.

## 1. Development of Forest Certification in Europe

### 1.1 Program for the Endorsement of Forest Certification (PEFC)

**Table 1: Latest Status PEFC (30/09/2005)**

|                 | Certified forest area (ha) |                  | Number of C-O-C certificates* |             | Number of PEFC logo users |              |
|-----------------|----------------------------|------------------|-------------------------------|-------------|---------------------------|--------------|
|                 | 31-May-05                  | 30-Sep-05        | 31-May-05                     | 30-Sep-05   | 31-May-05                 | 30-Sep-05    |
| Australia       | 1842963                    | 5157003          | 1                             | 1           | 2                         | 5            |
| Austria         | 3924000                    | 3924000          | 290                           | 290         | 143                       | 143          |
| Belgium         | 234608                     | 234608           | 29                            | 34          | 28                        | 31           |
| Canada          | 63761595                   | 63761595         | 50                            | 50          | 0                         | 0            |
| Czech Republic  | 1935228                    | 1944560          | 203                           | 206         | 161                       | 162          |
| Denmark         | 13641                      | 13617            | 4                             | 4           | 6                         | 7            |
| Finland         | 22355596                   | 22355596         | 86                            | 85          | 103                       | 102          |
| France          | 3602064                    | 3781167          | 694                           | 773         | 6297                      | 6817         |
| Germany         | 6990534                    | 7022051          | 516                           | 584         | 7156                      | 7268         |
| Chile           | 1552420                    | 1527180          | 0                             | 2           | 1                         | 1            |
| Italy           | 356053                     | 356053           | 16                            | 20          | 20                        | 37           |
| Japan           | 0                          | 0                | 8                             | 9           | 3                         | 7            |
| Latvia          | 37860                      | 37860            | 14                            | 14          | 262                       | 262          |
| Luxembourg      | 0                          | 0                | 0                             | 2           | 0                         | 3            |
| Netherlands     | 0                          | 0                | 2                             | 2           | 1                         | 1            |
| Norway          | 9231700                    | 9231700          | 5                             | 6           | 16                        | 17           |
| PEFC Council    | 0                          | 0                | 0                             | 0           | 28                        | 27           |
| Portugal        | 0                          | 50012            | 0                             | 1           | 0                         | 0            |
| Slovak Republic | 0                          | 123980           | 0                             | 1           | 0                         | 2            |
| Spain           | 365840                     | 370093           | 29                            | 35          | 45                        | 97           |
| Sweden          | 6412149                    | 6648752          | 58                            | 64          | 114                       | 121          |
| Switzerland     | 316850                     | 329293           | 157                           | 158         | 0                         | 177          |
| UK              | 9125                       | 9125             | 80                            | 93          | 33                        | 33           |
| <b>Total</b>    | <b>122942206</b>           | <b>126878248</b> | <b>2242</b>                   | <b>2398</b> | <b>14419</b>              | <b>15320</b> |

#### 1.1.1 Change in area and distribution

Since PEFC's endorsement of CSA earlier this year, the only significant change in PEFC certified forest area has been in Australia where the area increased from 1.84 million hectares to 5.16 million hectares.

More significant changes to PEFC certified forest area should follow in the near future, now that the SFI Program is seeking PEFC endorsement. The PEFC Council has appointed International Trade Strategies - ITS Global to independently assess the system against the PEFC requirements. Part of the assessment procedure was a 60 day global public consultation which closed on 20 September. A final decision is not expected before the end of the year.

Luxembourg and the Slovak Republic gained PEFC endorsement in mid-August. There are now 20 national certification schemes recognised under the PEFC umbrella. The Austrian PEFC certification system and Germany's certification for small-scale forest owners have been revised and submitted to the PEFC Council for re-endorsement.

PEFC chain of custody certification has continued to expand over recent months, most notably in France and Germany.

At the PEFC General Assembly in October, the PEFC Council announced the endorsement of the Brazilian forest certification system, covering plantation and natural forests in Brazil. A new scheme in Belarus also joined PEFC, with the intention of eventually seeking endorsement. The European Association for Manufactures of Educational and Commercial Stationery joined the PEFC Council as an Extraordinary Member, to demonstrate its commitment to the responsible

sourcing of paper products.

### **1.1.2 PEFC Brazil scheme**

The process to develop the Brazilian certification scheme recently endorsed by the PEFC Council was led by ABNT, the nation's ISO affiliated standards setting body. The PEFC assessment of the scheme by independent consultants ITS Global praises the efforts made by the scheme to ensure participation and achieve consensus amongst a very wide range of stakeholders. The committee established to set the standards was divided into four groups: non vested interests (Embrapa, Tecpar, IPEF, INPA), Producers (SBS, Bracelpa, Abracave, Abipa, Abimci, Forum, Small forest owners), Consumers (Abimóvel, IDEC, NGOs), and Government /Regulatory Bodies (INMETRO - MDIC, IBAMA - MMA, Fundacentro, BNDES). Key documents prepared by the committee include the NBR 14789 and NBR 15789 certification standards for Brazilian plantations and native forests respectively, and the Chain of Custody standard NBR14790. Certification procedures are also fully compatible with ISO guidelines governing independent auditing and certification. Certification is undertaken by independent third party certification bodies that have been accredited by Inmetro, Brazil's national accreditation agency. At time of PEFC endorsement, the scheme had certified 882,049 hectares of Brazilian forests.

### **1.1.3 UK government recognises PEFC as legal and sustainable**

On 11<sup>th</sup> August 2005, the UK Government (DEFRA) officially announced that PEFC meets their requirement for 'legal and sustainable'. ENGOs successfully delayed the announcement for some weeks demanding further consultation. UK government endorsement of PEFC is conditional on implementation of extra requirements for public consultation during the audit process and and publication of summary audit reports. The Government stressed that it intends to undertake regular reviews of all schemes. Around the end of 2005 DEFRA's advisory body – the Central Point of Expertise on Timber - will assess the process to ensure implementation by PEFC national schemes.

The SFI Program was also re-assessed by CPET based on recent amendments to the standard and procedures. The SFI Program was endorsed as "legal and sustainable", achieving the highest score against the UK government criteria of any scheme.

### **1.1.4 PEFC calls for harmonisation of public procurement policies**

At its General Assembly, the PEFC Council called on governments to develop and harmonise timber procurement policies, in order to avoid artificial trade barriers. The Council also praised the French, German, Dutch, Belgian, Danish, UK, Spanish and Japanese governments for their efforts to give preference to certified timber.

### **1.1.5 PEFC struggles to achieve ENGO recognition**

PEFC continues to struggle with NGO recognition. In Europe concerns mainly regard logging practices in Northern Finland that conflict with indigenous people's land use (Sámi people), and insufficient safeguards preventing illegal timber, especially from Russia, entering PEFC supply chains.

