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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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Overview and commentary

Over recent years there has been a shift in attention of the international forest sector away from an obsession with the technical aspects of forest certification, which seemed to characterise much of the 1990s, in favour of broader concerns, particularly related to unregulated and illegal logging. The debate now seems better balanced, with the focus on a major underlying cause of forest degradation and market distortion, and with certification more widely regarded as just one potential tool amongst many for the promotion of good forestry practice.

This shift partly reflects the “back to basics” strategy of environmental groups like Greenpeace, who have re-oriented campaigns to focus more on illegal logging, particularly in tropical countries. As the supply and demand for certified wood has grown only slowly and sporadically, particularly in tropical countries, there has also been a realisation that independent certification is only ever going to be a partial solution.

At the same time, political processes have played an important role in re-orienting attention on to illegal logging. The G8 Forest Action Plan agreed in 1998 made specific reference to problems caused by illegal logging and led on to the Forest Law Enforcement and Governance (FLEG) process kick-started in Bali in September last year. The FLEG process has already been instrumental in encouraging Indonesia, a country where illegal logging has been endemic, to enter into co-operative agreements to tackle the problem with major trading partners. The first agreement signed with the U.K. government in April 2002 has been followed by agreements with China and Malaysia during the summer months.

The focus on illegal logging has encouraged much greater interest in the development of systems to independently verify compliance with forestry laws, rather than certification to full sustainability which is often seen as unrealistic. Independent legal verification forms the cornerstone of the draft joint action plan agreed between the UK and Indonesian governments in the summer. Public sector timber procurement practice has also become, quite suddenly, a significant political issue in the EU and other major timber importing countries.

Another significant development over the summer months was the news that Russia, by far the world's largest forested nation in terms of area, was to focus high level political attention on the problem of illegal logging. Startling NGO reports of large scale illegal logging in Russia, particularly in the Far East, were confirmed by government officials at a meeting of the presidium of the State Council and Russian government in June. Figures released at that meeting indicate that annual 'grey' timber exports from Russia amount to almost \$3 billion – compared to about \$4 billion of legal exports.

Raised political concern over the impact of illegal logging is reflected in the two major forest initiatives launched at the World Summit for Sustainable Development (WSSD) in Johannesburg in September. The U.S. government, with public and private partners, announced the Congo Basin Forest Partnership, while the Japanese government launched the Asia Forest Partnership.

Another potentially significant development at the WSSD was the announcement by Canada and Russia that they both intended to ratify the Kyoto Protocol on climate change before the end of the year. If they do so, the Protocol would have sufficient support to become operational, opening the door to an international carbon credit trading system and tying most developed countries, with the notable exceptions of the U.S. and Australia, to emissions reduction targets.

Contents

1. Forest Certification Developments
 - 1.1 Pan European Forest Certification Scheme
 - 1.1.1 Progress
 - 1.1.2 PEFC Statement to the WSSD
 - 1.1.3 PEFC Review
 - 1.2 Forest Stewardship Council
 - 1.2.1 FSC certified forest area
 - 1.2.2 FSC market developments
 - 1.3 UNECE annual review of forest certification progress

2. International Arrangements and institutions
 - 2.1 WSSD Forest Initiatives: Congo Basin Initiative; Asia Forest Partnership
 - 2.2 Kyoto Protocol brought a step closer
 - 2.3 World Bank review of forest strategy
 - 2.4 Global forest and paper council formed

3. National regulations and initiatives
 - 3.1 Indonesian actions to curb illegal logging
 - 3.2 Growing political pressure on U.K. timber industry
 - 3.3 Russia
 - 3.3.1 Russian government focuses on forest sector
 - 3.3.2 Illegal cedar exports
 - 3.3.3 New protected areas
 - 3.4 China takes steps to tackle domestic illegal logging
 - 3.5 Cambodian illegal logging measures

4. Environmental issues and campaigns
 - 4.1 WWF report assessing the scale of the illegal log trade in the G8 and China
 - 4.2 WWF report on illegal timber trade between Russia and Japan

5. Meetings
 - 5.1 Future meetings in Europe
 - 5.2 Future meetings outside Europe

- ANNEX:
 - PEFC Certificates

1 Forest certification developments

1.1 Pan European Forest Certification Scheme (PEFC)

1.1.1 Progress

Forest management certification

The total area of PEFC certified forest land stands at 43.22 million certificates, the area increasing only slightly during the summer months following the issue of the first certificates in Spain and a few additional certificates in France, Latvia and Switzerland.

A breakdown of PEFC forest management certificates by country and type of certificate (table 1 – page 19) highlights the huge dominance of Finland which accounts for around half total PEFC certified area.

It also demonstrates the great reliance of the PEFC scheme on so-called regional certification, defined by PEFC as “*certification of an area in a region, with a given geographical delimitation, in which the owners undertake actively and voluntarily to comply with the standards.*” Around two thirds of PEFC certified forest area is of this type. Reliance on regional certification has been a main point of contention between PEFC and NGOs who have suggested it does not provide sufficient assurance that all owners are in fact in compliance with certification standards.

Chain of custody certification and logo usage

PEFC schemes have so far issued 146 chain of custody certificates. The numbers are still small compared to FSC (which at last count in May 2002 had issued 2014) and imply that PEFC has yet to make a significant impact on the market.

An analysis of logo usage licenses issued by PEFC (table 2 – page 19) tends to confirm the lack of market progress. So far around 3610 logo usage licenses have been issued, with the vast majority (3470) issued to forest owners, mainly in Germany. Only 123 logo usage licenses have been issued to trade and industry companies.

1.1.2 Statement by the Pan European Forest Certification Council to the WSSD

The PEFC Council issued a statement in advance of the World Summit on Sustainable Development designed to steer western governments away from public procurement policies favouring FSC.

