

Report for AF&PA

**Trade and Environment
Program in Europe**

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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Overview and commentary

The European Commission published its long awaited "Illegal Logging Action Plan" in May. The document that eventually emerged seems more realistic than earlier drafts released at the end of 2002. These earlier drafts had relied almost exclusively on top down trade measures as a solution to illegal logging. The Plan now acknowledges that flexible private sector initiatives, such as industry codes of conduct, have an important role to play. The Plan also acknowledges that multi-lateral solutions are likely to be much more effective. In addition, there seems now to be greater recognition within the EC of the complexity of the illegal logging issue, and growing appreciation of the technical problems associated with a legality licencing system.

However, there is no escaping the fact that the E.C., in their desire to appease the green lobby, continue to place too much faith in prescriptive trade measures. These are likely to be only a weak lever to bring about positive change. The volume of E.U. wood products imports from countries where illegal logging is a problem is often limited. Nor does the plan take adequate account of the immense complexity of wood trading networks, particularly the increased flow of wood to third countries, such as China, for further processing prior to export to the E.U. The difficulties of establishing traceability suggest that it will be extremely difficult to apply legality licencing procedures to manufactured products. And if legality licenses are applied only to primary wood products, their main impact will be to improve the competitive position of manufacturers outside the E.U. at the expense of European manufacturers.

While there is growing recognition in the E.C. of the limitations and obstacles to a legality licencing system, their proposed solution to these issues seems unrealistic. The EC seems to be under the impression that these problems may be solved by encouraging other large wood consuming countries – namely the U.S., Japan and China – to join them in their support for a multi-lateral legality licencing system.

It is no accident that release of the Illegal Logging Action Plan has coincided with probably the most intense period ever of Greenpeace campaigning on forestry issues in Europe. In the space of only 2 months, demos have been reported in the U.K., Italy, Spain, France, Germany, and the Netherlands. All have focused on illegal logging in tropical countries, notably the Congo Basin and Indonesia. An underlying aim has been to force the E.U. to adopt more radical measures to control the wood products trade.

Meanwhile national governments are responding through the development of more environmentally demanding procedures for public sector procurement. This process has progressed furthest in the U.K., where there are plans to make independent verification of timber traceability and legality a contractual requirement for central government projects. Other European governments are keeping a close eye on developments in the U.K. and several have already indicated their interest in introducing similar procedures.

There remains a huge gap in Europe's growing political demands for independent verification and traceability of wood trade flows, and the ability of existing certification and chain of custody procedures to deliver. This problem, which is only gradually dawning on policy makers, has encouraged a frenzy of activity aimed at finding solutions. The E.C. has itself funded research to develop options for implementation of a legality licencing system, so far without achieving very much. Meanwhile European industry associations have started work on a common European standard for chain of custody. And the Forest Stewardship Council has been busy finalising new rules for chain of custody and product labelling which may well have a significant impact on European thinking.

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1 Forest certification developments

1.1 Pan European Forest Certification Scheme (PEFC)

1.1.1 PEFC progress

The area of PEFC certified forest increased by around 880,000 hectares during April and May 2003. Most of this increase (800,000 hectares) was in France. The number of PEFC chain of custody certificates and logo usage licenses has continued to expand this year, rising respectively from 574 to 661 and from 7297 to 7839 between 31 March 2003 and 31 May 2003. As in preceding months, much of the increase has been in France, Germany and Austria.

PEFC endorsed scheme	Certified area	C-O-C certificates	PEFC logo users
Austria	3 924 000	188	115
Belgium	0	2	2
Czech Republic	1 889 451	13	41
Finland	21 910 000	66	80
France	1 741 701	108	1929
Germany	6 444 039	238	5427
Italy	0	2	2
Latvia	17 826	8	125
Norway	9 352 000	3	12
PEFC Council	0	0	17
Spain	86 679	0	7
Sweden	2 258 974	32	81
Switzerland	64 572	0	0
UK	9 125	1	1
Total	47 698 369	661	7 839

Table 1: PEFC Certified Forest Area, CoC certificates and logo Users, 31 March 2003

1.1.2 PEFC Technical Developments

In November last year, the PEFC Council approved a revised set of procedures and documentation. The new framework allows for the development of guidelines to assist implementation of normative requirements. The PEFC Council Board of Directors has recently approved the following Guidelines, both of which are available at the PEFC website:

- [GL 1/2003](#) Issuance of PEFC Logo Usage License by the PEFC Council. This covers the conditions under which licenses can be issued and the contracts which need to be entered into.
- [GL 2/2003](#) PEFC Council Minimum Requirements Checklist. This checklist has been fully revised and contains the 195 requirements applicant schemes must address when undergoing the PEFC Council's endorsement and mutual recognition procedures.

1.1.3 PEFC national news

Austria: around 180 companies in the fields of pulp and paper, board manufacturing, sawmilling and retailing are already certified to the PEFC scheme. PEFC Austria suggests that certification is becoming a central factor in timber purchasing decisions in the country. In

recent months, all nine Austrian regions successfully completed a process of re-auditing against the PEFC standard. The audits were undertaken jointly by the Austrian Association of Quality and Management Systems and SGS.

Belgium: in February, the Certification Body BQA was accredited by Belcert to carry out PEFC chain of custody certification in Belgium. The first chain of custody certificates have now been issued to a group of companies producing panel boards. The first Belgian PEFC labeled products (all panels) should appear on the market in summer 2003.