## 1.2 Forest Stewardship Council

### 1.2.1 Global area and status

**Table 2: Change in FSC certified area by region**

|            | 1 December<br>2004 | 1 March<br>2005 | 1 May<br>2005 | 1 October<br>2005 | %<br>Change |
|------------|--------------------|-----------------|---------------|-------------------|-------------|
| N. America | 9.7                | 10.1            | 12.3          | 20.8              | 67          |
| W. Europe  | 12.7               | 13.3            | 13.9          | 13.9              | 0           |
| E. Europe  | 12.4               | 12.6            | 12.6          | 12.6              | 0           |
| Asia       | 0.4                | 0.4             | 0.8           | 1.1               | 38          |
| S. America | 6.4                | 6.8             | 7.2           | 7.8               | 8           |
| Africa     | 1.9                | 1.9             | 1.9           | 1.6               | -16         |
| Russia     | 2.1                | 3.8             | 3.8           | 6.4               | 68          |
| Oceania    | 1.2                | 1.2             | 1.2           | 1.3               | 8           |
| <b>All</b> | <b>46.9</b>        | <b>50.1</b>     | <b>53.9</b>   | <b>65.5</b>       | <b>21.5</b> |

**Table 3: Change in FSC chain of custody certificates  
(includes coc only and joint forest management/coc certificates)**

|                    | Dec<br>04   | Mar<br>05   | May<br>05   | Oct<br>05   | No.<br>change |
|--------------------|-------------|-------------|-------------|-------------|---------------|
| <b>World total</b> | <b>4100</b> | <b>4385</b> | <b>4508</b> | <b>4907</b> | <b>399</b>    |
| <b>Europe</b>      | <b>2263</b> | <b>2472</b> | <b>2557</b> | <b>2799</b> | <b>242</b>    |
| UK                 | 419         | 435         | 444         | 448         | 4             |
| Germany            | 341         | 386         | 398         | 443         | 45            |
| Poland             | 306         | 316         | 330         | 342         | 12            |
| Netherlands        | 230         | 241         | 251         | 277         | 26            |
| Switzerland        | 210         | 226         | 238         | 263         | 25            |
| Sweden             | 125         | 126         | 124         | 121         | -3            |
| Italy              | 90          | 102         | 115         | 133         | 18            |
| Belgium            | 77          | 76          | 76          | 78          | 2             |
| Latvia             | 89          | 90          | 91          | 91          | 0             |
| Denmark            | 51          | 59          | 60          | 64          | 4             |
| France             | 66          | 74          | 73          | 93          | 20            |
| Ireland            | 22          | 23          | 23          | 22          | -1            |

|                | Dec<br>04   | Mar<br>05   | May<br>05   | Oct<br>05   | No.<br>change |
|----------------|-------------|-------------|-------------|-------------|---------------|
| <b>America</b> | <b>1104</b> | <b>1120</b> | <b>1146</b> | <b>1241</b> | <b>95</b>     |
| USA            | 522         | 522         | 531         | 571         | 40            |
| Brazil         | 218         | 226         | 230         | 241         | 11            |
| Canada         | 132         | 134         | 137         | 156         | 19            |
| Chile          | 37          | 40          | 38          | 41          | 3             |
| <b>Asia</b>    | <b>481</b>  | <b>546</b>  | <b>569</b>  | <b>629</b>  | <b>60</b>     |
| Japan          | 221         | 250         | 271         | 301         | 30            |
| Vietnam        | 67          | 74          | 73          | 80          | 7             |
| China          | 80          | 95          | 98          | 114         | 16            |
| Malaysia       | 46          | 54          | 53          | 57          | 4             |
| Indonesia      | 28          | 29          | 29          | 32          | 3             |
| <b>Africa</b>  | <b>167</b>  | <b>157</b>  | <b>155</b>  | <b>147</b>  | <b>-8</b>     |
| Sth. Africa    | 145         | 136         | 132         | 126         | -6            |
| <b>Oceania</b> | <b>85</b>   | <b>90</b>   | <b>90</b>   | <b>91</b>   | <b>1</b>      |
| New Zland.     | 72          | 75          | 74          | 71          | -3            |

The global area of FSC certified forest increased dramatically between May and October 2005 following a major expansion in Canada. In September 2005, an area of 5.5 million hectares of forest belonging to Alberta-Pacific Forest Industries Inc. (AI-Pac) became the largest single area of FSC certified forest in the world. The certification process was carried out by SmartWood in northeastern Alberta and followed a 10-month assessment against FSC Canada's National Boreal Standard.

Outside North America, the most significant change in FSC certified forest area was in Russia, where area increased from only 3.8 million hectares in May 2005 to 6.4 million hectares in October 2005. Recent reports from Russia indicate that the FSC National Working Group in the country has been successful in encouraging widespread industry participation in the FSC scheme. The 4th FSC Russia National Working Group (NWG) Conference held near Moscow in May was attended by several leading Russian industry players, including Ilim Pulp, Archangelsk Pulp and Paper, Mondi, IKEA Russia, Onega (the fourth largest sawmill in Russia) and Cherepovetsles (the largest harvesting company in the European part of Russia). Members of FSC Russia voted to endorse a "Russian framework national FSC standard" at the May meeting, and also agreed to work in a joint project with a national forest certification initiative, the Russian National Forest Certification Council. Through this project, FSC hopes to accelerate the harmonisation of Russian forest legislation and certification requirements, and to develop possible co-operation with the FLEG process. In addition to the 3 million hectares certified in recent months, FSC suggest that

organisations managing a further 8 to 12 million hectares are currently actively seeking FSC certification in Russia.

There has also been some significant growth in the number of FSC chain of custody certificates issued in recent months. The total number of certificates issued worldwide increased by 399 between the beginning of May and beginning of October, with the growth concentrated in the USA, Japan, and a range of European countries including Germany, Netherlands, Switzerland, and France.

FSC certification continues to make only slow progress in tropical regions. Certified forest area and chain of custody certification in Africa has actually declined in recent months, while FSC certified forest area in Asia remains very limited. Only in South America are there reasonably significant areas of FSC certified tropical forest, notably in Bolivia and Brazil.

### **1.2.2 WWF claim FSC progress in Finland**

WWF claim that FSC may at last be making some progress in Finland. At present, almost all Finnish forests are certified under the Finnish Forest Certification System (FFCS) standard, which is endorsed by the PEFC. PEFC has its roots in Finland and there is currently only a very small area of forest certified to FSC standards. According to WWF this may change, as Scandinavian timber giants Stora Enso and UPM Kymmene are taking a closer look at FSC opportunities in Finland. This follows the damaging press coverage of PEFC after the UK Government initially failed PEFC against their criteria for “sustainable” timber.

Stora Enso is now a member of the Finnish FSC working group and has been developing FSC group-certification in the country. A pilot project has indicated that there are no significant technical problems for implementation of FSC certification in Finland’s small-scale forest owner structure, although some developments need to address the balance of ecological and social sustainability. But the project did reveal a significantly higher cost of FSC certification compared to PEFC. According to Stora Enso Wood Supply, the group still aims for mutual recognition of both schemes and recently invited the directors of PEFC and FSC to another informal meeting at their European office in Düsseldorf, Germany.

Meanwhile, at a seminar organised by the WWF Global Forest & Trade Network, 28 European companies, including B&Q, OBI, IKEA, Timbmet Silverman, signed a statement, encouraging the Finnish forest sector to: (citation)

- work with a comprehensive range of stakeholders to solve the issue of logging in potential HCVMs and important Sami reindeer winter grazing forests in Northern Finland; as well as to achieve satisfactory levels of conservation in Southern Finland;
- adopt and implement Responsible Purchasing Policies for all wood and fibre that excludes products from controversial sources, as identified by a broad range of stakeholders;
- provide us, as your customers, with fully transparent information about the source of all wood and paper products, i.e. country, mill, and management regimes for forest sources used for our products;
- commit to a time bound action plan to achieve credible certification of forests and forest products, whether from within Finland or for imported material, as identified by a broad representative stakeholder process.

### **1.2.3 FSC clarify relationship to MTCC**

FSC recently clarified the status of cooperation with the Malaysian Timber Certification Council (MTCC), following a meeting of the two organisations at the FSC headquarters in Germany. Whilst MTCC has stated publicly that it is working to achieve equivalence with FSC, FSC stated that at this stage the MTCC standard and scheme are not considered compatible with or in near compliance with FSC. Although FSC generally supports MTCC's development, FSC continues to be concerned about insufficient social safeguards and environmental priorities. According to FSC, MTCC considers land ownership and tenure rights for indigenous peoples to be outside the mandates of forest certification. FSC state that currently neither the National Working Group in

Malaysia nor the MTCC standards (Malaysian Criteria & Indicators for Forest Management Certification) have been submitted for accreditation to the FSC.