In the statement, the PEFC Council emphasises the importance of existing government processes (Pan European, Montreal, ITTO) in defining sustainable forestry, establishing effective legal frameworks for forestry, and providing a launching pad for forest certification. The Council argues for mutual recognition of national forest certification schemes developed in line with these government processes.

The Council criticises pressure groups that are pushing the “*Forest Stewardship Council (FSC) scheme along with its principles and criteria developed outside the intergovernmental processes, as the only benchmark to ensure legality.*” The Council suggests that: “*What in effect these same pressure groups are demanding from the 149 countries involved in the 9 intergovernmental processes which grew out of Rio, covering 85% of the world’s forests, is to effectively abandon the work they have been doing for the last 10 years and to accept point blank a private organization’s own principles and criteria, developed outside the intergovernmental processes for SFM, as the international benchmark.*”

While encouraging national governments to recognise credible forest certification schemes in procurement policies, the PEFC Council is highly critical of the use of the phrase “*FSC or*

equivalent” in these policies. This phrase implies that “FSC is the best, of which there is no proof, and thereby the ‘sine qua non’ judge for all systems and criteria and indicators, a position, which surely must be unacceptable for all sovereign governments....It places a non-governmental process over and above all the other intergovernmental processes supported by 149 countries. The statement implies that certification schemes or other mechanisms developed to these intergovernmental processes are not good enough for the government....It implies that Governments cannot be trusted, or don’t trust themselves to develop criteria and indicators for SFM through their regional intergovernmental political processes since FSC is the benchmark.”

The Council concludes “Governments should not inadvertently undermine their own political processes by making references to any one scheme in their procurement policies.”

1.1.3 PEFC Review

A detailed independent review of the PEFC has been published on the PEFC website (www.pefc.org). The review was commissioned by the PEFC Council from the Finnish consultancy firm Indufor Oy to identify areas where improvements may be needed. In the introduction it is noted that “*PEFC has constantly been under attack by ENGOs supporting the competitor FSC scheme. The criticism is aimed at trying to undermine and discredit PEFC as a credible forest certification system. Part of the criticism is probably valid and needs to be addressed; part is related to the fundamental features of PEFC distinguishing it from other forest certification systems and need no changes.*”

The review has important implications for U.S. certification schemes that are members of PEFC and that may wish to seek PEFC endorsement in the future. At the same time, the review notes the ongoing efforts underway to establish a set of requirements for mutual recognition of “credible” certification systems at international level, for example through the International Forest Industry Roundtable in which AF&PA is playing a leading role. The review emphasises the importance of PEFC considering these requirements during the further development of the scheme.

The review includes a long list of recommendations designed to tighten up the whole PEFC process and broaden its application. These include:

- PEFC should allow endorsement of applicant certification schemes outside Europe based on assessment against existing international Criteria and Indicators of sustainable forest management relevant to the specific region (e.g. Montreal, ITTO) and their operational level guidelines.
- PEFC should review the need and potential benefits of a common PEFC chain-of-custody standard. At present PEFC defines only broad principles of chain-of-custody verification, leaving detailed development of standards to national certification schemes. The review notes that “*a PEFC chain-of-custody standard would harmonise the verifications in various countries but, on the other hand, it would decrease possibilities to fully adapt the verification to national circumstances.*”
- PEFC should actively encourage and promote the definition of international and national standards for chain-of-custody.
- PEFC should further explore possibilities for mutual recognition of chain-of-custody certification with other certification schemes.
- PEFC should keep under review the policies and decisions of non-PEFC schemes (e.g. Keurhout, FSC) to recognise other forest management certificates and to make sure that PEFC is considered by such schemes in their eventual recognition arrangements.

- Efforts should be made to improve the limited resources of the PEFCC Secretariat. The review proposes the establishment of an Expert Panel to provide expertise on an ad hoc basis, particularly on public relations and to monitor national certification schemes and labelling.
- National Governing Bodies of forest certification schemes should report annually to PEFCC according to a set of guidelines provided by PEFCC.
- Requirements for regional certification should be clarified and tightened up.
- PEFCC should develop its requirements for accreditation further. At present PEFCC does not specify what types of accreditations made by national accreditation bodies may be approved (e.g., accreditations to product, management system certifications, inspections etc.). The Review recommended that PEFCC requires specific accreditation to forest certification under an international accreditation standard.
- PEFCC should provide more guidance to independent consultants for the assessment of certification schemes during the endorsement process.
- PEFCC should revise the document structure. At present it is unclear, overlapping, and fails to clearly distinguish between normative standards and informative guidelines.
- PEFCC should be supported by a well-planned advertising campaign directed to buyers and the wider public.

The Review is to be a central theme of discussion at the PEFCC General Assembly in November.

1.2 Forest Stewardship Council (FSC)

1.2.1 FSC certified forest area

Overall FSC certified forest area increased only slightly over the summer months from 28.83 million hectares to 29.06 million hectares. The most significant changes in area were:

- The issue of four new certificates in the United States increasing the total area of U.S. FSC certified forest by 0.25 million hectares to 3.76 million hectares.
- The issue of a fourth FSC forest certificate in Croatia to a 130,000 hectare tract of state owned hardwood forest, increasing FSC certified area in the country to 370,000 hectares.
- The eleventh FSC certificate in Canada issued, covering 87,000 hectares of forest and increasing Canada's total FSC certified area to over 1 million hectares.
- The issue of three certificates in New Zealand covering 82,000 hectares, increasing the total area of FSC certified forest in New Zealand to 610,000 hectares.
- The renewal of an FSC certificate for 47,000 hectares of private plantation in Zimbabwe (which lapsed in the spring).

Smaller areas certified during the summer include: Brazil (38,000 has), Germany (36,000 has), Romania (32,000 has), Malaysia (22,000 has), Mexico (21,000 has), Costa Rica (17,000 has), and Uruguay (13,000 has).

The area of FSC certified forest in Poland declined by 420,000 hectares during the summer, bringing the total for that country down to 3.59 million hectares.

