

**Report for AF&PA**

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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## Consultant's comment

A significant milestone will be reached on 1 October 2003. It will be exactly 10 years to the day since the launch of the Forest Stewardship Council (FSC). It seems a good time to reflect on forest certification's achievements and some of its failures.

The global area of certified forest now amounts to 157 million hectares. This is nearly 8 times the area of only four years ago, but still less than 5% of total world forest area. The huge growth in area over the last 4 years is a consequence of the emergence of various non-FSC schemes – notably the Pan European Forest Certification Council, the SFI Program, the Canadian Standards Association Scheme, and the American Tree Farm System.

It is ironic that what began as an initiative targeted at tropical deforestation, has come to be embraced almost exclusively by the western world. Only a tiny proportion of certified forests are in tropical regions. Despite the recent growth in interest in “phased” approaches to forest certification, it may yet be many years before significant volumes of certified tropical hardwoods are made available.

It is also ironic that one of FSC's greatest achievements has been to encourage the development of such a diversity of approaches to forest certification outside the FSC framework. FSC has forced a large swathe of the wood products sector to recognise the crucial need to provide reliable and defensible information on forest management as a core part of its marketing strategy.

But this diversity of certification schemes has created its own problems. As a recent report by the UN ECE Timber Committee notes, only a tiny proportion of the potential wood supply from certified forests (estimated at around 300 million m<sup>3</sup> of roundwood per annum) is actually marketed as certified product. There are several reasons for this, but perhaps the most significant has been the failure of the largest forest certification schemes to co-operate more closely. The sheer diversity of schemes has contributed to consumer confusion, increased labelling costs, and undermined the marketing value of individual labels.

FSC still has the most widely recognised product label. But prospects for involving the FSC in any co-operative framework took a nose-dive in November last year when the FSC General Assembly voted to effectively disengage from all discussions relating to mutual recognition. Despite this, there are still some people that believe agreement between the largest schemes – FSC, the SFI Program, and PEFC – is feasible. Indeed negotiations have continued around a new framework known as the “Legitimacy Threshold Model”. This now provides the best chance for a political settlement, but there is still a long way to go.

In the meantime, an increasing number of trade associations are resigned to the fact that they will have to live with a diversity of schemes for the foreseeable future. So they are devoting themselves to the development of tools to assist the market to cope. These tools include: CEPI's on-line comparative database of forest certification schemes; a proposed common European standard for chain of custody (now being developed by CEPI and CEI-Bois); and a proposed new auditing framework for the UK Timber Trade Federation's Environmental Timber Purchasing Policy.

End-using companies and timber specifiers will have to adjust to the new reality. It seems likely that marketing of product labels direct to the general public will be of secondary importance. Forest certification's role in business-to-business communication is likely to be of greater significance. It seems likely that some of the larger retailer groups may be encouraged to drop their support for a single forest certification brand, and instead market wood under their own corporate brand. Increasingly consumers will expect these brands to provide assurance of environmental probity as an integral part of quality assurance. Meanwhile timber trading companies seeking to profit from their efforts to discriminate in favour of certified wood, may have to rely heavily on market recognition for their implementation of recognized wood procurement policies – for example through membership of WWF Buyers Groups or similar industry programs like the TTF's procurement policy.

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# 1 Forest certification developments

## 1.1 Global area of certified forest

	FSC	PEFC	SFI	CSA	Other(a)	Total area	% forest area (b)
N. America	8.5		39.0	17.9	10.5	<b>75.9</b>	<b>16%</b>
W. Europe	12.2	46.1				<b>58.3</b>	<b>46%</b>
E. Europe	11.4	1.9				<b>13.3</b>	<b>21%</b>
S. America	3.4					<b>3.4</b>	<b>&lt;1%</b>
Africa	1.5				2.3	<b>3.8</b>	<b>&lt;1%</b>
Australasia	0.7					<b>0.7</b>	<b>&lt;1%</b>
Russia	1.4					<b>1.4</b>	<b>&lt;1%</b>
Asia	0.3					<b>0.3</b>	<b>&lt;1%</b>
<b>All</b>	<b>39.4</b>	<b>48.0</b>	<b>39.0</b>	<b>17.9</b>	<b>12.8</b>	<b>157.1</b>	<b>5%</b>

Table 1: Estimated global area of certified forest under different schemes, 31 August 2003

a) Other includes the American Tree Farm System and the Dutch Keurhout scheme.

b) Forest area is based on FAO data for total forest area, including both commercial and non-commercial forest land. The proportion of certified commercial forest land may be considerably higher

The majority of recent forest certification activity has been in North America. Major changes in global certified forest area since 31 March 2003 when this table was last compiled include:

- 9 million hectare increase in SFI certified forest land. This draws on more recent data contained in the 8<sup>th</sup> Annual SFI Progress Report released in May 2003.
- 4 million hectare increase in FSC certified area in North America. This mainly comprises the Canadian forest holdings of Tembec and Nippissing Forest Management Inc.
- 2.6 million hectare increase in CSA certified forest land.

The rate of increase in PEFC certified area seems to have slowed this year. Between 31 March and 31 August, the only significant area certified under the scheme was in France (around 1.15 million hectares).

The only other significant change in area outside North America was a 1.2 million hectare increase in FSC certified forest land in Russia.