#### **1.2.4 FSC review controlled wood standard**

FSC's 'controlled wood' standard is currently being revised and a new draft standard is expected in March 2005. From 1st of January 2007 the standard will be mandatory for all certificate holders. FSC 'controlled wood' requires proof that non-certified material contained in %-labelled FSC products does not originate from High Conservation Value Forests (HCVFs), Genetically Modified trees, illegal logs or conflict timber. To support buyers' risk-assessment procedures related to the sourcing of non-certified timber and 'controlled wood', FSC is developing risk ratings for areas and countries of concern.

#### **1.2.5 Bolivia: leader in FSC tropical certification**

Bolivia has certified 2.2 million hectares of its forests under the FSC logo, making the South American country the world leader in FSC tropical forest certification. Of the 16 certified forest operations, 13 are forest concessions, two are private properties, and one is an Indigenous communal land. The certified forest sector in Bolivia currently generates about US\$16 million annually from exports. Products include doors, furniture, floor boards, parquet, chairs, veneers, handicrafts, and sawn timber, which are mainly exported to the United States and United Kingdom, as well as to other countries, including Chile, Indonesia, Paraguay, France, Peru, Spain, Germany, Hong Kong, Singapore, Brazil and Italy.

### **1.3 UNECE/FAO policy forum on government's role in forest certification**

The UNECE Timber Committee, together with the FAO European Forestry Commission, held an in-session, one-day policy forum on governments' roles in forest certification on 29 September. The symposium defined certification as a voluntary and market-driven instrument to promote sustainable forest management. However, participants stressed that governments have a major role to play in setting out a policy and institutional framework, and most importantly, as significant actors themselves, for instance as buyers of wood products.

The forum recommended that Governments should endeavour to remain neutral between competing schemes. Governments and other stakeholders should refocus on the commonly shared objective of promoting sustainable forest management, and especially combating deforestation. Participants also stressed that certification offers an opportunity to promote the sound use of wood and increase wood consumption. This opportunity should be grasped more effectively by governments and other stakeholders.

Growing concern among governments and industry about the continuing fierce competition between schemes was raised as an issue, which is seen as weakening the image of wood as an environmentally friendly material. Industry representatives also expressed concern about emerging differences between public procurement policies in different countries leading to possible distortion of competition and effects on trade.

At the same event, the UNECE Timber Committee issued its annual review of forest certification developments. The report states:

- 50% of the forests in western Europe and North America are now certified for sustainable forest management, and account for over 96% of the world's certified forests.
- Demand for certified forest products is growing, driven by concern for the sustainability of supply, either by companies up and down the wood chain, or by purchasers of wood and paper products, especially business-to-business and governments.
- Reference to sustainable forest management in government procurement policies is multiplying and trade associations are calling for harmonization of requirements in policies.
- Considerably less tropical forests are certified (approximately 1% of certified forests), causing difficulty to export products to environmentally-sensitive markets in the UNECE region.

- In Russia, certification of sustainable forest management has begun and is making good progress.

#### **1.4 Global Forest and Trade Network expands in Asia**

WWF, in partnership with Vietnam's Ministry of Agriculture and Rural Development, will launch the Vietnam Forest & Trade Network (VFTN). Vietnam is the 24th FTN to join this network, which is active in nearly 30 consumer and producer nations throughout Europe, Asia, Africa, and the Americas. Over 400 companies have made commitments to responsible forest management and purchasing of forest products, including major retailers such as IKEA, Carrefour, and B&Q. The Danish company Scancom, one of the largest suppliers of outdoor furniture in the world, has already committed to joining the VFTN and is supporting its contract manufacturers in Vietnam to follow suit.

Five companies from mainland China and three companies from Hong Kong have qualified as first official members of the China Forest and Trade Network (CFTN). In order to qualify for the CFTN, all the new member companies have undergone baseline audits and prepared detailed action plans to improve their environmental performance. The CFTN will provide technical support and guidance to help these companies follow through on these action plans in order to achieve credible certification within a five year period. The new members are: from mainland China, Jinlin Province Baihe Forest Bureau, Heilongjiang Province Youhao Forest Bureau, Yihua Timber, Shanghai Anxin Flooring Co Ltd, and Yingbin (Shunde-Foshan) Timber Co Ltd; and from Hong Kong, Kingfisher Asia Ltd, 100% Concept Asia Pacific Ltd, and Auma International Ltd.

#### **1.5 World Bank/WWF Alliance QACC**

The World Bank/WWF Alliance for Forest Conservation and Sustainable Use has stated that it is satisfied with the findings of the first trial in Europe of its tool for assessing certification schemes and systems - the *Questionnaire for Assessing the Comprehensiveness of Certification Systems/Schemes* (QACC). In particular, the Alliance states that the trial enabled it to gain first insights on the similarities and differences between certification systems in Europe as well as on what needs to be improved in the questionnaire for it to be globally applicable.

Both the World Bank and WWF have a requirement to reliably and transparently assess whether existing certification schemes are consistent with the principles of good forest management defined by the Alliance in 1999. The Alliance aims for certification that builds consensus and, with this, increases stability, reduces conflict, creates clarity for long term decision making for all parties, and leads to significant environmental, social and economic improvements in forest management.

The Alliance partners developed the QACC in consultation with forest certification experts and input from an independent review panel. PEFC was asked to participate in the process, but rejected the invitation arguing that the process was deliberately biased in favour of FSC.

The first trial of the QACC was undertaken in 12 European countries with the objective of testing its effectiveness. A further aim was to refine the QACC for further use by the Alliance. The trial was conducted by ProForest.

Based on the findings of the QACC's trial in Europe, the Alliance drew the following conclusions:

- The QACC proved useful in determining key similarities and differences between schemes, and should help guide the future development of schemes.
- The key differences between the schemes are in particular, but not exclusively, in relation to meaningful and equitable participation in the development, governance and standard setting processes, and transparency in the certification and accreditation processes.

Following recommendations from the independent review panel and ProForest, the Alliance will revise the QACC to address those aspects requiring improvements and to better account for its desktop nature. These aspects are:

- Clarify the link between questions and the Alliance's criteria for certification.

- Simplify some questions, particularly those regarding internationally recognised standard setting frameworks such as ISO.

The revised QACC was peer reviewed throughout July to September 2005 and is expected to be made available for public comment in November/December this year.

## **2. International Agreements and institutions**

### **2.1 European FLEGT**

#### ***2.1.1 FLEGT regulation passed***

In October 2005, the European Union passed the regulation that effectively puts into action the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. The measures formally adopted consist of:

- a) a mandate for the EU to negotiate Voluntary Partnership Agreements (VPAs) to support and promote governance reform in countries badly affected by illegal logging; and
- b) a regulation that sets up a legally-binding licensing scheme with partner countries to ensure that only legal timber from these countries is imported into the EU.

The regulation is the key component of the EU's Action Plan launched in July 2004. The mandate and regulation mean that formal negotiations between European government representatives and exporting countries for development of bilateral agreements and legality licensing may now begin. Targets for early adoption of VPAs include Malaysia, Indonesia, Brazil, Guyana, Mexico, Ghana, Cameroon, Congo Brazzaville and Gabon. Prospects for early adoption in Bolivia, another potential target, have been undermined by political problems in the country.

Although various interests continue to agitate for more far-reaching regulations (e.g. "banning imports of illegal timber"), as far as the Commission is concerned this is all that is in the legislative pipeline at present. Contacts at the Commission have indicated that while they are currently considering options for further regulations, in practice they haven't the resources to do any more for the time-being. In any case, they suggest the priority should be to see how these procedures bed down first.

Individual EU member states will now have to alter their own regulations at national level to give the customs authorities the power to enforce legality licensing procedures for products from countries entering into VPAs. However, these national level changes will involve only minor changes that may be quickly implemented. The process of developing reliable procedures for determining the legality of forest products from VPA countries is likely to take much longer.