1.2.2 FSC Market Developments

After a busy first half of the year, FSC and associated World Wildlife Fund (WWF) publicity activity has been relatively muted in Europe during the summer months. There have been only a few reports of new FSC developments.

A Belgian timber agency, Saelens Trading, has announced it can now offer FSC certified timber from tropical forests in Mato Grosso in Brazil. The intention is to ship the wood through the Belgian port of Antwerp and to sell it to members of WWF Buyers Groups in France, the Netherlands, Denmark, Sweden, Germany and the UK. Saelens trading is working in partnership with the Brazilian logging and sawmill company Maracaí Florestal e Industrial Ltd which has certified 8000 hectares of forest in Mato Grosso. The initiative is reported to have been "*welcomed by the Belgian Federal Environment Minister Magda Aelvoet*" who suggested it "*could show the global power of the consumer*". The Minister went on to suggest that "*by choosing to buy FSC labelled timber here, we are making a real contribution to the protection of these forests*".

The Tropical Forest Trust (TFT), supported mainly by European furniture manufacturers that are encouraging the development of forest certification in South East Asia, announced that "*the first natural forest in mainland Asia*" has been awarded an FSC certificate. The certificate has been issued to the 10,000 hectare Perak Integrated Timber Complex (PITC) which has worked closely with TFT to achieve FSC certification. An FSC chain of custody certification system has also been implemented. TFT are now working to extend FSC certification to other parts of South East Asia. They are already active in Indonesia and will soon commence project activities in Vietnam. In addition, TFT has formed a new group – TFT Teak – which aims to assist companies trading in teak furniture to secure reliable and legal supplies of teak from forests managed to FSC standards.

On the occasion of the International Trade Fair for Sports Goods, Camping Equipment and Garden Furniture in Switzerland in early September, WWF issued a press release suggesting that "*international trade in tropical garden furniture is directly contributing to the destruction of the most bio-diverse places in the world*". The press release notes that FSC certified tropical garden furniture may be seen at the show and advocates that consumers should prefer FSC-certified timber. The WWF Global Forest and Trade Network are to hold a seminar at the show about the current status of supply of FSC-certified raw material to the garden furniture industry. The release suggests that the FSC is "*currently the only credible timber certification scheme*" and is dismissive of other schemes suggesting that "*there is a danger that companies misunderstand the reality of the claims of other certification systems regarding their environmental and social performance. Companies who really care about sustainability and making a difference on the ground should choose FSC as their timber certification system.*"

1.3. UNECE Review of forest certification markets

The UN Timber Committee has published its annual review of forest certification markets. The paper by Dr Ewald Rametsteiner of the University of Vienna considers certified wood products supply and demand in Europe, North America and the Russian Federation. Drawing on information provided by about 45 country contacts across the region, the report concludes that:

- The area of certified forests in the world has grown considerably over the last 12 months, reaching around 124 million hectares by mid 2002, mainly driven by the Pan European Forest Certification (PEFC) and the Sustainable Forestry Initiative in the United States.
- The potential supply of certified forest products (CFPs) has grown in parallel with area certified and now is estimated at 234 million m³ annually worldwide.

- Only a small proportion of the wood supplied from certified forests is actually traded as labelled product owing to a lack of chain of custody certificates and low customer and consumer awareness and demand.
- However FSC-certified CFPs are today available across a large range of forest products in the more advanced markets, and PEFC certified CFPs are slowly becoming more visible.
- Public procurement is an important driver of demand in several key importing countries - including the United Kingdom, the Netherlands and Germany - and is expected to remain so owing to the illegal logging issue.
- The Certified product market continues to grow exponentially and this strong growth is expected to continue across a wide range of product categories, including paper.

Consultants comment

While the UN report contains much useful information and perceptive comment, this last conclusion that markets for certified products are “growing exponentially” seems to contradict the evidence for market demand actually provided in the report.

The report notes that CFPs are available in about 20 countries in the UNECE region (which includes Europe, North America and the CIS) and that market demand for CFPs continues to be mainly identified in western Europe. It also notes that “*information on the share of certified wood in major import markets is often based on rough estimates*”. Even these rough estimates seem to suggest that market growth has been slow and inconsistent and that demand is tenuous.

Within Europe, the report notes “*strongest demand for CFPs seems be in the United Kingdom*”, where it is estimated (crudely) that 10% of the total volume of wood consumption and around 1% of paper consumption comprises CFPs. In the Netherlands, one of the few countries with more reliable data, it is noted that the share of CFPs in total wood supply is currently estimated to be around 7% or about 620,000 m³ (FSC and Keurhout authorized wood), up from perhaps 5 to 6% in the previous year. In Germany the share, estimated in 2001 to be less than 1%, is still low but reported to be growing. Consumption in Denmark is estimated at 500,000 m³; and in Switzerland at 400,000 m³, or 5 to 10% of total roundwood supply. Other countries, such as Belgium, indicate a rough estimation of up to a maximum of 5%. Little or no interest in the final consumption of CFPs is apparent in the southern parts of Europe, in most eastern European countries and Russia.

A more realistic summary of market demand is perhaps provided in another of the concluding paragraphs of the report, when it is suggested that forest certification and wood products labelling is gradually becoming more important for business to business communication. Intermediaries supplying large retailers or producers of final products are increasingly being asked to document their sourcing of wood raw material from certified forests. However, there is still little interest from final consumers and individual logos have low recognition value.

2. International Agreements and Institutions

2.1 WSSD Forest Initiatives

Two major forestry initiatives are to be announced at the World Summit for Sustainable Development (WSSD) in Johannesburg during September. The U.S. government, with public and private partners, is announcing the Congo Basin Forest Partnership, while the Japanese government is launching the Asia Forest Partnership.