## 1.2 Global supply of certified forest products

The UN ECE Timber Committee's regular annual review of forest certification estimates the potential supply of forest products from the world's certified forests at almost 300 million m<sup>3</sup> annually worldwide. This is close to the annual industrial roundwood consumption of Europe (excluding the Russian Federation).

But the important phrase here is "potential supply". So far only a tiny fraction of wood supplied from certified forests is traded as certified product. There are several reasons for this:

- the technical challenges and costs associated with chain of custody verification.
- the mismatch between available supply and demand for labelled products. In particular, certified products mainly derive from temperate and boreal regions while market concern tends to focus on tropical hardwood products.
- lack of demand from the final consumer
- business-to-business demand for labelled products remains highly concentrated, derived mainly from retailing companies in a limited number of western countries – notably the United States, United Kingdom, Germany, and the Netherlands. There are plenty of companies willing to pay lip service to forest certification outside these

sectors and countries. But in practice, it seems few buyers will actively discriminate in favor of certified forest products.

- the sheer diversity of forest certification schemes, which contributes to consumer confusion, increases labelling costs, and undermines the marketing value of individual labels.
- the “own label” marketing strategies of some retailing groups.

The UN ECE Timber Committee’s review notes that in many cases the market for certified forest products is supply driven rather than market-driven. The roundwood supply of a few large producing countries in Europe is up to 100% from certified forests, for example in Finland and Austria. The majority of certified forest products are temperate softwood, where supply from some countries exceeds actual demand from the manufacturing and trade sectors. Tropical certified forest products are currently available only from a limited number of countries, in comparatively small quantities, and often from lesser-traded species.

Today, around 3,320 CoC certificates have been issued worldwide, of which about 2,600, or roughly 80%, are FSC. This is up from around 2000 at the end of the year 2001. PEFC, which only started the process of chain of custody certification in 2001, has so far issued 720 certificates. An analysis of the distribution of CoC certificates by the UN ECE Timber Committee indicates that companies from all wood-based industries and trade sectors hold these certificates. Companies holding FSC CoC certificates cover a comparatively wide range of sectors, with the majority of companies offering products for construction (structural and non-structural components) and furniture, as well as sawmilling products. Companies holding PEFC CoC certificates PEFC are mainly active in sawmilling and timber trade, i.e. more upstream sectors in the value chain. There is expected to be particularly rapid growth in the issue of chain of custody certificates in Eastern Europe in future years. However, it is notable that even in countries where this trend has progressed furthest – Germany and the United States – a maximum of around 400 chain of custody certificates has so far been issued. This represents only a small fraction of the wood products trade.

Note the UN-ECE Timber Committee’s analysis does not include data on companies conforming with the SFI On-product Labelling Program which has potential to significantly increase availability of labelled product in North America.

### **1.3 Forest Stewardship Council**

#### **1.3.1 FSC strategy and structure**

The FSC has established strategic objectives to decentralise, strengthen initiatives in the South, and to improve global coordination, marketing and communications. In line with these objectives, FSC has been recruiting for new positions. These include regional Directors for Latin America and Asia-Pacific, and a Head of Marketing and Communications.

Meanwhile FSC is taking steps to rectify two significant weaknesses of the program. Since it’s inception FSC has been open to criticism for it’s failure to separate it’s accreditation function from it’s function to develop the certification program. This falls short of accreditation best practice as set out in ISO Guidelines. ISO Guide 61 (General requirements for assessment and accreditation of certification/registration bodies) states that accreditation bodies “*should not offer services to design, implement or maintain the certification scheme*”.

FSC is rectifying this problem by progressively shifting accreditation services to an independent entity. Accreditation is now carried out by an a separate business unit within FSC International. Eventually the aim is to establish an independent legal, financial and organisational entity to provide accreditation services.

The other structural weakness of FSC is that only a very few certificates have been issued against national forest certification standards developed through a participatory consensus-building process. Around 490 FSC certificates have been issued in 55 countries. However, currently 17 national/subnational standards covering only 9 countries have been endorsed by

FSC. In all other 46 countries, FSC certificates have been issued against “interim” standards. These are developed by the certification bodies based on their interpretation of the generic FSC Principles and Criteria and, where available, on draft standards. This is contrary to FSC’s own rules and regulations, and falls short of certification best practice. At the last FSC General Assembly in November 2002, FSC members voted to phase out use of interim standards.

Much FSC activity is now focused on the development of national and regional standards. In an effort to facilitate the development of these standards, FSC has established new endorsement procedures. FSC may now grant “preliminary accreditation” of national/regional standards. This allows standards to be introduced into the field as "Preliminary Standards", with FSC’s approval. Interested stakeholders then have additional time to gain real field experience in the implementation of the standard, in order to resolve outstanding issues of concern.

The FSC Policy and Standards Unit is also developing two new procedural documents intended to improve the consistency and clarity of future FSC standards. The draft documents "*Process for Developing FSC Forest Stewardship Standards*" and "*Structure and Content of Forest Stewardship Standards*" will be circulated to the FSC National Initiatives for consultation during the autumn. The two documents are being written to make all FSC Standards consistent in terms of how they are written, what they say and, to ensure that FSC’s standards development processes follow internationally recognised best practice. Relevant ISO Guidelines have been consulted during this process (including ISO Guides 7, 59 and ISO Directives Part 2). FSC anticipate that final versions of the documents will be presented to the FSC Board for approval in November of this year.