As for the products covered, the new regulations only cover logs, sawn, plywood and veneer. No further processed products, or pulp and paper, will be covered under legality licensing procedures. However the regulation states that in future bilateral agreements could be extended to cover a wider range of products, but this would require an amendment to the regulation.

At present therefore, the whole process may still be undermined as a result of circumvention – the diversion of wood raw material from VPA countries to other countries (e.g. China) for further processing prior to their re-export to the EU.

The regulation complements other components of the EU Action Plan, including the EC's commitment of €20m in 2004 to fund a series of pilot programmes to promote greater transparency through independent monitoring of timber harvesting operations; help civil society in developing countries to advocate for better forest governance; and support an innovative public-private partnership with European timber importers. The Commission is also supporting a €15m programme of technical assistance that will begin later this year in Indonesia.

Meanwhile pressure on the Commission to go further continues to mount. Around 180 NGOs and 80 timber companies have signed statements calling for EU-wide legislation to prohibit the

importation of “illegal timber” into the EU, regardless of the country of origin. NGOs have emphasized the threat of circumvention inherent to the current legislation, and also allege that the European paper industry – which is not covered by the regulation, is seriously implicated in illegal logging.

### **2.1.2 European Timber Trade Action Plan**

Part of the EU FLEGT Action Plan involves support for private sector initiatives to tackle illegal logging. A key component of these private sector initiatives is the European Timber Trade Action Plan (TTAP). The Plan was formally launched on 11 October by a consortium of timber trade associations based in Belgium (UCBD), the Netherlands (VVNH), and the UK (TTF). The associations have secured a European Commission grant of € 3.5m (plus € 3.5m private investment) to implement Chain of Custody and timber tracking systems in Indonesia, Malaysia, Cameroon, Congo Brazzaville, and Gabon and to carry out independent audits for legality compliance.

The Tropical Forest Trust (TFT) is managing the project and is responsible for field implementation. This will involve audits to verify legality of around 20% of the timber being exported from the partner countries to the participating federations. TFT has begun this work with an analysis of supply chains in Indonesia. TFT are expected to start work in Africa during March 2006.

The trade consortium is also preparing a new and similar proposal of work to cover Latin America and China, due to be submitted to the European Commission by end November 2005. The Spanish Federation AEIM has joined the consortium for this new bid, while Italy and Portugal have also expressed their interest. Local partners for implementation of this second project have yet to be confirmed. In Brazil, TTAP is hoping to work with the Brazilian trade federation Abimci and the NGOs Imaflora and Imazon.

About 80% of the project budgets will be used to implement Chain of Custody systems. With the remaining funds, the intention to develop standards for supplier risk assessment (i.e. purchasing policies), Chain of Custody and auditing. Also TTAP is intending to publish 'Guides to Legality' and 'Guides for Service Providers' for each of the project countries in order to ensure cost-effective replication of actions.

Greenpeace have criticised the TTAP, suggesting it would allow industry another 5 years to import timber from forest destruction. Greenpeace have urged the European Commission to impose legislative options against the import of illegal timber instead of using public funds to support the industry. Greenpeace have suggested the project will not address sustainable forest management.

## **2.2 Africa FLEG**

The UK government, industry and civil society representatives met a Cameroonian official delegation in August. The meeting aimed to share information about current efforts to combat illegal logging by UK/EU and Congo Basin governments and the private sector. UK representatives stressed that Cameroon suppliers that did not invest in legal verification procedures face the prospect of reduced market share in the relatively short term. It was noted that some Cameroon-based companies are now investing in appropriate systems to verify the source and legality of their products. However concerns were raised that these companies are overwhelmingly foreign-owned, usually European, rather than indigenous companies. UK representatives also indicated their support for the role and operations of independent observers in the country, noting that many companies wished to include transparency criteria in their procurement policies. The Cameroon delegation reported that informal negotiations towards an EU FLEGT voluntary licensing agreement were on-going between Cameroon and European Commission officials.

## **2.3 East Asia FLEG**

Japan has been taking an increasingly proactive stance on illegal logging during 2005. Japan's

Forestry Agency established the “Illegal Logging Working Group” in February 2005 to develop possible measures to combat illegal logging. The group has initiated a project to develop a log tracking and a satellite monitoring system for possible use in wood exporting countries, in accordance with the Japan-Indonesia Action Plan in 2005.

Meanwhile the Government of Japan is in the process of developing a public sector timber procurement policy. Reports indicate that the policy will aim to ensure that all wood used by the public sector in Japan derives from known legal sources. Details of the likely certification and verification requirements reported in a recent issue of ITTO’s Market News Service suggest a degree of flexibility, with certificates issued by recognised certification bodies, trade associations, and governments all being acceptable. The new procurement law is expected to be approved by Cabinet in the current fiscal year and fully implemented in 2006. Government agencies will be expected to set up their own procurement programmes and monitoring systems in accordance with the law.

The Japan Federation of Wood Industry Associations (JFWIA) and the Ministry of the Environment recently conducted a survey analysing wood industry awareness of illegal logging issues. According to the survey, nearly all respondents from the wood industry in Japan were aware of the influence and significance of illegal logging, and 62% of respondents acknowledged that illegally logged timber is being imported into Japan. When asked to comment on their own customers’ awareness of legality issues, 61% of respondents said that customers were interested in the origin of the timber, and 38% said customers were concerned over legality. The survey showed that NGOs are having an increasing impact on the Japanese trade. However, only 10% of trading companies have so far implemented Timber Purchasing Guidelines.

According to the AF&PA’s study of global impacts of illegal logging, around 17% of all timber imported into Japan derives from illegal sources. According to Greenpeace and WWF studies respectively, at least 41.5% of domestic plywood production in Japan and 20% of Japan’s imported wood products, including paper and pulp originate from illegally harvested timber.

## **2.4 Europe and East Asia FLEG**

### **2.4.1 Status of negotiations**

The Europe and North Asia Forest Law Enforcement and Governance (ENA FLEG) Ministerial Conference is scheduled to take place in St. Petersburg, Russia, on November 22-25, 2005. The Ministerial Conference is expected to result in the endorsement of an ENA FLEG Ministerial Declaration and Indicative Action Plan. A third draft outlining key components of the declaration and the action plan for implementation of the declaration has been published by the World Bank (“Building Blocks Towards the St. Petersburg Declaration, September 10”). The ENA FLEG process is seeking to mobilize international commitment from producer, consumer and donor governments to increase efforts to combat illegal logging as well as the associated trade and corruption in the forest sector in the Europe and North Asia Region.

The following governments will participate in the ENA FLEG International Steering Committee: Bulgaria, Canada, China, Finland, Germany, Italy, Japan, Kazakhstan, Poland, Russian Federation, Sweden, Turkey, United Kingdom, and United States, as well as the European Commission and the World Bank. The Ministry of Natural Resources of the Russian Federation and the World Bank serve as the Secretariat of the ENA FLEG process.

The World Business Council for Sustainable Development (WBCSD) and the International Council of Forest and Paper Associations (ICFPA) have developed a joint position paper to ENA FLEG Ministerial Conference. The paper calls on governments to prioritize efforts to prevent illegal logging and to use existing legislation and deploy enforcement agencies to address criminal action. It also emphasizes that policy responses should not create perverse incentives by raising the costs of “legal” forest products, which could make illegal logging and illegal forest products trade more profitable and undermine the competitiveness of legal forest products relative to non-wood products like steel and plastic.

## **2.4.2 EFI impacts study**

The European Forestry Institute (EFI) recently published a research paper entitled “Impacts of a reduction of illegal logging in European Russia on the EU and European Russia forest sector and trade”. The paper examines the potential impacts of implementing trade controls, such as the licensing scheme proposed in the EU FLEGT Action Plan, aimed at preventing trade in illegally logged timber between North-Western Russia.