Congo Basin Forest Partnership

The goal of the Congo Basin Forest Partnership is to promote economic development, poverty alleviation, improved governance, and natural resource conservation in the region. This will be achieved through support for a network of national parks and protected areas, well-managed forestry concessions, and assistance to forest-dependent communities. It covers six Central African countries: Cameroon, Central African Republic, Democratic Republic of the Congo, Equatorial Guinea, Gabon, and Republic of Congo.

The United States proposes to invest up to \$53 million over four years (2002-2005), including a \$36 million increase for Central African Regional Program for the Environment (CARPE). International environmental organizations have also indicated a desire to significantly increase the resources that they are already devoting to forest conservation and wildlife protection in the Congo Basin. Additional funding will come from G8 nations, the EU, and the private sector.

Partners in the project include the governments of the Congo Basin: Cameroon, Central African Republic, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Republic of Congo; The governments of the United States, the United Kingdom, Japan, Germany, France, and South Africa; European Commission; U.S. and international business, including the American Forest and Paper Association and the Association Technique Internationale des Bois Tropicaux-ATIBT; international organizations, including the World Bank and the International Tropical Timber Organization; and NGOs, including Conservation International, Wildlife Conservation Society, World Wildlife Fund, World Resources Institute, Forest Trends, and the Society of American Foresters.

Asia Forest Partnership

Backing up its recent pronouncements of increased efforts to tackle illegal logging in wood supplying countries, the Japanese government is launching the "Asia Forest Partnership". A Preparatory Meeting on the Partnership was held on 31 July 2002 in Tokyo attended by representatives from 17 countries from Asia, Europe and North America; 10 international organizations and NGOs.

A draft text on the partnership was prepared at the meeting outlining the major objective "*to promote Sustainable Forest Management in Asia taking into consideration multiple benefits which forests provide to human society by addressing the following urgent issues: good governance and forest law enforcement; developing capacity for effective forest management; control of illegal logging; control of forest fire; and rehabilitation and reforestation of degraded lands.*"

Parties to this Partnership would agree to cooperate in such areas as the use of satellite data for providing basic information for forest management; promotion of research to tackle forest fire; promotion of reforestation; establishment and implementation of reduced impact logging and guidelines for controlling illegal logging; developing and enhancing log tracking capacity and the introduction of verification systems such as labelling; promotion of effective measures in both importing and exporting countries, to eliminate export and import of illegally harvested timber; and international cooperation and coordination on trade statistics, information exchange on illegal logging and illegal trade; and the study of possible measures related to trade.

The initial duration of the Partnership would be for 5 years. Funding would be derived from "*various possible sources, including ODA and non-governmental financing.*"

2.2 Kyoto Protocol

Implementation of the Kyoto Protocol came close to fruition when both Canada and Russia indicated their intention to ratify the agreement during the opening meetings of the World Summit on Sustainable Development in Johannesburg.

The Kyoto Protocol is an agreement under the United Nations Framework Convention on Climate Change (UNFCCC) whereby developed countries have agreed to reduce their net emissions of greenhouse gases by 5% below 1990 levels. The 1997 Kyoto Protocol can only enter into force and become legally binding after it has been ratified by at least 55 Parties to the Convention, including industrialized countries representing at least 55% of the total 1990 carbon dioxide emissions from this group.

The future of the Protocol was put into serious doubt following President Bush's decision in March 2001 to reject the treaty. However, the Protocol was saved from oblivion at an international meeting in Marrakesh during November 2001 when EU negotiators managed to rally sufficient support from other industrialized countries to keep the initiative alive.

In a surprise announcement at the Johannesburg summit, Canada's Prime Minister Jean Chretien said that parliament will vote on ratifying the Kyoto climate change pact before the end of the year. Meanwhile Russian Deputy Minister for Economic Development and Trade Mukhamed Tsikanov speaking on the sidelines of the Johannesburg meeting noted that "*US non-participation establishes difficulties (for Russian ratification) but Russia is still preparing to ratify the Kyoto Protocol.*"

So far Kyoto has been ratified by 87 countries, accounting for 37.1 per cent of emissions by industrialised countries. The European Union (EU) and Japan have already ratified, while Australia has refused. But if both Canada and Russia ratify, the Protocol will have enough backers to come into legal force.

The impact of the Marakesh agreement on the wood sector is likely to be far-reaching, influencing production costs, the availability of financing for forestry, and the marketing of wood products. For forest industries in developed countries that are signatories to the Kyoto Protocol, there will undoubtedly be extra costs of compliance with new legislation designed to cut emission levels. However, the treaty acknowledges the importance of forests as carbon sinks and legitimises the international trade in carbon credits, which is likely to provide an important new source of finance for plantation establishment. The treaty should also provide marketing advantages for wood in use. An international drive to cut CO₂ emissions should create new opportunities for a product which, compared to non-wood substitutes, requires relatively little energy to produce and is highly energy efficient in use.

2.3 Redraft of World Bank strategy

The process of redrafting the World Bank forest strategy, on-going now for three years, grinds on and appears to be nearing completion. On 10 June 2002, the draft forest sector strategy and policy documents were made publicly available at the World Bank website (www.worldbank.org) and remained open for comment for an eight-week period, which ended on 2 August. The World Bank note that approximately 1400 letters were received during this period, an indication of the level of interest and controversy surrounding the document.

The World Bank's old strategy formulated in the early 1990s was strongly influenced by the idealistic arguments of environmental advocacy groups. It was the subject of fierce criticism due to its abandonment of all support for forestry operations in natural tropical forests. The policy led to the bulk of the World Bank's huge forestry portfolio - around US\$3.7 billion was lent for forest projects during the 1990s - being concentrated in China, India and Eastern Europe. According to the Bank's own analysis it became irrelevant in slowing tropical deforestation and in poverty alleviation for forest-dependent communities in the developing world.

The new draft strategy has taken a more pragmatic line. It recognizes "*the reality that accessible and commercially valuable forests around the world will tend to be utilized for timber production sooner, in all likelihood, rather than later.....the incentives for non-sustainable logging are frequently very strong both for governments and for the private sector. Very often the real choice available is not between doing logging and doing*

something less invasive and damaging to the forest, but between doing logging reasonably well, or doing it very badly and in a destructive manner so that conversion of the logged-over site to other non-forest uses becomes almost inevitable."