Czech Republic: major efforts are underway to expand PEFC certified area in the country. All owners of more than 50 hectares of forest will be contacted this summer to encourage their participation in regional certification programs. Meanwhile a national PEFC standard for Chain of Custody certification has been endorsed by the PEFC Council. The Czech Society for Quality – CSQ Cert – has been accredited to undertake certification against the standard. Bureau Veritas Quality International is in the final stages of achieving accreditation. The first Czech PEFC chain of custody certificates were issued during February and March this year. The country's two largest wood processing plants, including StoraEnso and Frantschach (pulpwood) are also expected to receive CoC certificates in the near future.

Finland: the Working Group on Forest Certification Standards should complete its work to revise the national standard by September 2003. The aim of the revision process – scheduled to take place every 5 year – is to ensure the standards reflect current forestry values and scientific knowledge, and are as clear and unambiguous as possible. All key interest groups in the forest sector were invited to participate in the Working Group. More information on the revision process can be found at: <http://www.ffcs-finland.org/tyoryhma2002> and <http://www.ffcs-finland.org/workinggroup2002> .

France: Currently twenty regional associations - created between October 2000 and December 2001 for the purposes of PEFC certification – are implementing the scheme in the field. These associations cover the entire mainland territory of France. By April 2003, 13 of the 20 associations had achieved PEFC certification: Burgundy, the two Normandie, Pays de Loire, Brittany, Aquitania, Centre, Rhone-Alpes, Alsace, Limousin, Franche-Comté, Midi-Pyrénées and Champagne-Ardennes. It is expected that nearly all associations will achieve PEFC certification by the end of 2003. Membership of the PEFC regional associations by French public and private forest owners is voluntary. However there has been a steady increase in the numbers of owners choosing to become members. So far, 10% of French forest area is PEFC-certified. Forests supplying around 25 million m³ of logs each year - around 50% of French roundwood production – are expected to be PEFC certified before the end of 2004. Already, around 80 French wood processing companies have achieved PEFC chain of custody certification. PEFC France is confident that French retailing companies will begin marketing PEFC labeled products from September 2003 onwards. PEFC France is currently running a communication campaign targeting the retailing sector.

Germany: A stalemate has been reached in the dispute between PEFC Germany and the German Federal Government over the latter's preference for FSC certification in public procurement contracts. Earlier this year, PEFC Germany published an expert opinion indicating that the Federal Government were in contravention of WTO rules and EU public procurement regulations. This forced the Federal government to give ground, although they refused to drop their preference for FSC certification. The government contract contains the statement "within four years all the timber purchased by the federal government shall come from FSC certified forests". In a new statement published in January 2003, this sentence is repeated but with the addition "dependent on conformity with WTO regulations and German legislation in the field of public procurement". Meanwhile, PEFC Germany reports that increasing numbers of German wood processing companies are establishing PEFC certification as a minimum requirement for raw material supply.

Italy: The first Italian PEFC labeled product is now available. The company "Margaritelli" is buying PEFC woody material (oak – *Quercus petraea*) from France and (birch – *Betula alba*) from Finland

Norway: in line with a commitment made 5 years ago to regularly review the Living Forests standard, a small working group (WG) has been established to consider the revision process. The WG started work in April and consists of representatives from forest owners, forest industries and NGOs. It is responsible for outlining the extent and content of the revision process, drawing up objectives, mandate, timeframe and budget.

1.2 Forest Stewardship Council (FSC)

1.2.1 FSC Certified Forest Area

Between 7 April 2003 and mid June 2003, FSC certified forest area declined from 37.1 to 36.8 million hectares. The decline mainly reflects the removal from the FSC certified forests list of 1.3 million hectares of Swedish forests managed by Holmen Skog. Certified forest area also declined slightly in Poland during the same period. The reasons for these delistings are unclear. This decline in area was partly offset by the certification of another large area of public forest land in Canada, comprising 1.15 million hectares of natural forest managed by Nipissing Forest Management Inc. In addition, significant areas of Japanese forest appear on the list for the first time. 145,000 hectares of state forests owned by the Yamanashi Prefecture were certified in May.

1.2.2 FSC technical developments

1.2.2.1 FSC review of chain of custody and labelling requirements

An on-going process to review FSC's existing approach to chain of custody and labeling is nearing completion. On 28-29 May 2003, FSC International held a meeting to bring together all out-standing issues in the review process. The aim of the review has been to remove significant bottlenecks in the supply of FSC labeled products resulting from the application of FSC's existing "percentage based claims" policy. The meeting was attended by representatives of FSC National Initiatives, certification bodies, non-governmental organizations, forest product manufacturers and forest managers.

After two days of intense discussion the group recommended pilot testing of a new chain of custody system for sawmillers. The group also recommended that FSC strengthen its current requirements for excluding "controversial" wood/fibre from any products carrying the FSC logo.