The analysis suggests that 10% to 15% (as a percentage of total consumption) of the timber consumed in or exported from the European region of Russia is “of unknown origin” (i.e. may comprise illegal timber). In volume terms, each year between 4.8 million m<sup>3</sup> and 7.1 million m<sup>3</sup> of wood consumed in or exported from the region is “of unknown origin”. The last amount is roughly equivalent to around 25% of all wood exported from the region (including roundwood and sawnwood).

The report indicates that current official requirements do not constitute a major obstacle for export of wood from unknown sources. License documents are not routinely verified for their authenticity.

The report also provides estimates of the financial costs of illegal operations in the region. The analysis assumes a current price for wood sold “at the mill” of US\$30/m<sup>3</sup> and a stumpage fee of US\$1.5/m<sup>3</sup> (as an average across all species and grades). On this basis, direct losses of gross-income to the government from unpaid stumpage fees amounts to US\$7.6 million per annum. However the report suggests that the depression of market prices and loss of market share as a result of illegal logging leads to more significant losses to legal operators in region, perhaps as high as US\$275 million/year.

## **3. National Procurement Policies**

### **3.1 United Kingdom**

#### **3.1.1 Central Point of Expertise on Timber**

The UK Government’s Central Point of Expertise on Timber (CPET), led by ProForest, has now completed “phase one”, the assessment of 5 leading forest certifications schemes. After all the wrangling, the outcome is essentially to endorse 4 schemes (FSC, PEFC, SFI and CSA) as “legal and sustainable”, and one scheme as “legal” (MTCC). CPET has now moved on to “phase two”, which involves provision of procurement advice to central and local authorities, and focusing on overall implementation of the policy. CPET has launched a website at <http://www.proforest.net/cpet>

CPET will also continue to assess schemes as the need arises, and will monitor the activities of those schemes already recognised to ensure continuing conformance with UK government criteria. Another major role of CPET is to provide guidance on alternative evidence to certification (so called “Category B” evidence). CPET has stated that it is currently developing a methodology for assessing Category B evidence. At present CPET is not soliciting comments from wood suppliers on this methodology, but a consultation process may be initiated early in 2006.

#### **3.1.2 Market impact of UK government procurement policy**

The UK government commissioned research from Forest Industries Intelligence Limited to assess the wood market impacts of the new government procurement policy. The research takes the form of regular 6 monthly assessments of market demand and price premiums for “verified legal and sustainable” and “verified legal” timber, as defined in UK government procurement policy (i.e. currently including FSC, PEFC, SFI, CSA, and MTCC certified products). Market assessments are based on interviews with a wide range of participants in the UK wood market.

The latest report from the research project concludes that there are sure signs that central government procurement policy is having an increasing impact in the UK. UK trade contacts note increasing difficulty supplying non-verified products into this sector, and several instances where

significant premiums have been achieved for verified legal and sustainable products.

On the other hand, UK demand for verified products continues to be undermined by the failure of central government to implement truly effective systems of implementation and monitoring, and to ensure extension of consistent policies at local authority level and in the private sector. To some extent, this market is also being undermined by continuing uncertainty over the status of certification schemes other than FSC (notably the PEFC) and of “legally verified” timber (notably from Africa).

Another problem identified in the study is the relative small size of the UK hardwood market, implying limited influence with shippers, combined with lack of equivalent and consistent demand for verified legal and sustainable timber in other hardwood importing countries.

Internal operational factors are identified as a key driver of UK demand for verified wood products, particularly the costs of carrying stocks bearing different combinations of forest certificates and CE Marks. These concerns mean that where verified products are readily available under a single certification scheme, importers have a big incentive to shift over to 100% verified material and are often willing to pay a premium to achieve this policy goal. On the other hand, where verified material is not readily available, or only under a confusing array of labels, importers have a big incentive to stock no verified material, or only the minimum necessary to satisfy occasional public sector orders.

These operational concerns are strongly reflected in the UK importing sector. The sector may be readily divided into “leaders” and “followers” on the basis of their approach to environmental timber procurement. The leaders are mainly larger importers that have made a decision to switch their entire stock holding to products carrying forest certificates and other quality standards (such as CE Marks). To achieve this, they have invested heavily to develop partnerships with suppliers capable of delivering verified product. They are also demonstrating a willingness to pay a premium in the short term to recompense their suppliers for their investment. They are actively looking for projects favouring verified material and are trying to raise awareness of forest certification amongst end users.

On the other hand, many other mainly smaller UK importers are “followers” and have yet to make a significant shift to verified products. They are unlikely to do so until their suppliers are able to consistently supply products bearing forest certificates and they see much clearer evidence of broad market demand.

The study showed that significant changes are underway in the supply of verified sawn softwood products, with signs of improved availability of FSC-certified joinery redwood from Russia. Unlike their Nordic counterparts, Russian suppliers are seeking (and achieving) a small (2%-3%) premium in the UK.

Meanwhile supplies of “legally verified” African hardwood sawn lumber are just becoming available. Contacts suggest that the premiums currently accepted by the broad UK trade (no more than around 2%) are insufficient incentive to encourage widespread uptake in African supply countries. On the other hand, some of the larger more forward thinking and well capitalised African shippers are developing legally verified products as a means of protecting long term market share with little expectation of achieving a price premium.

The study noted that obtaining adequate supplies of all Brazilian hardwoods, irrespective of certification status, has been difficult this year. Some Brazilian species may be obtained FSC certified, but supplies are generally erratic and high price premiums (sometimes over 30%) are being demanded. These premiums are only occasionally achieved under exceptional circumstances, mainly in public sector projects.

The study indicated that increasing volumes of FSC certified meranti sawn lumber were being offered to the UK market in mid 2005. These products are sawn in Peninsular Malaysia from logs derived from the Deramakot Reserve in Sabah. Shippers were seeking a 20% premium for this product, but in practice were able to achieve no more than 8%.

MTCC certified meranti sawn lumber is regularly achieving a 2%-3% premium in the UK market. Opportunities to achieve higher premiums have been limited by restricted demand and lack of full endorsement of MTCC by the UK government's Central Point of Expertise on Timber (CPET) as an assurance of "legal and sustainable".

### **3.1.3 TTF Responsible Procurement Policy**

The UK Timber Trade Federation has continued to promote a Responsible Procurement Policy during 2005. The Policy is currently voluntary and has been signed by a relatively small proportion of TTF members, mainly in the softwood sector. However there is talk of making commitment to the Policy mandatory for the TTF membership.

A key component of the RPP is the requirement for importers to undertake a risk assessment of their suppliers, so that efforts to improve the procurement practices focus on those suppliers with the highest environmental risk ratings. The TTF offers support through provision of an on-line supplier risk assessment tool. This is essentially an on-line questionnaire requesting environmental information from suppliers. The idea is that suppliers need only enter their information once, and this information can be made available to a wide range of UK buyers. The system also ensures that all information provided by suppliers is independently assessed. Suppliers also have complete control over how the information may be used. Each supplier provides their own customers with a password to allow access to their company information.

The RPP is currently voluntary but might well become mandatory to all TTF members. TTF intends to license out the RPP system to other timber importing countries. The new online risk assessment tool is already open to non-TTF members and primarily aims for facilitating exchange of environmental information.

## **3.2 Germany**

Confusion continues to surround the nature and status of Federal government timber procurement policy. Some Government officials in Germany continue to report that by the end of 2006, all tropical timber used in Federal Government contracts must be certified either to FSC or equivalent certification schemes. There is even some suggestion that this policy may apply to both temperate and tropical timber. The situation is further complicated by a proposed Ancient Forest Protection Law that would place new obligations on German importers to provide guarantees of the legality of traded wood products. But both these policies date back to commitments made by the previous SDP-Green coalition government and have been heavily criticised both by domestic industry and the import trade ever since. The German wood trade association, BD Holz has stated that it will do everything it can to prevent these regulations being implemented. It remains to be seen if the policy of the new coalition government will be any different.