The draft strategy therefore opens the door to support for "government efforts to bring about socially, ecologically and economically sound management of production forests." A central plank of the new strategy is that the World will only support forestry operations in production forest that are independently certified.

However this approach continues to be strongly resisted by environmental groups. For example the U.S. groups Sierra Club, Wilderness Society and Defender of Wildlife have said they will not endorse a policy that allowed for any World Bank support of commercial logging activities in tropical forests. Furthermore they oppose the proposal that the Bank becomes engaged in forest certification suggesting that "it would link certification to Bank funding of new commercial logging activities, employ potentially weak standards, and use certification as a 'pseudo-safeguard' policy for forests."

2.4 Global Forest and Paper Council Formed

Forest and paper trade associations in 39 countries have formally established their first global association, the International Council of Forest and Paper Associations (ICFPA), to work together on issues affecting forest and paper producers around the world. The member associations represent industries accounting for 75 percent of the world's paper production and more than 50 percent of the world's wood production. As its first official act, the Council adopted a position statement against illegal logging. "Our industry has traditionally been a close partner with national governments in addressing some of the globe's most pressing problems, such as illegal logging and climate change. With the International Council, we can now bring those efforts together and focus our collective efforts on global action." said Moore, current president and CEO of the American Forest and Paper Association and newly elected president of the ICFPA.

3. National forestry regulation and initiatives

3.1 Indonesian actions to curb illegal logging

Recent reports from the Indonesian Ministry of Forestry indicate that illegal logging activities could account for as much as 60 million cubic metres of logs annually and the annual loss in government revenue of around US\$3 billion. However the Indonesian government is making more concerted efforts to tackle the problem. It has followed up the recent signing of a Memo of Understanding (MoU) with the U.K. government to work co-operatively to address illegal logging, with similar agreements with both the Malaysian and Chinese governments.

Details of the measures being implemented on the ground in Indonesia were revealed in London during August at a series of multi-stakeholder meetings arranged jointly by the U.K. and Indonesian governments.

Since April, Indonesia has undertaken an internal review of the Ministry of Forestry and it has issued 3 draft ministerial decrees to provide a legal framework for independent third party assessment of Indonesian forestry operations. It has also commissioned a study to establish what exactly is legal or illegal in Indonesia – not an easy task in a country where legal rights to control and exploit forest resources are often disputed.

Indonesian officials said initial action in support of the MoUs would focus on the 100 largest wood supplying companies in Indonesia, which together account for around 80% of total commercial production. These companies would be asked to prepare plans for the implementation of independent, third party procedures to demonstrate legal compliance. The Indonesian government is considering setting up a website to provide better information on the performance of logging companies and fines imposed.

Indonesian officials also confirmed that the 2003 harvesting level would be reduced by 6-7 million m³ from that of 2002. The problem of over-capacity within the industry was also to be addressed, and secondary and tertiary products, for example pulp and paper and palm oil would be looked at.

Despite the progress, Indonesian officials noted that there were some significant hurdles to overcome. Indonesian forest companies had been reluctant to make far reaching commitments to systems of independent verification as few believed they would obtain a price premium on their cost of production. They were concerned that international prices for tropical hardwood were too low, not reflecting the true value of the timber, and that they would suffer from loss of market share. However there was growing recognition that there is now global pressure to demonstrate legal sourcing at the point of export.

Indonesia-UK Joint action plan

The meetings in London led to the production of a draft Action Plan under the Indonesian-U.K. MoU. Seven main areas were addressed, with activities, responsibilities and time frames for each. These included:

- identification, by both Governments, of any reform of forest and related legislation and action required to prevent the harvesting, export and trade in illegally logged timber and wood products;
- support by both Governments for the development, testing and implementation of systems of verification of legal compliance based on independently verified chain-of-custody tracking systems, in due course to be applied throughout Indonesia.
- the provision of technical and financial assistance by the UK to support the design and implementation of legal compliance verification and the accompanying legal and administrative reforms;
- support by both Governments for the involvement of civil society in the effort to curb illegal logging and trade and particularly in monitoring the implementation of compliance verification;
- the joint development of systems for the timely collection and exchange of data on timber trade and wood products between the two Governments;
- the joint development of effective collaboration between enforcement agencies and network in the two countries, aiming to provide mutual assistance in the application of Indonesian and UK law.
- encouragement by both Governments for action by industry to reduce and eventually eliminate the volume of illegal timber and wood products transported and sold, including sourcing only timber and wood products identified as legal through the compliance verification systems referred to above, and through other, equally effective, means of identification.

Much of the work will take place within Indonesia, other work will take place within the UK (procurement guidelines, work with the UK private sector) and internationally (EU and G8 in particular). The work in Indonesia will be managed under the existing Multi-stakeholder Forestry Programme (MFP) and an effort will be made to use existing resources and information, for example the Timber Administration System (TUK) currently being used to facilitate revenue collection.

3.2 Political pressure on the U.K. timber industry mounts

According to a report by the UK's Timber Trade Federation (TTF), there is increasing political pressure on the U.K. timber industry to demonstrate that wood derives from legal and sustainable sources.

A major factor has been the development of a new UK government procurement policy, due for final publication in September 2002. The draft policy proposes that wood supplies purchased in the public sector will be categorised into four types: unknown origin; from

known legal sources; from known legal sources progressing to sustainable management; and from legal and sustainably managed sources. Public sector agencies will be encouraged to progressively increase the proportion of wood from legal and sustainably managed sources and to phase out wood from unknown sources.

Government departments will be required to report on their progress in implementing the policy. They will request that contractors provide evidence of the sources of all wood products, including reports from independent verifiers. It is also proposed that an expert panel should be set up by central government to assess environmental claims by wood products suppliers and to monitor developments in forest certification.