The meeting considered four options for changing the current percentage based claims policy as applied to solid timber products:

- Return to a 100% policy for labeling solid wood: in this case individual pieces of solid wood would only be permitted to carry the FSC logo if the piece actually came from an FSC-certified forest. For individual pieces of solid wood there would be a clear, physical link between the FSC-labeled product and an FSC-certified forest.
- Harmonised percentage-claim system: in this case the rules for solid and assembled products would be the same as those for chip and fibre products. This is similar to the current system, but with significantly lower thresholds for FSC-labeling. The current 70% minimum would be reduced to the same level as is now being proposed for chip and fibre products (30%). The label would refer to the annual average rather than the monthly average, but a minimum threshold (currently 10%) would be required every month. The link between the FSC-labeled product and the FSC-certified forest would remain 'statistical' rather than physical. A solid piece of wood would continue to carry a percentage-based claim, providing information about the probability that the piece of wood comes from an FSC-certified forest.
- Input-output system: "Input-output" systems are those in which a company measures the proportion of its raw material which is FSC-certified (the 'input'), and is then

permitted to label the equivalent proportion of its production as FSC-certified (the 'output'). This option combines the 'input-output' concept together with a threshold for labeling. The minimum monthly threshold in this proposal would be 10% of the raw material at each link in the manufacturing chain. Products would not carry any kind of 'percentage-claim'. Labels could provide a link to a website explaining the basis for labeling.

- FSC Credit system: this was a more radical proposal based on the "input-output" concept. The FSC-logo on a product would say nothing about the specific origin of the wood in the product, but would be a mechanism for promoting FSC-certified forestry in the same way that purchasing 'green electricity' supports environmentally friendly sources of power. Products could carry a statement to the effect that by purchasing FSC-labelled products, consumers would be promoting FSC-certified forestry.

The meeting eventually recommended that chain of custody control for sawmills should be based on the input-output model. This approach was subsequently endorsed by the FSC Executive Committee. In the coming weeks FSC plans to:

- develop a first draft standard for sawmillers based on the recommended input-output model;
- carry out pilot testing of the draft standard;
- seek applicants to collaborate on further work on controversial sources, including best practice guidance for certification bodies on evaluation of controversial sources;
- set up a consultative group on assembled products to research into the likely best options for assembled products.

Depending on the results of the pilot testing, as well as the clarification of issues around controversial sources, FSC aims to present new standards to the Board of Directors for endorsement in November 2003.

1.2.2.2 Small and Low Intensity Managed Forests (SLIMFs)

The first field trial of the proposed SLIMF eligibility criteria and streamlined certification procedures was carried out in early June 2003 at the Association of Rural Producers of Forest Management and Agriculture in the Pedro Peixoto Settlement Acrelandia, Acre, Brazil. The field trial was a group certification of 398.76 hectares of tropical forest. The Settlement Project's 10 group members manage forest areas ranging between 30 and 144 hectares. The audit was led by IMAFLORA, SmartWood's certification partner in Brazil. The trial was designed to assess the practicality of the new SLIMF procedures and to identify aspects that need to be improved. The SLIMF procedures are designed to reduce the costs and increase accessibility of FSC certification to smaller owners. Further field trials are taking place between July and September in several countries including Canada, South Africa and Italy.

1.2.3 FSC National Developments

Russia: Representatives from the Russian FSC National and Regional Working Groups attended an auditor training seminar from April 6th to 11th, 2003 in Russia. The seminar was the first phase of a program to support the development of FSC certification in Russia. 53 participants from 13 regions from the Far East to Northwest of Russia attended the seminar. Attendees included forestry experts, academics and representatives of state forest enterprises and ENGOs. The second phase of the project is to start FSC-accreditation processes for potential Russian certification bodies. The project is supported by the Dutch DOEN Foundation.

Australia: in an effort to boost FSC progress in Australia, the FSC Board has formally endorsed an FSC national initiative in the country. All stakeholders in Australia had formerly been working within the ISO framework to develop the Australian Forestry Standard (AFS). However in March 2002, the main environmental groups withdrew their support for AFS and

stated their intention of developing a separate FSC standard for the country. In May 2002, an inaugural FSC meeting was held. Since then progress has been made to develop a draft interim standard for forest management for Victoria State. Progress in the other Australian states has been limited, with most forest owners and industry still committed to the AFS process. To date there has been little domestic demand for independently certified wood products in Australia. However prospects for certification received a boost in April 2003 when Bunnings Building Supplies, Australia's largest hardware retailer, launched a new policy committing them to legally and sustainably sourced wood products, preferably certified by FSC. The main focus of the policy is to avoid destruction of tropical forests in the Asia and Pacific Ocean regions. A representative of Bunnings noted that "*we have identified FSC as the preferred certification system but that does not mean we exclude wood or wood products certified under other schemes or where certification does not currently exist at all*".

Cameroon: Soil Association/Woodmark, an FSC accredited certification body, have field tested the FSC Principles and Criteria (P&C) as a tool to influence hunting practices and as a mechanism to implement control measures on the hunting of "bushmeat" in Cameroon. Woodmark hope that the P&C can contribute to the protection of rare and endangered species in the country. Based on the field test, Woodmark in collaboration with Fauna and Flora International have developed a draft set of best practices, norms and guidelines relating to hunting and the bushmeat trade. These will now be further tested in other forest areas in Cameroon.

Netherlands: Over 2,500 houses and 10,000 square meters of office space in the Netherlands will be constructed and renovated with FSC timber, as part of the first phase of a construction sector agreement. Eleven organizations and companies from the public sector, housing, nongovernmental and private sectors signed a commitment with the Netherlands FSC National Initiative, agreeing to use FSC certified timber. The agreement states that these organizations will use FSC certified timber in their construction and renovation projects. Group members include four housing organizations, the ABN-AMOR Bank (the biggest in Netherlands); the Artis zoo in Amsterdam, the Burger zoo in Arnhem, and the DOEN Foundation, among others.