While the public procurement policy remains uncertain, just the threat of these new regulations has been enough to encourage more action by the private sector. BD-Holz has drawn up a draft Code of Practice on timber procurement that is currently awaiting approval.

## **3.3 France**

The French timber trade association Le Commerce du Bois (LCB) is implementing a procurement policy, based on supplier assessments, risk ratings, and a "star system" indicating performance of the participating members. The "Charter for Responsible Buying and Selling of Timber" is due to be published end November and will be compulsory for all LCB members from 2008 onwards. Four large ENGOs including WWF, Greenpeace, Friends of the Earth and one national ENGO, have been consulted during the development process of the policy. To assist its members in responsible purchasing, Le Commerce du Bois is also developing a database outlining the national regulations, export documentation and NGO concerns of producer countries.

The Charter is responding to and closely aligned with the French public procurement policy,

requiring verified legal timber as a minimum specification for all timber products. The policy aims to ensure that 100% of timber sold to central Government entities by 2010 is certified to one of the major certification schemes including SFI, CSA, FSC, PEFC, Certflor Brazil, or LEI Indonesia.

### **3.4 Spain**

The Spanish government is currently discussing a new Forestry Act which contains the following provisions with regard to timber procurement:

*"In their public contract specification, public authorities adopt appropriate measures to avoid the purchasing of timber and timber products deriving from illegal logging in third countries and will favour the acquisition of products deriving from certified forests. Administrations will encourage civil society to responsibly consume timber products and will carry out supporting public campaigns.... In case where no such measures exist, an administrative authorisation for the acquisition [of timber products] is required prior to delivery."*

No further central government control over timber procurement is expected. The central government is divided into 20 Ministries, each with autonomous procurement guidelines. There are also 17 regional administrations (Departamentos) and 8000 Municipalities (Municipios) which have no obligation to follow central government procurement rules. Some Municipalities, e.g. Barcelona and Valencia, are already requiring that timber must be FSC certified.

Spanish private sector efforts to impose environmental timber procurement requirements are intensifying. In March 2005, The Spanish Importers Association (AEIM) introduced a new Code of Conduct for their members with the following provisions:

*"1. Associated importers are committed to evaluate their suppliers through careful verification of the origin of timber. Suppliers should be under contractual obligation to ensure the exclusion of timber deriving from illegal forest operations.  
2. Associated importers regard implementation of certification as an effective mechanism to communicate the sustainable use of forest resources."*

*"Associated agents representing exporting companies are committed to:*

*1. The exporting country disposes over legislation clearly outlining species and quantities permitted to be extracted from the forests, and if such legislation does not exist, to insist on the adoption of such legislation as soon as possible.  
2. That the extracting company has a management plan in place, a valid concession and harvesting license, and valid permit for production, transport and exportation.  
3. The associated agents will inform their related producer companies that the Spanish importing companies value positively the existence of, or the moving towards, certification of sustainable forest management issued by an independent third party and/or of the Chain of Custody."*

### **3.5 Italy**

Reports from Italy indicate that actions to develop both public sector and private sector wood procurement policies are still in their early stages. The Italian government has not been a proactive contributor to the development of the FLEGT Action Plan, while industry has raised concerns over the approach adopted, highlighting the difficulties of enforcement, the technical problems of implementing a licensing scheme, and lack of political will.

### **3.6 Belgium**

In response to pressure from NGOs and the public in relation to illegal logging and sustainable forest management, the Federal Government of Belgium has initiated a green procurement policy. To date, the two regional Governments of Belgium have been supporting different forest certification schemes, the Government of the more urban Flemish region has been a strong advocate of the FSC, while the government of the more rural Walloon region has been an equally firm advocate of PEFC. Nonetheless, FSC has been getting the upper hand at local government

level. Over 70% of Belgian municipalities have signed an agreement that obligates the use of FSC certified wood in municipal building projects where possible and available.

In an effort to agree a shared set of rules, the Federal Government of Belgium has set up an Expert Commission to assess which schemes are able to satisfy the country's needs. To date the group has approved only FSC and PEFC Belgium. Prior to accepting other PEFC schemes, the Expert Commission is seeking further assurances that they can deliver "social" sustainability. The Expert Commission consists of the major trade associations including the Belgian Timber Trade Federation, FEBO, UCBD and the Consumer Federation, and a number of NGOs including Greenpeace and WWF.

### **3.7 Netherlands**

Drawing on the EU handbook "Buying Green" a procurement proposal requires public institutions to specify verifiably legal timber as a minimum contract requirement, and to procure "sustainable" timber wherever possible. In the Netherlands, negotiations on a revision of the Government's definition of sustainable forest management are still ongoing. However, by end November, the Dutch Government intends to release a final draft of a National Assessment Guideline outlining Criteria & Indicators for acceptable SFM standards that satisfy the Dutch procurement policy. The process to develop the National Assessment Guideline, known as the BRL, has aimed to be a broad consensus-building process designed to accommodate the views of industry, government, NGOs and consumers. Unlike the UK process, NRL aims to address social criteria alongside environmental and economic criteria.

In an effort to ensure balanced participation, the Central College of Experts responsible for developing the Assessment Guidelines, is constituted of 3 industry (forestry, end-user and trade sector) and 3 NGO representatives (forestry, social and environment). NGOs keen to promote an FSC only agenda have been unhappy with this arrangement. They have suggested that the expert college should consist of one representative each from industry, environment and the social sector, similar to the FSC structure. The NGO lobby has many strong supporters within the Dutch Government, but the State Secretary supports a decision that gives room for alternatives to FSC. The Ministry of Environment is striving for a final decision by the end of this year.

The BRL process is expected to involve assessment of certification schemes by a "Verification Board" against the BRL criteria. Unlike the UK process, international frameworks like PEFC and FSC will not be endorsed as a whole. Instead there will be assessment of the specific standards and procedures used at national or regional level.

An open question for Government and on-going point of conflict between NGOs and industry, is a potential future role for the existing Keurhout certification assessment system. Keurhout consists of an independent Board of Experts, funded by the Dutch timber trade federation VVNH, which is similarly assessing national certification schemes against a generic standard for SFM. The Dutch Government originally devised the Keurhout standard and supported the process, but subsequently stepped out due to NGO pressure. Keurhout is recognised by the industry within the Netherlands and is currently working on a logo for verified legal timber.

## **4. Environmental campaigns**

### **4.1 Greenpeace target UK plywood imports from China**

Greenpeace published a new "*Partners in Crime*" report on Chinese plywood imports into the UK and its origin from illegal forest operations in Papua New Guinea (PNG). The report explicitly blames companies including Wolseley Build Centers, the UK's third largest builders merchant, FEPCO, Caledonian Plywood, and Premier Forest Products for fuelling illegal and destructive logging practices in South East Asia. Greenpeace alleges serious human rights abuses by PNG's biggest concessionaire Rimbunan Hijau, responsible for nearly half of all logs exported.

The report refers to the UK TTF's Code of Conduct condemning illegal logging practices and urges

the Timber Trade Federation to expel the members who are known to be trading in illegal timber. In 2001, UK imports of hardwood plywood from China accounted for around 1% of the total; in 2004, they represented just 6% of the hardwood plywood market. In June 2005, hardwood plywood imports from China made up nearly 30% of the UK trade in hardwood plywood and are expected to grow to continue to grow to the end of the year. The UK is the largest European market for Chinese plywood. A point of irony in the campaign is that UK buyers only switched to Chinese plywood faced with bintangor from PNG after introduction of EU tariffs on Chinese hardwood plywood faced with okoume from Gabon.

Greenpeace have also launched an e-card campaign to protest against illegal logging and calling on the EC to introduce more far-reaching legislative measures. Greenpeace specifically criticised the Timber Trade Action Plan (TTAP), the EU private sector initiative on illegal logging.