The UK's central government is thought to account for around 15% of all wood procurement in the UK, while the total purchased by all public sector agencies, including local authorities, may account for up to 45%.

In addition to the public sector procurement policy, the TTF is co-operating with the UK government in the development of a Forest Industry Sustainability Strategy that includes nationwide targets for the industry to improve environmental procurement practices. The Memo of Understanding with the Indonesian government has also increased pressure on the industry to find practical solutions. Furthermore, some of the largest timber purchasing departments – including the Department of Defence and the National Health Service – have already adopted policies which include far reaching commitments to ensure that wood derives from well managed sources.

A report by BM TRADA on the strength of demand for chain of custody certification in the U.K. confirms that environmental pressure has mounted on U.K. companies this year. Following BM TRADA accreditation by FSC in May 2000, which coincided with endorsement of the UK Woodland Assurance Standard (UKWAS) by the FSC, there was rapid uptake of chain of custody certification by U.K. companies in late 2000. In 2001, demand slowed considerably, partly because some of B&Q's U.K. suppliers lost their contracts to overseas suppliers at that time. Another factor was the rapid emergence of the PEFC which discouraged suppliers from making far reaching commitments to the FSC system.

However during 2002, interest in forest certification has again increased. TRADA believe the single most important factor has been recent Greenpeace campaigns, particularly those relating to the use of sapele from Cameroon in the U.K. government cabinet offices and in Buckingham Palace, which received nationwide publicity.

3.3 Russia

3.3.1 Russian government focuses on forest sector

In an effort to find ways of boosting economic growth and increase government revenue, Russia's highest decision making body - the presidium of the State Council and Russian Government - turned it's attention to the timber industry during June.

According to *Agence France Presse*, Russian Prime Minister Mikhail Kasyanov told ministerial colleagues that timber remained one of the most untapped resources of the Russian economy and ordered his government to take action to increase returns from the industry.

"What is more plentiful in our country, oil or timber," Kasyanov remarked. "The answer is clear, forests are a renewable resource. We have the largest forest supplies in the world," he said; "Yet we are only harvesting 15% of the timber that we need, and there is no (economic) stimulus in place for improving volume." He noted that Russia accounts for only 3% of the international timber market although nearly a quarter of all forests are in their territory.

President Putin added his comments on the state of the Russian timber industry suggesting that *"Russia possesses enormous forestry resources which are can bring stable and*

beneficial revenue to the government." Putin went on to highlight the problems created by unregulated logging, suggesting that commercial management in the forestry sector had yet to reach "civilized" levels and that it was still dependent on "moonlighters." He noted that judging from tax revenues, production in the sector had decreased more than three fold over the past 10 years, however *'it is not necessarily a fact that production has fallen in absolute figures, which makes this fact twice as regrettable.'*

According to the data presented by the working group that prepared the session's materials, annual 'grey' timber exports from Russia amount to almost \$3 billion – compared to about \$4 billion of legal exports. The group commented that Canada with comparable forest resources yields as much as \$26 billion annually from timber exports.

Many Russian politicians believe that the best way to fight illegal logging in the country would be to re-establish the Ministry of Forest Industry, abolished 12 years ago. However, the current government is categorically against the re-creation of the Forest Ministry, as it would contradict existing policy to reduce state bureaucracy and cut the number of civil servants.

Instead emphasis is being placed on measures to prolong tenures for each forest management unit. The aim is to encourage leaseholders to invest in longer term management and to discourage the current focus on short term profit through export. Under the terms of the 2002-2010 program for development of the timber-processing industry, approved by the Russian cabinet in August, the minimum tenure of lease for forest ranges would be increased from the current 1 to 5 years to 49 years. The long term objective is to introduce 80 to 100 year leases.

The 2002-2010 program also called for investment of twenty billion dollars in the Russian timber sector with the aim of quadrupling wood-processing output. Environmental groups have already criticised the plan which they believe will lead to increased extraction in remote forest areas.

3.3.2 Illegal cedar exports

The Taiga Rescue Network (TRN) reports that two hundred timber carriers with unlawfully procured wood have been detained in Russia's Maritime Territory since the beginning of this year by the special Cedar group of the Ministry of Natural Resources. TRN suggest that inspectors have thwarted the smuggling of thousands of cubic metres of ash, cedar and pine out of the country every month. However, owing to powerful international criminal groups that control this activity, law enforcement agencies are in need of assistance from international organisations. TRN reports that in June 2002, there were six instances of illegal harvests identified and 17 timber carriers detained. Eight of these were carrying cedar, harvesting of which is banned.

3.3.3 New protected areas

During August, six areas of forest in the Russian Far East totalling 1.7 million acres were designated protected. These areas are now off-limits to all major industrial activity, with some of the land designated as "areas of traditional use" for the indigenous Evenk peoples. All of the protected areas are located in the vast Amur River watershed in the Russian Far East.

3.4 China moves to stamp out domestic illegal logging

China has issued new regulations designed to tackle problems of illegal logging in the country. A notice on "Rectifying and Regulating the Enterprises of Timber Trade and Processing" has been issued jointly by the State Forestry Administration, the State Economic and Trade Commission, the Ministry of Agriculture and the State Administration of Industry and Commerce. The Notice states that all Chinese enterprises and individuals engaged in the timber trade or in processing are required to cooperate irrespective of location, scale of production, ownership, or the nature of production. Under the terms of the Notice, the Chinese Government will be carrying out checks on the legality of production and trade and

will supervise enterprises with a view to stamping out malpractice. The Notice states that it will close down any industry dealing in illegal timber.

In addition, the Government intends to standardize procedures for the examination and approval of timber trading and processing licenses. During the initial implementation period, new or expanded timber enterprises which annually consume more than 50,000 m³ of logs will be required to seek approval from provincial forestry departments. Approval will not be granted for the establishment of any timber trade or processing enterprise that cannot provide evidence of adequate raw material supply. Timber enterprises intending to use key state-owned forests identified by the State Council, will be required to seek approval from the State Council.