1.3 Forest Dialogue

An on-going process to build trust and consensus between various forest certification schemes is being managed by the Forest Dialogue. The Forest Dialogue was convened in 1999 by the World Business Council for Sustainable Development (WBCSD), the World Resources Institute (WRI) and WWF. It involves a wide range of stakeholders from both developed and developing countries – forest representatives, labour, academics, the World Bank, and NGOs. The secretariat is based at Yale University's Global Institute of Sustainable Forestry. The Dialogue covers a whole range of issues in addition to forest certification including illegal logging and corruption; intensification of forest management; and a vision for the future of the Globe's forests.

A dialogue between the different forest certification systems was launched in Geneva in October 2002 at a meeting involving a wide range of stakeholders. A second mediated meeting took place between the CEOs of six of the main forest certification schemes with the goal of "*helping to foster and support leadership within the forest certification movement through building relationships based on trust and seeking areas of commonality, collaboration and shared learning*".

A similar meeting has been organised by the FAO near Rome in June and 12 representatives of schemes and intergovernmental organisations will participate. For further details see <http://research.yale.edu/gisf/tfd/> for more details

1.4 EU chain of custody standard

The Confederation of European Paper Industries (CEPI) and CEI Bois, representing the European wood processing industries, are jointly funding a project to develop a common

standard for chain of custody to be applied by the European forest products industry. UK-based consultancies TRADA and Canopy have been commissioned to prepare a first draft of the standard. The project began with a meeting of an expert group held on 19 June 2003. The underlying aim 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.

1.5 Pan-African Forest Certification Scheme

There are unconfirmed reports that on 11 June 2003, the forestry company Rougier Gabon became the first holder of a Pan African Forest Certification system certificate (PAFC). The certified concession covers some 288 626 ha, and the auditor is Det Norske Veritas. The PAFC system is based on a set of principles for sustainable forest management development jointly by the Centre for International Forest Research (CIFOR) and the African Timber Organisation (ATO). At a meeting in Gabon in December 2003, PAFC was accepted by all ATO forest ministers and leading African forest concession holders as that most suited to African conditions. No details of the certification and accreditation procedures implemented under PAFC are yet available.

1.6 World Bank/WWF Alliance

Since 1998, the World Bank/WWF Alliance has been promoting a target for achieving 200 million hectares of production forests under independently certified sustainable management by 2005. Since then a key question has been which certification schemes would be accepted by the Alliance as worthy of support and of contributing to the achievement of this target. Although rarely stated openly, there was always an underlying assumption by WWF and the World Bank that they were referring only to FSC certification. However, signs of a partial shift in thinking came in March 2003 when the Alliance published a "Questionnaire for Assessing the Comprehensiveness of Certification Schemes/Systems (QACC)". The QACC is presented as a diagnostic tool for Alliance managers and partners in Bank client countries to target capacity building of certification systems.

The QACC is designed to assess both stand alone schemes and full systems. Systems are defined as frameworks that endorse, recognise and/or accredit individual schemes, such as PEFC, and the FSC. Stand alone schemes do not participate in such broader systems. Examples include the LEI Indonesia scheme and the SFI Program. The questionnaire builds on a set of Alliance Principles and Criteria for certification systems/schemes. Such systems/schemes should be:

- Institutionally and politically adapted to local conditions;
- Goal-oriented and effective in reaching objectives;
- Acceptable to all involved parties;
- Based on performance standards defined at the national level that are compatible with generally accepted principles of sustainable management and based on objective and measurable criteria;
- Based on reliable and independent assessment & certification decisions free of conflicts of interest from parties with vested interests;
- Credible to major stakeholder groups (including consumers, producers, conservation NGOs, etc.)
- Cost effective
- Transparent

In an effort to appease green groups that are opposed to the concept of mutual recognition, the World Bank/WWF Alliance claim that the QACC is not a tool designed for establishing mutual recognition agreements between systems that may be evaluated by the Alliance. However, there is no escaping the fact that this approach bears striking similarities to that

earlier advocated by the International Forest Industry Roundtable for purposes of mutual recognition. And the QACC seems to represent public acknowledgement by the Alliance that forest certification schemes should be evaluated on their own merits, rather than on the basis of their affiliation/non-affiliation to FSC.

But perhaps the shift is more one of presentation than an underlying change in attitude within the WWF and World Bank. The principles established by the Alliance for forest certification standards follow very closely those established by the Forest Stewardship Council.

1.7 WWF Global Forest and Trade Network

The partial switch in thinking – or presentation - within the WWF suggested by publication of the QACC framework (see above) is also reflected in recent pronouncements by the Global Forest and Trade Network. This Network was established in order to increase uptake of FSC certification. But in recent public pronouncements, representatives of the Network have been careful to avoid direct references to the FSC.

At AF&PA's 2003 Government Affairs Conference in Washington DC in May, Bruce Cabarle of Metafore – formerly the Certified Forests Products Council - gave a presentation on the recent work of the US branch of the network. He focused particularly on the recent partnership formed between Metafore, WWF and the US Agency for International Development (USAID) called the Sustainable Forest Products Global Alliance (Global Alliance). The Global Alliance's stated aim is "*to encourage responsible forest management and reduce illegal trade in forest products by facilitating integration of certified forest products into world markets*". It will channel approximately US\$7.6 million to programmes which support this goal in countries receiving aid from the US government. USAID is providing US\$3.4 million to the Global Alliance partners. WWF, Metafore, and other partners have pledged funding to match USAID's initial investment over three years, and they are encouraging other partners to support the Global Alliance. The Home Depot is the lead corporate partner and is providing US\$1 million over three years.