### **1.3.2 Pilot testing of new chain of custody standards**

FSC will soon be pilot testing its new draft chain of custody standards. Applications to participate in the pilot tests have been endorsed by FSC and a further three applications are under discussion with certification bodies. Pilot tests will aim to validate the proposed 'input-output' model for labeling of sawn wood products and to ensure the complete set of new chain of custody standards (covering chip and fibre, solid wood, assembled products) are fully compatible and may be implemented without undue disruption. Pilot testing will also focus on resolving two issues in the proposed drafts:

- Concerns about excluding 'controversial' sources of wood from any product containing the FSC logo; and,
- Development of labeling and product claims that ensure the integrity of the FSC and its trademark can be maintained.

SCA Timber in Sweden was one of the first companies endorsed to conduct pilot testing for the new draft standards for saw mill products. As part of the test, the company has arranged a meeting on 16th-17th September 2003 involving representatives from Greenpeace Russia, WWF-Sweden, certification bodies SGS and Soil Association, FSC Sweden and FSC International. The meeting is designed to enable participants to discuss any practical issues that SCA is facing with its timber procurement.

The input-output model allows sawmills to claim a proportion of their output in particular product lines as FSC certified where that proportion directly corresponds to the proportion of FSC timber used for that product line entering the mill. FSC note that “*a number of stakeholders - including environmental NGOs, retailers and timber merchants -have reservations about the model and its ability to maintain the integrity of the FSC brand.*”

Meanwhile, the FSC marketing team is investigating options for distinguishing FSC products containing percentages or coming from input-output production processes. One option being considered is the development of a related brand for these products.

Following an FSC meeting to discuss the issue in Bonn during May this year, FSC decided to extend the period of pilot testing and postpone a final decision on the new standards until June/July 2004.

### **1.3.3 Small and low intensity managed forests (SLIMF)**

Through the SLIMF project, FSC hopes to find and implement practical solutions to the problems faced by small forest operations and low intensity forest operations in accessing and retaining FSC certification. During recent months, field trials of draft SLIMF policies have been completed by FSC accredited certification bodies in 12 forest operations in countries of the North and the South. FSC's SLIMF Technical Committee is meeting in Bonn, Germany between 7th and 9th October 2003 to discuss feedback from the trials. Following the October meeting, revisions will be made to the draft SLIMF policies, for presentation to the FSC Board of Directors in November 2003.

### **1.3.4 WWF Producer Groups**

The World Wildlife Fund (WWF) and its Global Forest Trade Network has been hosting a series of training courses in South America on the development and management of national Producer Groups. The courses were attended by representatives from Costa Rica, Guyana, Brazil, Peru and Bolivia. The participants analysed challenges and possibilities in setting up national producers groups in Latin America. An underlying aim of the courses has been to "facilitate the links and contacts between so-called buyers groups in Europe and North America with producer groups in Latin America and the rest of the tropics". The main objective for a producer group is to provide an increased supply of certified forest and products and facilitate contacts with buyers. Membership of producer groups is expected to include various enterprises in the national forest sector: communities, private companies, sawmills and wood product producers. All members should be certified or implementing an action plan towards eventual certification. There are already two producer groups in Latin America: WWF Central America (JAGWOOD) and Brazil (IMAZON). Groups are also being formed in Bolivia, Peru and Guyana.

### **1.3.5 FSC National Developments**

#### **1.3.5.1 Austria**

FSC has announced the certification of 60 owners of around 600 hectares of Austrian forest through their group certification procedures. Although the area is small, this development has political and marketing implications. Most Austrian forest owners are firm supporters of the competing PEFC scheme. FSC comment: "*This [FSC] certification has brought the landowners into the international forest debate*".

#### **1.3.5.2 Brazil**

In an effort to strengthen markets for FSC certified timber, timber industry representatives and FSC certified forest owners formed the FSC certified Native Amazon Forest Owners Group in June 2003. The declared mission of the new group is to develop common interest projects, such as scientific and technical research of forest issues and market promotion of non-commercial species, as well as increasing the area of FSC certified forests in the Amazon region. The group was inaugurated on June 17th, in Belém, capital of Pará state. Over 400 people attended the inauguration meeting in Belem, including loggers, timber traders, researchers, community leaders, NGOs, bank representatives, as well as representatives from the federal and state governments. During the same meeting, the Amazon Bank (BASA) announced a credit line for sustainable forest management in Brazil. Currently, Brazil produces around 28 million cubic meters of tropical timber but, only 500,000 m<sup>3</sup> derives from FSC certified forest.

#### **1.3.5.3 Bolivia**

The unexpected decline in FSC certified forest area in Bolivia recorded during the first half of this year seems now to have been reversed. Total certified area in the country is once again approaching 1 million hectares after falling to around 800,000 hectares in March this year. This follows the reassessment of the CIMAL/IMR Velasco forest concession and the award of a new FSC certificate to the CIMAL/IMR San Miguel forest concession managed by the Roda Industrial Group. This group's certified forest area in Bolivia now exceeds 500,000 hectares. FSC claim that certification has been a major marketing boon for the Group, which has seen its sales increase by an average of 30 per cent per year, and opened up new markets in USA, UK, Europe and Mexico. Particularly beneficial for the group has been B&Q's decision to source garden furniture from Bolivia.