#### **4.2 Global Witness allege massive illegal log trade between China and Burma**

A new report, launched by Global Witness in October 2005 “A Choice for China – Ending the destruction of Burma’s northern frontier forests”, details new evidence of the massive illicit plunder of Burma’s forests by Chinese logging companies. The report, based largely on investigations carried out in China and Burma during 2004 and 2005, details both the mechanics and scale of logging in Kachin State and the associated illegal cross-border timber trade with China. It also looks at the impact that the logging is having on the livelihoods of forest-dependent communities, and how it is undermining the prospect for future sustainable development in Burma’s northern border areas.

Global Witness claim that in 2004, more than 1 million cubic meters of timber, about 95% of Burma’s total timber exports to China were illegally exported from northern Burma to Yunnan Province. This trade, amounting to a \$250 million loss for the Burmese people, every year, takes place with the full knowledge of the Burmese regime, the government in Beijing and the rest of the international community. Chinese companies, local Chinese authorities, regional Tatmadaw and ethnic ceasefire groups are all directly involved.

The report notes that in 1984 there were four logging companies based in the Chinese border town of Pian Ma. There are now over 100, despite the imposition of a logging ban in Yunnan Province in 1996 and a nationwide Chinese ban in 1998. The rapid expansion of the timber industry in Pian Ma, and many other towns along the China-Burma border, has been largely sustained by logging in Kachin State: a comparatively undeveloped region across the border in Burma.

The report claims that the Chinese authorities intervened to bring an end to armed conflict between ethnic rebel groups in Kachin State and the Burmese military regime primarily in order to facilitate Chinese access to natural resources in the region. The report notes:

*“it is not known for certain what role the Chinese authorities had in the ceasefire agreements between the armed ethnic opposition groups and the military regime in Rangoon. However, a number of Kachin people, spoken to by Global Witness, claim that the Kachin Independence Army/Organisation (KIA/O), for example, was put under pressure by the Chinese to agree a deal. It is interesting to note that although the current phase of logging in Kachin State dates back to around 1987, it did not really take off until after the New Democratic Army (Kachin) (NDA(K)) ceasefire in 1989. China had, by this time, signed an official border trade agreement with Burma in late 1988. Having supported armed ethnic opposition groups in the past, the Chinese government became a major ally of the regime*

*From the outside logging in Kachin State appears chaotic, in part because it is controlled by several groups including SPDC Northern Command Tatmadaw (armed forces) units, the NDA(K), and the KIA/O. Chinese companies and others have taken advantage of the forest management vacuum, and are logging high conservation value forests in northern Burma.”*

In September 2001 the government of the People’s Republic of China made a commitment to strengthen bilateral collaboration to address violations of forest law and forest crime, including illegal logging and associated illegal trade. However, Global Witness claim that since then illegal

imports of timber across the Burma-China border have actually increased by 60%.

Global Witness is calling for the establishment of a working group to facilitate measures to combat illegal logging, to ensure equitable, transparent and sustainable forest management, and to promote long-term development in northern Burma. It is also calling on China and other large timber importing nations to adopt legislation to prohibit the importation and sale of timber, which has been harvested, transported, bought or sold in violation of national laws.

## 5. Events

Note, this section draws on information provided by the International Institute for Sustainable Development (IISD), publishers of the Earth Negotiations Bulletin.

### **The Forest Dialogue ENA FLEG Industry and NGO Preparatory Event:**

The Forest Dialogue (TFD) sponsored a two-day meeting of NGOs and industry representatives on November 2-3, 2005 in St. Petersburg, Russia. The aim of the meeting was to develop a shared understanding between industry and NGOs of some of the underlying issues related to forest governance, illegal logging, associated trade and corruption in the Europe/North Asia region, to develop joint statement (priority issues and recommendations) for consideration by the intergovernmental negotiators at the ENA FLEG Ministerial Conference scheduled for November 22-25 in St. Petersburg and identify post-Ministerial initiatives. Further information on the ENA initiative will be available in future T&E reports.

### **Ministerial Conference on the Protection of the Forests of Europe (MCPFE) Workshop on Combating Illegal Harvesting of Forest products and Related Trade in Europe:**

The MCPFE conducted a workshop on November 3-4, 2005 in Madrid, Spain, with the aims of 1) developing a common understanding of illegal logging in the pan-European region and 2) assessing the different forms and causes of illegal logging in Europe. The workshop presented successful examples of combating enforcement (forest law, licensing, trade measures) or avoiding (adaptation of legislation for small scale use) illegal logging. Directions for further actions to combat illegal harvesting and to outline the coordination in efforts between MCPFE – EU-FLEGT – and ENA FLEG Ministerial Conference were explored. Further information can be found at <http://www.mcpfe.org> Contact: Malgorzata Buszko-Briggs at [m.buszko-briggs@lu-warsaw.pl](mailto:m.buszko-briggs@lu-warsaw.pl). Further information will be provided in future T&E reports.

### **Workshop on Fighting Illegal Logging through Implementation of Anti Money Laundering**

**Laws:** This workshop, scheduled to take place in Jakarta on November 16, 2005, is sponsored by Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK), the Indonesian Financial Intelligence Unit and other related agencies, with financial support from the World Bank. The workshop will bring together participants from a range of agencies (PPATK, Ministry of Forestry, Attorney General's Office, Coordinating Ministry on Political and Security Affairs, National Police and others) to develop an increased understanding of financial aspects of how anti-money laundering laws can help combat illegal logging. Participants will identify opportunities for inter-agency

**Timber Theft Prevention: Technical Experts Meeting:** The World Bank will host a technical meeting of experts on November 22-24 in Cebu, Philippines, to share experiences on how forest land managers can prevent timber theft at the forest management unit (FMU) level. It will draw upon the many examples of relevant concepts and approaches from other industrial and commercial settings, such as manufacturing, warehousing and retailing. The meeting will focus on policies and institutional arrangements which are needed to make theft prevention at the FMU level effective and sustainable, including regulatory requirements for explicit security planning, security training and education for regulators and resource managers, and establishment of "Hot Lines" and other complaint reporting mechanisms. A draft document commissioned by the World Bank will be reviewed at the workshop. Copies of the draft document and further information can be obtained from Bill Magrath, World Bank, at [wmagrath@worldbank.org](mailto:wmagrath@worldbank.org).

**Europe and North Asia Forest Law Enforcement and Governance Ministerial Meeting:** This meeting will convene from 22-25 November 2005, in St. Petersburg, Russian Federation. The meeting will contribute to the initiation of a Forest Law Enforcement and Governance (FLEG)

process for Europe and North Asia (ENA). For more information, contact: Nalin Kishor; tel: +1-202-473-8672; fax: +1-202-522-1142; e-mail: enafleg@worldbank.org; Internet: <http://www.worldbank.org/enafleg>

**Asia-Europe Environment Forum Conference:** This conference will take place from 23-25 November 2005, in Jakarta, Indonesia. This Forum will take as its theme, "1/3 of Our Planet: What Can Asia and Europe Do for Sustainable Development?" The Forum will include a number of special events, such as a Workshop on Planet, People, and Profit: Fostering Sustainable Development and Addressing Climate Change through the Clean Development Mechanism. Other events will focus on the Millennium Development Goals, partnerships, financing and business opportunities, chemicals and waste, and sustainable urban transport. For more information, contact: Asia-Europe Environment Forum Secretariat; tel: +65-6874-9707; fax: +65-6872-1207; e-mail: env@asef.org; Internet: <http://asef.on2web.com/subSite/env/default.asp>