In his presentation, Cabarle focused mainly on the role of WWF producer groups which are being established in supplier countries. Members of producer groups would be required to work progressively through a series of steps towards eventual certification. They would have to draw up an action plan and make a formal commitment to independent certification within a defined time frame. Members would be required to submit regular reports of progress and undergo audits as required. The first producer group was established in Russia. Additional producer groups are currently under development in Latin America, Central and West Africa, South East Asia and Eastern

A very similar presentation by a representative of the UK branch of the WWF Global Forest and Trade Network was made at a meeting hosted by the Royal Institute of International Affairs in London in early June. It seems significant that in both the US and UK presentations, there was no reference at all to the FSC. Instead WWF called for "credible independent certification" and emphasized the value of a step-wise approach. Perhaps this is a sign that the network is positioning itself as a more commercially oriented solutions-based organization, rather than a mere advocate of FSC certification.

1.8 Reports on timber tracking

The WWF/World Bank Alliance has published a report *Technologies for Wood Tracking: Verifying and Monitoring the Chain of Custody and Legal Compliance in the Timber Industry*. The report examines a range of technologies potentially useful for managing the wood supply chain. The report takes the position that wood tracking systems based on the principles and application of identification, segregation, and documentation can be used to expose log theft and to prevent unscrupulous operators from combining illegally sourced logs with logs of legal origin. The report represents the efforts of WWF and the World Bank to support the commitments of East Asian leaders who participated in a September 2001 meeting on Strengthening Forest Law Enforcement and Governance (FLEG). The report also draws on

information collected at an Alliance supported workshop on log tracking and chain of custody systems held in Cambodia in 2002. The report can be downloaded at:

<http://lnweb18.worldbank.org/ESSD/envext.nsf/80ByDocName/WBWWFForestAlliance>

The Tropical Forest Trust has published a report *Good Wood, Good Business* written mainly for CEOs or senior managers of companies that produce and/or supply wood products to retail or other end-use markets such as the construction industry. The booklet sets out a six-step process to develop a Wood Control System and identifies the difficulties to be overcome at each stage. The Control System consists of seven elements to help guarantee that companies only use 'Good Wood' – i.e. wood from verifiably well-managed forests. The report is notable for its clarity and optimism, suggesting that the challenges involved in establishing full traceability of wood products can be overcome through long-term commitment. The report is probably best suited to processing companies near the base of the supply chain, sourcing primary wood products via relatively few intermediaries. And it may also assist large retailing companies with sufficient clout and resources to take control over the entire chain. Timber importers, merchants and manufacturers sourcing wood from a wide range of overseas sources are unlikely to be in a position to apply the Wood Control System to all their wood products supplies. But the Guide may provide insights into how best to handle wood from countries which are particularly risky from an environmental perspective. More at www.tropicalforesttrust.com

2. International Agreements and Institutions

2.1 EU Illegal logging Action Plan

2.1.1 Content of the Plan

In May 2003, the European Commission published its long awaited Illegal Logging Action Plan. The Plan is the EU's response to the so-called "Forest Law Enforcement and Governance (FLEG)" process. The Plan calls for co-operative agreements with major timber producing countries under which the latter would shoulder responsibility for issuing "legality licenses" for all timber exported to the EU. The "EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT)" has several elements:

- **Development co-operation.** The EU intends to help partner countries to build systems to verify timber has been harvested legally; promote transparency of information; and support capacity building for partner country governments and civil society.
- **Trade in timber.** The EU will initiate a longer-term process of dialogue with wood trading countries to extend international collaboration to tackle illegal logging. In the short term, a voluntary licensing scheme is proposed, whereby partner countries issue a permit attesting to the legality of timber exported to the EU. This will require a Council Regulation for implementation. The Commission will also 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.
- **Public procurement.** Practical information will be provided to guide contracting authorities on how to deal with legality when specifying timber.
- **Private sector initiatives.** Measures are proposed to encourage private sector initiatives for good practice in the forest sector, including the use of voluntary codes of conduct to source only legal timber.
- **Implementation.** To support implementation of the above activities, a co-ordinated EU response is proposed, drawing on the different strengths and capacities of the Commission and EU Member states.

2.1.2 Political reactions to the Plan

The details of the Plan were spelt out at a major meeting to discuss environmental timber procurement issues in Europe hosted by the Royal Institute of International Affairs (RIIA) in

London on 9 June 2003. This meeting provided an opportunity to gauge political reaction to the plan.

At the meeting, a Spanish government official made a point of stating their full support for the EC Action Plan, and of their intention to help push through to an eventual European regulation. UK government officials also stated they were broadly supportive of the Action Plan's aims and objectives, but pointed to the need to consider WTO implications.

Government representatives from Malaysia and Ghana – both significant suppliers of tropical woods to the EU - were also present at the RIIA meeting. They seemed cautiously receptive to the Plan, apparently relieved by Europe's shift in emphasis away from certification of sustainability (particularly FSC) towards an approach based on verification of legality. Both countries are in the process of developing national certification frameworks which would provide for independent verification of legal practice and traceability of primary wood products. Furthermore problems of traceability in these countries are less than elsewhere since domestic log supplies derive mainly from large state-owned tracts of forest. Representatives from both countries also seemed encouraged by the provisions in the Plan for the EU to provide additional support for capacity building in producer countries.

As expected, the green lobby was very vociferous at the RIIA meeting. EC officials were obviously keen to placate this group, and therefore placed great emphasis on legality licenses, on tracking and verification procedures, and on transparency through the use of independent monitors (e.g. Global Witness in Cameroon and Cambodia).