The road towards FSC certification in Bolivia has not been easy. The Bolivian government's alignment with the FSC, effectively enshrined in the Forestry Law of 1996, led to very tight restrictions on harvests of the most valuable species, notably mahogany. It also led at the end of the 1990s to a severe decline in the area under concessions from 22 million hectares to only 5.8 million hectares. The number of companies involved in the forest sector also declined from 150 to only 65, while the volume of timber exports from Bolivia fell by 50%. The extra costs of log extraction, the forest taxes and restrictions imposed on Bolivian forest extraction meant a big reduction in the returns to be made from Bolivian timber extraction

Since 1996, Bolivia has focused on value added processing and the marketing of lesser known species and assembled certified product. The value of Bolivia's wood products exports increased by 3% between 2001 and 2002 to US\$53.7 million, suggesting some degree of success.

#### **1.3.5.4 Canada**

Following seven years of consensus building amongst various stakeholders, FSC has published a set of "Preliminary Regional Standards" for forest certification in British Columbia. Involved stakeholders include representatives of the BC forest industry, First Nations, labour, communities and environmental organizations. But reading of the "Final Accreditation Report" provided by the FSC Accreditation Unit suggests the "preliminary standard" has a long way to go before it is fully endorsed by FSC.

FSC International establishes as a condition for endorsement that the standard "*has the consensus support of members of key stakeholder groups*". In relation to the standards setting process, the report comments on the "*lack of confidence among the parties and stakeholder groups involved.*" It notes that "*on many occasions, agreements on specific performance based elements on the standard were not reached.*" Furthermore, "*immediately after the FSC Regional Certification Standards for BC were forwarded to the FSC Board of Directors for evaluation, the Chairperson of the FSC Board of Directors and the Executive Director of the FSC Secretariat have been intensively lobbied by stakeholders in relation to its evaluation and accreditation. This further demonstrates the low level of confidence in the process and its outcome and raises questions in relation to decision-making mechanisms in the context of standards accreditation at national level.*" Further details may be obtained from the FSC-BC website at: <http://www.fsc-bc.org> and the FSC-Canada website at <http://www.fsccanada.org>

#### **1.3.5.5 Netherlands**

Unprompted recognition of the FSC trademark amongst consumers in the Netherlands increased 9% in the year to April 2003, according to a survey conducted by FSC Netherlands and WWF. The survey was undertaken during the marketing campaign "Save the woods, buy FSC timber." The results showed that 21 percent of consumers spontaneously mentioned FSC without prompt compared to 12 percent in 2002. In addition, there was a 5 per cent increase in the recognition of the FSC label compared to other labels when a list of different labels was showed to consumers. The survey showed that 57% of Dutch consumers that recognized FSC had heard via TV commercials, and 29% via the TV program "Our House and Garden" (Eigen Huis en Tuin). This was the second FSC promotional campaign in the



Netherlands to target consumers directly. It was supported by 35 companies, 10 large retailers and several non-governmental organizations. The campaign started with a symbolic handing over of FSC certified gavels to all 489 mayors in the Netherlands with the aim to promote the use of FSC certified products in the public sector.

#### **1.4 Legitimacy Threshold Model**

Ever since mutual recognition entered the forest certification vocabulary, environmental campaigning groups have staunchly resisted the concept. They have argued that mutual recognition would involve a progressive erosion of forest certification standards to the “lowest common denominator”. They also fear that mutual recognition between FSC and non-FSC schemes would involve a significant loss of environmentalist influence in the FSC labelling process.

The prospects for FSC, PEFC and the SFI Program reaching agreement on mutual recognition now seem slim. At the FSC General Assembly in November last year, environmentalists pushed through a motion requiring the FSC Board to seek approval by formal vote of the FSC membership prior to engagement in any process designed to lead to mutual recognition. Although mutual recognition is not entirely off the FSC agenda, this decision means it would be a big battle just to get discussions started.

But there are some people that have not yet given up all hope of the largest forest certification schemes working together. Despite FSC’s apparent rejection of mutual recognition, dialogue has been continuing.

Efforts are now being made to build consensus around an alternative framework for co-operation between the schemes. Development of this framework, referred to as the Legitimacy Threshold Model (LTM), has been led by the World Business Council for Sustainable Development (WBCSD). The framework has the backing of some of the world’s largest forest products companies and has been developed through contacts with a wide range of interests. The World Wide Fund for Nature also seem to have taken a positive interest. They have proposed linking the framework to their work with the World Bank to develop a “Questionnaire for Assessing the Comprehensive of Certification Schemes/Systems” (known as QACC).

The LTM model includes elements which may make it more palatable to the environmental community than the original mutual recognition concept. The LTM deals with their concern that FSC not be considered on a par with other systems. Rather it allows all systems to compete on their perceived merits once they’ve qualified by crossing an appropriate legitimacy threshold. The LTM seeks acknowledgement from FSC and the green movement that other schemes meeting this threshold have a right to exist and are playing a legitimate role. The concept also accommodates developing countries by recognizing the need to take a phased approach to certification.

The underlying criteria to determine legitimacy and the assessment process to be used are still unresolved. While WWF favours linking their QACC to the framework, there will be a need to resolve industry concerns that the QACC is biased in favour of FSC. For example, it attaches greater weight to participation by environmental interests than other stakeholders during the forest certification process. Nevertheless, at present the LTM model provides the only hope for a political settlement.

Further details of the LTM framework are due to be made available at the “Certification and World Forestry” Conference in Quebec City, Canada, on 25 September 2003.