3.5 Cambodia takes steps to tackle illegal logging

In July, Cambodia passed a long-awaited law aimed at cracking down on illegal logging - a key demand of international donors whose loans keep the impoverished country's economy afloat. Under the law, illegal logging is punishable by five to 10 years imprisonment and a maximum fine of more than \$25,000. In June, foreign donors promised Cambodia \$635 million in aid and loans for the coming year, but urged stronger action on a number of key areas including fighting corruption, reforming the judiciary and safeguarding the environment.

4. Environmental issues and campaigns

4.1 WWF Report on the scale of the illegal log trade

In July the WWF published a report - the "Timber footprint of the G8 and China" - seeking to quantify the extent to which the world's largest importing countries rely on illegally sourced wood products. After a lengthy numerical analysis, involving scores of assumptions and drawing on some fairly outdated trade statistics, the WWF claim that illegally sourced wood accounted for 13% of all wood products imports into the G8 and China during 2000 - a roundwood equivalent volume of 53 million m³.

The report claims that on average, 18% of wood consumed in the G8 and China is to fulfil government procurement demands for paper, furniture and building materials used in school, hospitals, and other governmental departments. Drawing on this data, the WWF encouraged governments to implement responsible purchasing policies which support sustainable forest management.

The WWF draws on World Bank estimates that the loss of revenue due to illegal logging costs governments \$5 billion annually, with a further \$10 billion lost to the economy of governments in producing countries.

The report was immediately criticised by the Malaysian Timber Council (MTC). In a letter to hardwoodmarkets.com, the Director of MTC's London office notes that in the WWF report "*Malaysia was quoted to have a 35% illegal logging rate.... As far as we can deduce, the first mention of this figure was in the WWF book Bad Harvest published in 1995. The source quoted for the 35% figure was a paper entitled 'Illegal Tropical Timber Trade – Asia Pacific' (Callister) published in 1992...I am amazed that a figure first calculated in 1992 is still being quoted by WWF in a 2002 report, a time lapse of 10 years.*"

MTC Malaysia go on to quote two other reports prepared by WWF-Malaysia and The World Bank and published in March 2001 which directly contradict the "new" WWF report. MTC note that in the report *Overview of Forest Law Enforcement in Peninsular Malaysia*, it is estimated that the average number of forest crimes in Peninsular Malaysia dropped from 223 for the period 1987-1993 to about 28 for the period 1994-1999. In a separate report *Overview of Forest Law Enforcement in East Malaysia*, it was concluded that "*the level of illegal logging (Sabah and Sarawak) is small (in the order of 1% or less) compared to the legal wood products trade.*"

MTC conclude that *“these reports, sponsored by the World Bank and the WWF, indicate very strongly that the figure of 35% is grossly outdated and inaccurate.....While trying to prove their own point, WWF and other environmental groups also have a responsibility to be fair, impartial, and objective in their findings and conclusions and to reflect the true situation on the ground.”*

4.2 WWF report on illegal trade between Russia and Japan

The World Wildlife Fund (WWF) have released a new report which they claim *“shows that 55 percent of timber exported to Japan from Russia originates from the Russian Far East (RFE), where forestry practices are extremely wasteful, and close to 50 percent of the logging operations thought to be illegal.”*

Furthermore WWF suggest the report *“further highlights that the extent of ecologically and commercially valuable forests in the RFE has decreased on average by 35 percent...This is due to over-harvesting of species of value, and a subsequent significant transformation of pristine forests into second growth forests, which have little or no value.”*

WWF claim in the report that the Russian-Japanese timber trade is plagued with timber smuggling, laundering through fake documents and cut-and-run timber operations. To combat illegal logging and the trade in illegal timber, WWF is working both at the policy level and on the ground. Mobile anti-poaching brigades have been created with the initiative and financial support of WWF to detect and stop the illegal cutting and transportation of timber. More than 10,000 cubic meters have been recovered through on-site and on-road inspection in the past 4 years.

The report calls on the Russian and Japanese governments to enter into a trade agreement which specifies that the timber that Japan imports from Russia derives from legal and sustainable sources. They believe both governments need to strengthen custom controls; develop markets for certified, legal and sustainably harvested wood products; and support wood-buying companies that implement an environmental timber procurement policy. The report claims that nearly all the timber traders between Russia and the Japanese markets fail to have environmentally and socially responsible practices.

5 Meetings

5.1 Future Meetings in Europe

5.1.1 PEFC General Assembly, November 2002. Open to PEFC members and invited guests only. Details still being finalised. This meeting was rescheduled from 31 May so that delegates would be able to discuss the final results of the independent review of PEFC which is currently on-going. The May meeting was replaced by a workshop involving representatives of 17 national forest certification schemes which are members of the PEFC Council. At the workshop, members discussed preliminary proposals for changes to the PEFC Scheme, including its procedures and documentation.

5.1.2 CFA Seminar – Working title “Forestry and Sustainable Development: Dialogue to action” Edinburgh - October/November 2002. The UK Branch of the Commonwealth Forestry Association (CFA) plans a seminar to “make connections between international and domestic forestry issues by examining the practical implications for forestry of the Johannesburg Earth Summit”. Plans are being finalised at present and more information will be disseminated as soon as its available.

5.1.3 4th Ministerial Conference on the Protection of Forests in Europe (MCPFE), Vienna, April 2003, and preparatory meetings for the MCPFE: Expert Level Meeting in October 2002, Vienna, Austria. Preparatory work for the 4th MCPFE, a major European

inter-governmental conference, began in May 2001 in Brussels where policy issues relevant to the conference were first discussed. As a follow up to this exchange of views, an expert level meeting was held on 22-23 October 2001 in Vienna, Austria. In 2002, the MCPFE will convene two further Expert Level Meetings in June and October. Expert Level Meetings are the decision making bodies between Ministerial Conferences with regard to implementation as well as preparation of ministerial decisions. The issues so far highlighted for discussion at the next Ministerial Conference include: biodiversity aspects of sustainable forest management; national forest programmes; the experiences and challenges of forestry in Eastern European countries; economic aspects of sustainable forest management; climate change; cultural and spiritual aspects of SFM; and research.