Despite these efforts, it was clear that sections of the green lobby felt the Plan did not far enough. For example Greenpeace and FERN continued to call for legislation to make import of illegally felled timber a criminal offence in the EU importing country.

2.1.3 Implementation issues: establishing traceability

As a contribution to the Action Plan, the European Commission have commissioned the environmental consultants ERM to undertake research into the "*Feasibility of and best options for systems for the identification, verification, licensing/certification and tracking of legality of timber and related products for imports into the EU, with case studies in Brazil, Cameroon, Indonesia and Russia.*" The study intends to identify the options available to relevant authorities for tracking the legality of timber and related products imported into the EU.

An update of this study was provided by the ERM consultants at the RIIA meeting. Judging from this update, a large part of the research seems to comprise a simple analysis of the EU primary wood products trade between the four countries. ERM were unable to provide any real insight into how legality verification would work and commented, rather lamely, that the problem was much more complicated than many European policy makers appreciated. ERM suggested that the private sector would be important partners in the establishment of legality licensing procedures, noting that supply chain management procedures implemented by large Scandinavian companies in North West Russia could provide useful insights. ERM also pointed to procedures now being implemented by European garden furniture manufacturing companies that are members of Tropical Forest Trust for establishing traceability of teak and other durable hardwoods in South East Asia. In the end, ERM emphasized the need for country specific procedures for legality licensing. To avoid problems of complexity they purposefully excluded consideration of trade via third countries from their analysis. The overwhelming impression was that ERM's study raised more questions than it answered.

2.1.4 Next steps for EU Action Plan

The next stage is for the Action Plan to be considered by the European Council – comprising Ministers from nation states. It was scheduled to be discussed under Any Other Business at a meeting of the Council of Environmental Ministers on 30 June. The European Council is responsible for making recommendations before the Plan is put forward to a vote at the

European Parliament. In the event of a positive vote, the Action Plan would be enshrined in a European Regulation. The main responsibility for pushing the Action Plan through these various stages will lie with the Italian government who has presidency of Council during second half of 2003. Overall this process is likely to be lengthy and no Regulation is expected for at least 18 months.

2.2 European public procurement policy

Just when signs were emerging that demand for forest certification may have peaked in the European Union, government officials have stepped in to drive a new wave of interest in the issue. Over recent months there has been intense environmentalist campaigning in Europe targeting timber use in the public sector and focusing on illegal logging, mainly in tropical countries and Russia. This has encouraged governments in several European countries to look hard at their timber procurement practices.

Amongst European countries, public sector efforts to develop a coherent approach to environmental wood procurement have probably progressed furthest in the United Kingdom. Back in 1998, when the G8 group of rich industrial countries agreed an action plan designed to improve forest management globally, the UK government took upon itself the role of "focal point" for actions on illegal logging. This led the government to make a public commitment in 2000 to ensure that all wood used in central government contracts derived from "legal and sustainable" sources. Initially very little action was taken to implement this policy. But everything changed in April 2002 when Greenpeace invaded the government Cabinet offices in protest at the use of African sapele for a major refurbishment project. Since then U.K. government officials have been working frantically on a strategy to ensure full implementation of the policy.

U.K. government officials have announced that they intend to introduce during 2003 a system of variant specifications for all central government timber procurement contracts. Contractors will have three options for the submission of bids:

- They may offer wood products which they can prove are "legally sourced". This is the minimum requirement.
- They may offer wood products from sources for which they can provide evidence of "commitment to progress towards sustainable forest management".
- They may offer wood products derived from sustainably managed forests.

UK procurement officers will prefer bids in the highest bracket if offered. In each case, the U.K. government will demand full traceability of wood products to forest of origin and that evidence of legality or sustainability is independently verified. A Central Point of Expertise will be established by the U.K. government in order to assess the validity of environmental claims.

Although this strategy will only apply to central government procurement in the U.K., it is likely to strongly influence the procurement practices of local authorities. Furthermore, other European countries are closely observing the efforts of the UK government. U.K. officials suggest that the German, French, Dutch and Danish governments have all expressed an interest in implementing a similar system.

These developments are troubling for American wood exporters. The heavy dependence of many American mills on wood from large numbers of smaller owners means that traceability requirements may be difficult to meet. In contrast, a rising proportion of European forests – both in the East and West - are already independently certified. And although the proportion of timber used by central government departments may be relatively small, these departments account for a large proportion of high-profile construction projects that provide particularly good marketing opportunities for American wood products.

2.3 ITTO discuss certification and illegal logging

Forest certification and illegal logging were firmly on the agenda at the thirty-fourth session of the International Tropical Timber Council (ITTC-34) which took place from 12-17 May 2003, in Panama. The Council endorsed a Decision on “Phased Approaches to Certification (PA)”. While acknowledging the potential of PA, the decision is phrased to reflect the fact that PA remains an unresolved policy issue, as opposed to a universally accepted principle. The decision authorises the ITTO secretariat to employ consultants to “develop procedures on how phased approaches to certification might be implemented in tropical producing countries”. The ITTO secretariat was also authorised to convene an international workshop on PA.

On illegal logging, official reports from the meeting indicate that there was fairly clear agreement that this is a problem best dealt with on the ground where it occurs. There were some participants who contended that illegal logging could be addressed using import restrictions and other demand-side tools. But there was also awareness that any reference to trade restrictions would risk moving ITTO policy discussions dangerously close to the World Trade Organization. Inviting specific trade obligations into the ITTO is, quite simply, a non-issue. At present, ITTO’s stance on illegal logging seems to be to gather more statistical information in order to provide a better perspective of the problem. Once the problem is adequately identified, ITTO may fund project work in support of stronger local governance and law enforcement.