#### **1.5 EU chain of custody standard**

During the summer months, preliminary work began on the European industry project to develop a common standard for Chain of Custody. The project is jointly funded by the Confederation of European Paper Industries (CEPI) and CEI Bois, representing the

European wood processing industries. UK-based consultancies TRADA and Canopy have been commissioned to prepare a first draft of the standard. Following a meeting of an expert group held on 19 June 2003, the consultants went on a study tour of Germany, Sweden and Finland to observe operation of existing chain of custody systems.

The underlying aim of the project is to overcome problems faced by European manufacturers wishing to supply labeled wood products. At present these companies are faced with a bewildering array of different chain of custody standards, including various national PEFC standards and the FSC international standards. The CEPI/CEI-Bois project is expected to be finalized during the course of 2004. Once finalized, the intention is to encourage the various certification schemes to voluntarily endorse the standard.

## **2. International Agreements and Institutions**

### **2.1 EU Illegal logging Action Plan**

#### **2.1.1 Current status**

The EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan is currently in the form of a Communication issued by the European Commission. Once issued, Communications are considered by the European Council – comprising Ministers from nation states. The European Council is responsible for making recommendations prior to the Plan being put forward for a vote by the European Parliament. In the event that the Communication is both recommended by the Council and receives a positive vote in the European Parliament, the Action Plan would be enshrined in a European Regulation.

Amongst a wide range of measures, the draft FLEGT Action Plan would establish a legal framework for the E.U. to form co-operative agreements with major timber producing countries. Under these agreements, the latter would shoulder responsibility for issuing “legality licenses” for all timber exported to the EU. The Plan would also require the Commission to *“review options for, and the impact of, further measures, including, in the absence of multilateral progress, the feasibility of legislation to control the imports of illegally produced timber into the EU.”*

The cross-sectoral nature of the FLEGT Action Plan means that it will be discussed in more than one of the European Council’s Working Groups (e.g. development cooperation, environment, trade ...). By end July, the Action Plan had been discussed in two meetings of the Working Group on Forests, one under the Greek Presidency on 24 June and another under the Italian Presidency on 9 July. The Action Plan had also been discussed by the Development Cooperation Working Group on two occasions, 11 and 17 July.

EU member states were considering the Action Plan in detail during the summer months in order to firm up their policy positions. Initial reactions from Member States at the meetings of the Working Groups on Forests and Development Cooperation seem to have been positive, though some were more enthusiastic than others. The concerns expressed centred on: how the proposed licensing scheme would fit with existing certification schemes and whether attention to legality implied reduced attention to sustainability; WTO compatibility; product coverage; possibility of displacement to less discriminating markets; and the need to further explore multilateral options.

In July, the UK government reported that European Council conclusions on the Action Plan may be delayed during the Fall as member states took time to complete formal consultations with stakeholders. However, in early September, the environmental group FERN reported that these conclusions may well be finalised and adopted earlier than expected - before the end of October. However last minute negotiations may yet stall progress.

When the Conclusions are finalised and put before parliament, they will first be considered and prepared for Plenary Session by MEPs in the Parliamentary Trade Committee.

### **2.1.2 Environmentalist lobbying**

Environmental groups – notably FERN which specialises in campaigning at EU level – have already been active lobbying the relevant European Council Working Groups. These groups are pushing for the Plan to be strengthened to include, from the start, a commitment to introduce legislation that would make it an offence in the E.U. to import or sell any illegally sourced timber or wood products. This proposed legislation would include heavy penalties for any European timber trading company found to be trading in illegally sourced wood.

### **2.1.3 UK reaction to the plan**

The U.K. Government's European Policy Committee has established the Government's position on the EU Action Plan. The UK Government seems generally supportive of the Plan, although it seems to be leaning towards the NGO line on the need for new legislation, particularly for wood from countries "*that do not enter into partnership agreements*". The UK Government has made the following statement:

*"It welcomes the publication of this Communication and broadly supports the proposed Action Plan. The Government will support the negotiation of voluntary partnership agreements and a regulation to set up the voluntary licensing scheme so long as these are compatible with WTO rules and do not extend Community competence. The U.K. Government acknowledges the need for the Commission to examine carefully further legislative options to control imports from countries that do not enter into partnership agreements. It is important that legislation should be enforceable; proportionate to the nature and scale of the problem it seeks to control and compatible with WTO rules. However the UK Government does not agree with the Commission's view that the review of options for legislation should be conditional upon progress at the multilateral level as stated in the EU Action Plan. It will argue for an immediate start to consideration by the Commission of options for legislation that would enable a ban on illegal timber imports into the EU to be enforced."*

Further development of U.K. policy and actions in relation to the FLEGT Plan is being formulated by the Inter-departmental Working Group on Illegal Logging. This consists of representatives from the Department for Environment, Food and Environmental Affairs (DEFRA), Department for International Development (DFID), Foreign Office (FCO), Department for Trade and Industry), Customs and Excise, Cabinet Office, HM Treasury, the Forestry Commission and the Devolved Administrations. The next meeting of the group is scheduled for end of September 2003. DFID and DEFRA Ministers, Hilary Benn and Elliot Morley respectively, chair meetings alternately.

## **2.2 Illegal logging research activities**

As international political attention has focused on illegal logging, there has been a growing realisation how little is really known about it. Much information is, at best, anecdotal and speculative and, at worst, purely emotive. Efforts are now being made to overcome this problem.