**Customs and Law Enforcement Workshop:** Promoting Cooperation Among Customs Authorities and Other Relevant Agencies in East Asia to Reduce the Trade of Illegal Wood Products: The Government of the Philippines will host a workshop in Cebu on November 28-30 of customs practitioners which aims to promote cooperation among and between customs, law enforcement, and other relevant authorities in the East Asia region to reduce the trade of illegal wood products. A key objective of the workshop is to identify opportunities for enhanced enforcement that builds on national and current bilateral initiatives that also help enhance the East Asia FLEG and the Asia Forest Partnership processes. The workshop is cofunded by DFID, GTZ and the World Bank. Further information can be obtained from Neria Andin, [neria\\_andin2003@yahoo.com](mailto:neria_andin2003@yahoo.com); or HK Chen, [hkchen@pc.jaring.my](mailto:hkchen@pc.jaring.my)

**Conference on frontiers in forest information:** This conference is scheduled to take place from 5-7 December 2005, in Oxford, UK. This conference will examine the key frontiers in four thematic areas: global needs for forest-related information; information access for development; new publishing paradigms; and the impacts of changing technologies. For more information, contact: Roger Mills, Conference Secretary; tel: +44-1865-275080; fax: +44-1865-275095; e-mail: [roger.mills@ouls.ox.ac.uk](mailto:roger.mills@ouls.ox.ac.uk); Internet: <http://www.bodley.ox.ac.uk/users/millsr/isbes/forestry.htm>

**4<sup>th</sup> FSC General Assembly:** to be held 7-9 December 2005 in Manaus Brazil. The General Assembly is for FSC Members to discuss issues and policies relevant to the scheme

**Forthcoming Chatham House International Update:** Chatham House will host its seventh "international update" meeting January 19-20, 2006. The two-day meeting will cover a range of issues including developments with the FLEGT timber licensing scheme, the latest thinking on public procurement policies, recent private sector initiatives, NGO campaigns and a range of research reports. To receive invitations to these events please subscribe to the Chatham House mailing list at [www.illegal-logging.info](http://www.illegal-logging.info). Participation in these events is free but registration is essential. To register please email Gemma Green on [ggreen@chathamhouse.org.uk](mailto:ggreen@chathamhouse.org.uk).

**Indonesia Forest Sector Transparency Initiative:** A preparatory meeting held December 12 2005 followed by a two-day work shop in January 25-26, 2006 is planned to initiate Indonesia's Forest Sector Transparency Initiative. The purpose is to increase awareness about the need for transparency, share experiences on developing forest sector transparency and mechanisms, mobilize a constituency and operational team to support and undertake necessary actions; and deliver on Indonesia's Asia FLEG commitment to transparency. Contact for more information: Mario Bocuccucci, World Bank, at [mbocuccucci@worldbank.org](mailto:mbocuccucci@worldbank.org)

**UN Conference on negotiation of a successor agreement to the ITTA, 1994, Fourth Part:** The Fourth Part of the UN Conference on the Renegotiation of the International Tropical Timber Agreement, 1994 will convene from 16-27 January 2006, in Geneva, Switzerland. Delegates will meet to discuss outstanding issues of scope and finance for the new Agreement. For more information, contact: UNCTAD Secretariat, intergovernmental Affairs and Outreach Service; tel: +41-22-917-5809; fax: +41-22-917-0056; e-mail: [correspondence@unctad.org](mailto:correspondence@unctad.org); Internet: <http://www.unctad.org/Templates/Meeting.asp?intltemID=3323&lang=1>

**The WTO and the Development Agenda: Prospects after Hong Kong:** a large conference hosted by Chatham House, London between 6 -7 February 2006 to review the progress achieved in Hong Kong and discuss the future of the Doha round. Speakers include UK government Ministers, and representatives of international institutions such as the World Bank and European Commission.

**Second Meeting of the EAP-FLEG Task Force and Advisory:** The Philippines Department of Environment and Natural Resources (DENR) is planning to host the second working meeting of the East Asia Pacific (EAP) -FLEG Task Force and Advisory Group in Manila in February 2006. The upcoming meeting will allow DENR to share information and progress, identify and address challenges, and strategically chart the future course for the EAP-FLEG initiative. A tentative agenda focuses on: sharing information on progress made by countries towards the FLEG objectives; promoting forest sector transparency and enforcement; build upon the national dialogue on transparency in Indonesia; and elaborating a strategic framework and action plan. Contact: Mario Bocuccucci, World Bank, at mbocuccucci@worldbank.org

**Sixth UN Forum on Forests (UNFF-6)** – to be held from 13-24 February 2006, at UN headquarters in New York. This meeting will seek to reach conclusion on issues that were unresolved at UNFF-5. For more information, contact: Elisabeth Barsk-Rundquist, UNFF Secretariat; tel: +1-212-963-3262; fax: +1-917-367-3186; e-mail: barsk-rundquist@un.org; Internet: <http://www.un.org/esa/forests>

**15<sup>th</sup> Session of the African Forestry and Wildlife Commission (AFWC):** The 15th Session of the AFWC will convene in Maputo, Mozambique, 29 March-1 April 2006. Participants will attend a special session on the implementation of sustainable forest management in Africa. For more information contact: Pape Djiby Koné; e-mail: pape.kone@fao.org; Internet: <http://www.fao.org/forestry/site/31088/en>

**21<sup>st</sup> Session of the Asia-Pacific Forestry Commission:** The 21st session of the Asia-Pacific Forestry Commission will convene in Dehradun, India, 17-21 April 2006. Participants will attend a special session titled Towards sustainable forest management in the Asia-Pacific. For more information contact: Mr Patrick Durst; e-mail: patrick.durst@fao.org; Internet: <http://www.fao.org/forestry/site/31093/en>

**International Tropical Forest Investment Forum:** This Forum will be held from 25-27 April 2006, in a location to be determined. The Forum will be interactive, with the International Tropical Timber Organization (ITTO), Forest Trends, the Katoomba Group, Grupo Ecologico Sierra Gorda, and four branches of the Mexican Environment Ministry bringing together a wide range of stakeholders that can facilitate, access and operate mechanisms for increased investment in natural forest-based enterprises, including community enterprises. For more information, contact: Paul Vantomme, ITTO Assistant Director for Forest Industry; tel:+81-45-223-1110; fax: +81-45-223-1111; e-mail: vantomme@itto.or.jp; Internet: <http://www.itto.or.jp>

**33<sup>rd</sup> Session of the European Forestry Commission (EFC):** The 33rd session of the EFC will convene in Bratislava, Slovakia, from 23–26 May 2006. For more information contact: Kit Prins; e-mail: christofer.prins@unece.org; Internet: <http://www.fao.org/forestry/site/31096/en>

**International Tropical Timber Council, 40<sup>th</sup> Session:** ITTC-40 and associated sessions of the Committees will convene from 29 May-2 June 2006, in Mérida, Mexico. For more information, contact: Manoel Sobral Filho, ITTO Executive Director; tel:+81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.or.jp; Internet: <http://www.itto.or.jp>

**17<sup>th</sup> Session of the Near East Forestry Commission (NEFC):** The 17th Session of the NEFC will take place in Larnaca, Cyprus, 5–9 June 2006. Participants will attend a special session on implementing sustainable forest management in the Near East. For more information contact: Hassan Osman Abdel Nour; e-mail: hassan.abdelnour@fao.org; internet: <http://www.fao.org/forestry/site/31113/en>

**24<sup>th</sup> Session of the Latin American and Caribbean Forestry Commission (LACFC):** The 24th Session of the LACFC will be held in Santo Domingo, Dominican Republic, from 26–30 June 2006. Participants will attend a special session on implementing SFM in Latin America and the Caribbean. For more information, contact: Carlos Marx R. Carneiro; e-mail: [carlos.carneiro@fao.org](mailto:carlos.carneiro@fao.org); Internet: <http://www.fao.org/forestry/site/31107/en>

**23rd Session of the North American Forestry Commission (NAFC):** The 23rd session of the NAFC will be held in British Columbia, Canada, in October 2006. For more information, contact: Douglas Kneeland; e-mail: [douglas.kneeland@fao.org](mailto:douglas.kneeland@fao.org); Internet: <http://www.fao.org/forestry/site/31118/en>