Approximately 220 participants attended the meeting, representing 43 member countries of the ITTO, two potential members, nine intergovernmental organizations and specialized agencies, and 23 non-governmental organizations (NGOs).

3 National forest policy

3.1 UK-Indonesia bilateral agreement to tackle illegal logging

Recent reports from UK government officials indicate that initial progress under the UK-Indonesia “memo of understanding” was slow, but the program is now back on track. An action plan for implementation has now been agreed and is being implemented. A major feature of this plan is a commitment by all the UK’s largest plywood importing companies to buy Indonesian plywood from only a limited number of mills (perhaps 6). All of these mills will be subject to an independent audit to ensure that plywood supplied to the U.K. is manufactured from 100% legally sourced logs. The audits will be paid for through a trade levy. Pilot verification and auditing systems are currently being designed and should be implemented during summer 2003.

Despite this progress, reports by UK government officials involved in the process suggest that problems of legal verification in Indonesia are immense. There are governance failures from top to bottom in the country, the judiciary is totally corrupt, and many government officials are implicated in illegal practices.

3.2 Japan-Indonesia Bilateral Agreement

On 24 June, the Indonesian and Japanese governments announced that they would work together to tackle problems of illegal wood trade between the two countries. The agreement is modelled closely on the UK-Indonesia Memo of Understanding. Cooperation will focus on the following areas:

- Development, testing and implementation of the systems for verification of legal compliance in due course to be applied throughout Indonesia and Japan, in respect of timber and wood products imported directly or indirectly from Indonesia;
- Encouraging involvement of civil society in the effort to combat associated illegal trade and illegally harvested timber and wood products and particularly in monitoring the implementation of the systems for verification of legal compliance;

- Joint development of systems for the timely collection and exchange of data on timber and wood products trade between the two countries;
- Effective collaboration between enforcement agencies and the networks in the two countries, aiming to mutually provide information on the application of the relevant laws and regulations of the respective countries; and
- Human resources development including expert training as well as basic and higher education to strengthen the implementation of sustainable forest management.

The impact of this agreement is likely to be much more significant than that with the U.K. Indonesia's major wood product export to both Japan and the U.K. is hardwood plywood. While the U.K. imports only around 200,000 m³ of this product from Indonesia every year, Japan regularly imports between 2 million m³ and 3 million m³ of Indonesian plywood. This is roughly one third of Japan's hardwood plywood consumption (totalling around 7 million m³), and of Indonesia's entire annual plywood production (also around 7 million m³). The agreement is likely to further restrict opportunities for sales of cheap Indonesian plywood in Japan. These sales are already under pressure due to the difficulties faced by Indonesian mills in achieving new requirements under Japan's new Building Standard Law. These requirements, designed to reduce formaldehyde emissions by panel products, are due to be introduced from July 2003.

3.3 Brazil

3.3.1 Big rise in deforestation

After falling or staying steady for the past eight years, the rate at which Brazil's rainforest is disappearing leapt by 40% in a single year. Large tracts of virgin forest in the states of Mato Grosso and Para are being felled, according to figures from the Brazilian government, and turned into farmland - much of it used for growing soya beans.

Data from Brazil's National Institute for Space Research, based on satellite observations, reveal that in the year to August 2002 the amount of rainforest cut down was 25,500 square kilometres, or 10,190 square miles. This has leapt from the previous year, when the area cut down had been 18,170 sq km (7,266 sq miles). The more recent total was the second highest in the whole 30-year saga of Amazonian deforestation, exceeded only by the exceptional year to August 1995, when 29,059 sq km (12,200 sq miles) were converted. After that, the figure dropped and remained steady at about 18,000 sq km until the big increase last year.

Brazil's new Environment Minister, Marina Silva, herself a former rubber tapper from the Amazon, said there would be "emergency action to deal with this highly worrying rise in deforestation". She said the government was considering real-time monitoring of deforestation and, for the first time in Brazil, to force all ministries to consider the environment when enacting policies.

Brazil's rainforest covers 60% of the nation's territory and extends for 1.6 million square miles, an area as big as western Europe. Recent estimates suggest around 16% has been converted, mostly for farming. There now seems to be a new and even more intense agricultural advance into the treeline, especially from large-scale growers of soya beans. Brazil is expected to overtake US soya production in a few years, making it the world's leading producer of a crop that offers its farmers large profits and gives a sizeable boost to its national trade accounts.

3.3.2 New rules for mahogany extraction

Press reports in June 2003 suggest that Brazil's center-left government has announced new rules on mahogany extraction. The reports suggest that extraction will only be allowed under mandatory sustainable forestry plans approved by the forest authorities. In October 2001, the Brazilian authorities imposed a complete ban on the Brazilian mahogany trade. These press

reports seem to indicate that the trade will be allowed to resume in specific cases, although the timing for this is uncertain.