### **2.2.1 Forest Law Enforcement and Rural Livelihoods**

David Kaimowitz, of the Centre for International Forestry Research (CIFOR) has put together a draft paper which examines the opportunities and threats that increasing forest law enforcement efforts pose for rural livelihoods. The paper highlights the huge complexities of the issue. For example, it suggests that the strict enforcement of regulations can have negative as well as positive consequences for rural livelihoods in the developing world. This is because:

- Existing legislation often prohibits forestry activities such as small-scale timber production, fuelwood collection, and hunting that millions of poor rural households depend on.

- Most small farmers, indigenous people and local communities are ill equipped to do the paperwork require to engage in forestry activities legally or to obtain the technical assistance needed to prepare management plans.
- Millions of rural households live on lands that governments have classified as state-owned forestland or protected areas, and existing laws often consider them encroachers even though their families may have lived there for generations.
- Forestry and wildlife departments generally enforce forestry and protected area legislation more vigorously and with less respect for due process and human rights when poor people are involved.
- In some countries, forestry and wildlife officials engage in illegal activities that harm the poor. Measures that empower these officials and give them more resources could make it easier for them to act with impunity.

With regard to forest law enforcement the paper notes that *“in many cases attempts to solve one set of problems will create others. Policies that work well in one location may have unanticipated or disastrous consequences in others. Clearly there are situations where the positive benefits from enforcing forestry and conservation laws outweigh the negative impact this may have on livelihoods, so governments and communities sometimes need to take measures that restrict the options of poor rural households. Similarly, it would be unwise to be naïve about how easy it is to get communities themselves to effectively regulate the use of forests.”*

The paper highlights the need for more information-exchange and research as a pre-requisite to the development of forest law enforcement strategies. It notes that *“most of the existing information about illegal forestry activities is anecdotal or speculative. While it has been extremely useful for increasing public awareness about the problem and for stimulating action in particular cases, it is less useful for coming up with appropriate policy responses.”*

Comments are requested ([D.KAIMOWITZ@CGIAR.ORG](mailto:D.KAIMOWITZ@CGIAR.ORG)). Copies of the research paper are at: <http://www.illegal-logging.info/Documents/Forest%20Law.doc>

### **2.2.2 Role of independent monitors**

One solution to illegal logging favoured by large western donors has been to introduce “independent monitors” to report regularly on forest governance and enforcement in specific countries. The theory is that illegal logging is often a result of governance failure, sustained by a lack of transparency of official forest law enforcement actions. The availability of better information to the public and to organisations that can influence government action should therefore result in improved governance, greater accountability and a reduction in levels of illegal logging.

As part of its Illegal Logging Programme, the UK’s Department for International Development (DFID) intends to conduct a review to determine how effective independent forest monitoring activities have been to date in improving the availability of information and in stimulating and sustaining change on the part of enforcement agencies. The review will result in preparation of recommendations for future support in this field.

DFID has appointed the Overseas Development Institute (ODI), an independent British think-tank on international development and humanitarian issues, to undertake this review. Activities will include examination of the experience of monitoring programs in Cameroon, Cambodia and Indonesia, the Multi-sectoral Forest Protection Committees in the Philippines and Global Forest Watch remote sensing activities covering Cameroon, Gabon and Indonesia.

In co-ordination with counterpart organisations in the target countries, ODI will plan and conduct consultations with stakeholders affected by independent monitoring initiatives – including government officials in the forest and other relevant sectors, civil society groups, and industry. The aim will be to determine: how effective the initiatives have been in changing enforcement practices; how acceptable the initiatives have been to different

stakeholders; the initiatives' longer-term sustainability; and the initiatives' impact on wider international forest policy debate.

It is expected that work will start in October 2003 and be completed by April 2004 at which time seminars to present the results will be held.

### **2.2.3 China and illegal logging**

China is seen by many as playing a key role in the illegal logging debate. It is absorbing an increasing volume of primary wood products, much derived from countries with a poor record of forest law enforcement. Furthermore, an increasing volume of Chinese finished wood products end up in western countries.

A group of organisations is planning a research project which aims to raise understanding of the role of China as a potential driver of illegal logging, and to find ways of improving environmental wood procurement practice in the country. The project will be conducted by Forest Trends, CIFOR, the Chinese Center for Agricultural Policy (CCAP), the University of British Columbia, the Chinese Academy of Forestry (CAF), FEDRC of the State Forest Administration, as well as many collaborators in countries exporting to China.

The project is entitled "*Transforming China's Forest Impacts in the East Asian Region: Strategic Market Intelligence for Sustainable Forests and Livelihoods.*" It has four major objectives:

- increasing market intelligence of the linkages between Chinese demand, current policies and practices, and impacts on forest conservation and livelihoods;
- strengthening regional networks and capacity to leverage policy and market reforms; identifying strategic leverage points where advocates can most efficiently effect change;
- and beginning the process of engaging key policy and market leaders in transforming policies and markets.

A second phase would more aggressively engage industry and government leaders to adopt reforms.

### **2.3 EU eco-label on furniture**

A 6th draft of the eco-labelling criteria for wood furniture was published on 20 August 2003. This was the third version in a month and likely to be the final version. Major changes from earlier drafts are:

- Following industry pressure, the threshold of certified content in eco-labelled products has been reduced from 70% to 50% for solid wood products and from 30% to 20% in wood based panels.
- Following pressure from environmentalists and the FSC, manufacturers no longer have an alternative option to submit a "dossier of evidence" of sustainability in the absence of certified wood raw material.
- Following pressure from the plastics industry, the ban on use of PVC in ecolabeled furniture has been removed.
- Following pressure from the aluminium and steel industries, earlier requirements for per-centage recycled content of these metals have been significantly reduced.