5.1.4 ECE/FAO seminar- Strategies to stimulate and promote the sound use of wood as a renewable and environmentally friendly material, 24 to 28 March 2003, Poiana Brasov, Romania. Themes addressed will include:

- Why promote the use of wood ?
- The place of sound use of wood in strategies for sustainable development of the sector.
- Is wood really “environment friendly”? - the lessons of life cycle analysis.
- New markets: the example of bio-energy.
- Promotion of wood: success stories
- Competition and substitution between forest products and other materials.
- Marketing and promotion of non-wood products and of forest services
- Communication with consumers and the general public
- Trade: certification, e-commerce and standards.

The seminar is open to all. There will be invited and voluntary papers. The programme will be structured to take account of contributions proposed by intending participants. Up-to date information on the seminar, will be made available on the Timber Committee website (<http://www.unece.org/trade/timber>).

5.1.5 Third session of the United Nations Forum on Forests (UNFF-3), 26 May 2003 to 6 June 2003, Geneva, Switzerland. For more information, contact Mia Soderlund, UNFF Secretariat; tel: +1-212-963-3262; fax: +1-212-963-4260; e-mail: unff@un.org; Internet: <http://www.un.org/esa/sustdev/forests.htm>

5.2 Future meetings outside Europe

5.2.1 World Summit on Sustainable Development (WSSD), Johannesburg, South Africa, 2-11 September 2002. A huge international meeting 10 years on from Rio that will bring together tens of thousands of participants, including heads of State and Government, national delegates and leaders from NGOs, businesses and other major groups.

5.2.2 International Forests of the Northern Lights Conference, Winnipeg, Manitoba, Canada, 20-27 September 2002. Organised by Taiga Rescue Network To bring together people from around the world to discuss the boreal forest issues. The open days of the conference will be September 20-22 followed by sessions limited to Indigenous People and NGO representatives on September 23-27. Details as www.taigarescue.org.

5.2.3 AFLEG Ministerial Conference, Winter 2002/2003. Precise location and timing to be determined. A ministerial-level conference and technical meeting for networking and knowledge sharing. A declaration on forest law enforcement and governance in Africa is to be finalized and endorsed by African and other governments.

5.2.4 CITES COP-12, 3-15 November 2002, Santiago, Chile. For more information, contact: CITES Secretariat; tel: +41-22-917-8139; e-mail: cites@unep.ch; Internet: <http://www.cites.org/eng/news/calendar.shtml>

5.2.5 33rd Session of the International Tropical Timber Council, 4-9 November 2002, Yokohama, Japan. For more information, contact: International Tropical Timber

Organization; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.org.jp; Internet: <http://www.itto.org.jp/>

5.2.6 Conference on advances in forestry practice, from knowledge to action, 13-15 November 2002, Edmonton, AB, Canada. For more information: Internet: <http://www.ualberta.ca/sfm>

5.2.7 12th World Forestry Congress, 21-28 September 2003, Quebec City, Canada. Held under the auspices of FAO. For more information, contact: World Forestry Congress 2003 Secretariat; tel: +1-418-694-2424; fax: +1-418-694-9922; e-mail: sec-gen@wfc2003.org; Internet: <http://www.wfc2003.org/>

Rupert Oliver
AF&PA Technical Consultant
5 September 2002

PEFC Certificates - June 2002

Table 1: Forest Management Certificates

Schemes Endorsed by PEFC	Hectares Certified	Type of certification			No. of certificates	No. of forest owners
		Regional	Group	Individual		
Austrian Forest Certification Scheme	3,924,000	3,924,000	0	0	9	na
Belgian Forest Certification Scheme	0	0	0	0	0	0
Czech Forest Certification Scheme	0	0	0	0	0	0
Finnish Forest Certification Scheme	21,910,000	21,910,000	0	0	13	311,500
French Forest Certification Scheme	242,511	242,511	0	0	3	394
German Forest Certification Scheme	5,584,592	5,584,592	0	0	11	3,256
Latvian Forest Certification Scheme	8,000	8,000	0	0	1	85
Norwegian Living Forest Standards and Certification Scheme	9,352,000	0	9,116,900	235,100	12	49,444
Spanish Forest Certification Scheme	86,679	0	0	86,679	2	2
Swedish Forest Certification Scheme	2,052,115	0	2,052,115	0	9	15,591
Swiss Q Label Holz Scheme	64,572	0	0	64,572	190	190
UK Certification Scheme for SFM	0	0	0	0	0	0
TOTAL	43,224,469	31,669,103	11,169,015	386,351	250	380,462

Table 2: CoC certificates and logo usage licenses

Schemes Endorsed by PEFC	CoC certificates	Logo users			
		Forest owners	Trade & industry	Others	Total
Austrian Forest Certification Scheme	39	12	25	0	37
Belgian Forest Certification Scheme	0	0	0	0	0
Czech Forest Certification Scheme	0	0	0	0	0
Finnish Forest Certification Scheme	52	16	47	8	71
French Forest Certification Scheme	6	51	6	0	57
German Forest Certification Scheme	31	3,278	21	11	3,310
Latvian Forest Certification Scheme	4	86	4	7	97
Norwegian Living Forest Standards and Certification Scheme	2	9	2	1	12
Spanish Forest Certification Scheme	0	2	0	0	2
Swedish Forest Certification Scheme	12	16	18	3	37
Swiss Q Label Holz Scheme	0	0	0	0	0
UK Certification Scheme for SFM	0	0	0	0	0
TOTAL	146	3,470	123	30	3,623