The end result of the drafting process is a document which seems unbalanced. Wood is the only product which must provide assurance of source and sustainable production. No reference is made to the positive carbon sequestration benefits of wood. Information on

energy input – an issue on which wood scores highly – need only be supplied on a “voluntary basis” and no indication is provided on how this information should be used.

CEI-Bois has led European industry campaigning efforts to obtain a better deal for wood. They intend to protest at the next EU Eco-labelling Board on 23 September when a final decision is expected on the criteria. However, they are not hopeful of a positive outcome.

The eco-labelling program is voluntary. With the criteria as they are, and with most reports indicating only limited environmental interest amongst European furniture manufacturers and their customers, there seems little prospect of widespread adoption of the label by the wood furniture sector. But as CEI-Bois point out “*a designer or manufacturer making a choice between no paper work (e.g. for steel and aluminium) and the onerous documentary requirements for wood will inevitably take the easy option. The eco-label is counterproductive as far as eco-efficiency is concerned.*” It may also contribute to discrimination against wood - particularly imported wood.

The product group to be covered by the eco-label aims to be as broad as possible, with the emphasis on office furniture, school furniture, children's furniture, wooden furniture and household furniture, where some positive market interest has been expressed. The criteria for the eco-label include coverage of wood and panel products raw materials, in addition to a range of other materials including plastic, steel, aluminium, foams, fabrics, leather, adhesives, and solvents.

## **2.4 European Union Forest Strategy**

The European Commission is preparing a report on implementation of the 1998 EU Forestry Strategy. DG Agriculture will be sending a questionnaire to member states seeking their input. Other stakeholders will also be consulted. The final report is expected at the end of 2003.

The EU Forestry Strategy is not a formal policy like the Common Agricultural Policy. It is more a statement setting out the common objectives of Member States and EU, and setting out the framework for any shared action. The 1998 Strategy was agreed by Resolution of the European Council. Unlike EC Regulations and Directives, a Resolution is not binding.

The overall principles for action of the existing Forestry Strategy are sustainable forest management and the multifunctional role of forests, as defined in the Ministerial Conferences of Helsinki and Lisbon. Based on the principle of subsidiarity and the concept of shared responsibility, the strategy aims to ensure that the forest policies of the Member states are coherent, and complement those Community policies that have an impact on the forestry sector.

The European Commission has identified the following issues that need to be considered during future implementation of the Forest Strategy:

- the enlargement process, which will lead to a substantial expansion of the EU forestry sector. The total forest area will grow by some 25% (EU-15: 114 million ha; enlarged EU-25: 147 million ha) and the number of private forest owners will increase by nearly 3 million. The challenge is to ensure that the EU and the new member countries will share the same principles regarding forest development, and that these principles can be effectively introduced in their forest policies. Acceptance of principles should be feasible, as all accession countries are already active participants of the pan-European Ministerial Process on the Protection of Forests in Europe.
- the framework for forest policy is increasingly influenced by global environmental issues such as climate change and the protection of biodiversity.

- the promotion of good governance is gaining growing attention in Europe. There is a need to increase the coherence of policies relevant to forestry and to develop efficient communication structures to increase awareness of the benefits of sustainable forestry for society. It is equally important to enhance public participation in forestry in the form of stakeholder involvement and capacity building.

### 3 National forest policy

#### 3.1 Indonesia

##### 3.1.1 Indonesia-UK bilateral agreement

Timber Trade Federation (TTF) efforts to encourage independent audits of Indonesian plywood mills supplying the U.K. market suffered a set-back during the summer when APKINDO, the Indonesian plywood association, voted against co-operating with the project. The project formed the keystone of an Action Plan to promote sourcing of legal and sustainable timber from Indonesia published by the TTF as the UK industry contribution to the UK-Indonesia Bilateral Agreement.

In July, Members of the Timber Trade Federation agreed to fund a scoping study into the feasibility of setting up third party auditing of Indonesian mills. The project was awarded to the non-profit making Tropical Forest Trust which was commissioned to investigate the current and future state of legality of existing and potential mills supplying the UK market. Ten mills were identified in three regions and the aim was to quantify how much timber the mills can currently verify as legal and to which countries it is being sold. The ultimate aim of the research would be *“to identify which mills have the ability reach sustainability at some point in the future and so meet UK market needs in terms of legality in the short term and certified sustainable timber in the long term.”*

But APKINDO’s decision means it is now doubtful whether the research will go ahead. The TTF is currently making efforts through government channels to encourage greater co-operation by the Indonesian industry.

Meanwhile Jewson and Travis Perkins - two of the UK’s largest plywood importers and stockists – have suspended all purchases of Indonesian plywood until the situation is resolved.

##### 3.1.2 Illegal logging continues unabated despite government efforts.

Anecdotal reports suggest that recent efforts by the Indonesian government to crack down on illegal logging have yet to have a significant impact on log supply to domestic plywood mills. Recent trade reports suggest that log supplies in Indonesia have improved during the course of the year and that most Indonesian plywood mills now have sufficient inventories to satisfy current levels of demand. These reports suggest that resource constraints and increased controls on logging operations have served to decrease overall log availability in Indonesia. However this is compensated by the government ban on log exports which has improved supplies to domestic mills.

Many analysts expect current efforts to crackdown on illegal logging in Indonesia to reduce the overall level of logs available to mills in the future. But these predictions have been made before while Indonesian mills have continued to churn out significant volumes of plywood.

In truth, it is a huge challenge to reign in illegal harvests in Indonesia requiring nothing short of a complete overhaul of the regulatory and judiciary framework within the country. Local press reports show that the central government has not lacked determination, but in reality they have been powerless to bring about meaningful change.

One press report quotes figures from the Indonesian Centre for Environmental Law, an NGO, which indicate that the central government spent Rp 5.4 trillion (US\$635 million) on operations to counter illegal logging in 2001. While this led to 1,031 illegal logging activities being apprehended during 2001, none of the cases actually made it to court. In the same year, police stopped their investigation into six major illegal logging cases. In 2002, 971 illegal logging cases were uncovered, but again none went to court. And in the 2003 operations, the Indonesian army and police have so far uncovered only 15 cases of illegal logging, with only one case going to court. The Indonesian Centre for Environmental Law concludes that *“The operations against illegal logging activities have only provided a minimum deterrent for illegal loggers so far”*. They suggest that the operations have been ineffective because a number of soldiers and police officers, as well as foundations and firms belonging to the army or police, are actively engaged in illegal logging activities.

It remains to be seen whether the bilateral agreements the Indonesian government is now signing with the major overseas countries importing Indonesian product (Japan, China, and the European Union) will be any more effective in reducing levels of illegal harvest.

## 4 Environmental campaigns and issues

The late summer months saw a significant slowdown in environmental campaigning after the intense activity in May and June. There were few reports of Greenpeace blockades and demonstrations against timber products between July and early September. One sign that the debate may have lost some heat comes from the Greenpeace international website. Throughout the spring, Greenpeace’s home page was almost entirely devoted to stories about illegal logging, with a strong focus on the Congo Basin, Indonesia, Brazil, and the Russian Far East. By the beginning of September, the site had reverted to stories on whaling and the WTO. This respite is almost certainly temporary, as activists have either been on holiday or distracted by the trade talks in Cancun.

However one potentially significant forest-related campaign was launched during the summer months. Greenpeace issued a press statement criticising European forest companies for their investments in Central and Eastern Europe. Greenpeace note the steep climb in investment and production targets set by European timber and wood-processing companies in Eastern Europe in the next few years, claiming that *“one Austrian-Finnish consortium aims to extract a million cubic metres of timber by 2007”*. Greenpeace point to *“the potentially devastating consequences for much of Europe’s last remaining natural forest.”* Greenpeace are particularly concerned about *“the threat to the Carpathian Mountains, which span seven CEE countries and remain almost untouched by industrial logging.”* Greenpeace allege that these forests are threatened by European corporate investment in high-capacity sawmill and production plants in Slovakia, Bulgaria, Hungary and Romania. Greenpeace issued a joint statement with other NGOs calling for a moratorium *“on the logging of ancient forests in Eastern Europe while conservation areas are assessed and local communities are given a proper opportunity to participate in decision making.”*

## 5 Meetings

### 5.1 Future Meetings in Europe

**5.1.1 AHEC European Convention**, Hamburg, Germany, 23-24 Oct 2003. To include a presentation by the T&E Consultant on “Addressing the Demand for Sustainable Hardwood Products”.

**5.1.2 ATIBT Forum**, Athens, Greece, 30-31 Oct 2003. To include a debate on: “The international tropical timber trade – a source of socio-economic development and an incentive for better forms of environmental, economic and legal management”. Contact: [www.atibt.com](http://www.atibt.com); email [com@atibt.com](mailto:com@atibt.com)

**5.1.3 PEFC General Assembly**, 31 October 2003, Luxembourg.



## **5.2 Future meetings outside Europe**

**5.2.1 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](mailto:sec-gen@wfc2003.org); Internet: <http://www.wfc2003.org/>

**5.2.2 Event on certification and world forestry**, 25 September 2003, Quebec City, Canada. Will consider forest certification and responsible procurement throughout the world. For more information, contact: Conference Coordinator; tel: +1-877-273-5777; e-mail: [info@CertificationWatchConference.org](mailto:info@CertificationWatchConference.org); Internet: [http://www.certificationwatchconference.org/upcoming\\_events.htm](http://www.certificationwatchconference.org/upcoming_events.htm)

**5.2.3 AFLEG Ministerial Conference**, Yaounde, Cameroon. 13-16 October 2003. 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. An Action Plan will be developed to tackle the illegal exploitation of forest products and their associated trade. Other goals of the meeting are to explore best current thinking on forest governance, deliberate on illegal forest exploitation in the African continent and associated trade, and identify potential stakeholder partnerships.

**5.2.4 ITTC-35: The thirty-fifth session of the International Tropical Timber Council** will take place from 3-8 November 2003, in Yokohama, Japan, immediately followed by the second session of the Preparatory Committee for the Negotiation of a Successor Agreement to the International Tropical Timber Agreement, 1994. For more information, contact: ITTO Secretariat; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: [ittc@itto.or.jp](mailto:ittc@itto.or.jp); Internet: <http://www.itto.or.jp>

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AF&PA Technical Consultant, 15 September 2003