4 Environmental campaigns and issues

4.1 Greenpeace raise the heat

The level of intensity of Greenpeace activism in Europe reached new heights during May and June. Judging from their website, forestry is now by far the main issue for Greenpeace activists – well above nuclear power and whales. In the space of only a few weeks, a huge number of demonstrations were reported. Most focused on illegal logging in tropical countries. A few examples follow:

- Activists climbed on board the timber transport vessel "Tradco" in Ravenna Italy attaching banners that read: "Save the Ancient Forests" and "Forest Crime". The timber on board came from the Congo Basin.
- Activists entered the Veneta Legnami sawmill in the city of Carbonera in Northern Italy, also in protest at the use of wood from the Congo Basin.
- Activists chained themselves to a cargo ship entering the port of Valencia in Spain in protest at import of wood from the Congo basin. The Spanish authorities then impounded the Greenpeace ship, Rainbow Warrior. This act served to enrage the green lobby, encourage a number of fading pop stars to make statements in support of Greenpeace, and hugely boost local media coverage. Representatives of the local socialist party also joined the fray, presenting an initiative that would require the regional government to use independently certified timber.
- Activists identified Indonesian plywood on a construction site for new central government offices in London. This was tied to a campaign targeting the UK's largest plywood importing companies, alleging that they were reliant on illegally sourced logs. Greenpeace also criticised the UK government for failing to meet their existing commitment to source wood from legal and sustainable sources.
- Activists protested against a German firm in the state of Nordrhein-Westfalen which imports timber from the Congo basin.
- Activists boarded a boat carrying Liberian logs on a river in Germany.
- Activists blocked the entrance to the city council of Barcelona with a coffin containing a gorilla puppet and a banner that read, "No more illegal logging." The coffin was made of FSC certified lumber.
- Activists brought all timber activities in Sète Harbour to a halt by chaining themselves to the harbour entrance and unfurling a banner that read "France official partner in ancient forest destruction."
- Activists sent letters to customers of a Dutch company that manages concessions in Cameroon and trades in African hardwoods, alleging that the company has been involved in illegal logging.
- Activists demonstrated outside WestLB Bank's in Germany in protest against its investment in an oil pipeline that runs through the Ecuadorian Amazon.

4.2 Public perception of wood-based industries

The Enterprise DG of the European Commission commissioned a qualitative study on how the forest-based industries are perceived by the general public of the 15 Member States of

the European Union. It addressed adults on the one hand and young people (16 to 18 years) on the other. The study involved in-depth discussions amongst a small number of individuals (in the event, two group discussions each involving about eight people in each Member State).

The results of the study show there is great ignorance on the part of the public and an image which leaves room for improvement, particularly as regards respect for the environment, the modernity of the sectors studied and their importance regarding employment and job attractiveness.

In relation to the environment, the results show that the regulatory measures taken by European governments and the efforts of the different sectors to adapt to environmental concerns are not well understood. The realities of sound, sustainable forest management are often seriously doubted by Europeans, who are still great believers in the myth of the original, natural forest. Forests were an emotive issue for many European citizens who tended to see them as the idealised incarnation of a 'virgin' and 'pure' nature, threatened by human activities and especially by economic and industrial activities.

Forestry in particular did not tend to be seen as an economic activity — with the notable exception of Finland and Sweden. Understanding of the notion that forests are something that needs to be managed was patchy. When people did understand this notion, they tended to interpret it largely in terms of regulatory and supervisory action by public and local authorities (which many people felt, at the same time, to be the main, or even the only, owners of forests).

People were often suspicious about the resolve of (private) forest owners and forest workers to promote sustainable development and respect the 'common ownership' of the forest heritage — suspicions which were particularly marked, moreover, as regards European and other enterprises working in the area of tropical wood.

Sweden and Austria are practically the only countries where there is general agreement that foresters do abide by the rules of sound management (at least as regards their national forests); even in Finland this is sometimes called into question.

Efforts by the industry to increase recycling are more familiar, but the level of recycling achieved is sometimes underestimated.

Views on the environmental impact of forest-based industries varied by sector. There were few criticisms of the environmental impact of the furniture sector. The environmental impact of the sawmilling industry was seen as moderate (although their indirect responsibility for the perceived destruction of the forest heritage was criticised here and there). The environmental impact of the paper, pulp and board manufacturing industry was in most cases felt to be negative or very negative: there was a strongly rooted notion in some groups that it was helping to destroy forests through its enormous consumption of wood and also, and in particular, as a result of the water or air pollution that it was thought to cause, an idea that was widely held in several northern European countries in particular.

In relation to modernity, Europeans tend to think that forest-based industries have, like other sectors, adopted more efficient production methods and equipment, but the idea of high technology is rarely present. Only the sectors that widely use information and communication technologies in their core activity (printing) or those where the design element plays an important role (furniture and, to a lesser extent, packaging) generally appear truly modern and innovative.

4.3 Australian study confirms life cycle benefits of wood

According to a report from the National Australian Forest Industries (NAFI), new research confirms the huge environmental advantages of wooden housing materials. A study by the Cooperative Research Centre for Greenhouse Accounting in Australia found steel house-

frames were significantly worse for the environment than wooden ones. About 2.7 tonnes of carbon dioxide - the most common greenhouse gas in the atmosphere - was released in the manufacture of the steel framing needed for a typical four-bedroom, single-storey home. That included the carbon dioxide released from mining the iron ore and turning it into steel, as well as the effects of transporting the steel. In contrast building frames made from plantation pine trees released just 0.4 tonnes of carbon dioxide. Although carbon dioxide was released from machines used to harvest the trees and process and transport wood, that was offset by large amounts of the gas taken up by trees while they were growing. The extra gas released in making steel frames was equivalent to the amount of carbon dioxide emitted by driving a car 8,000 km.

The CRC, which included scientists from CSIRO and the Queensland Department of Primary Industries, carried out the research with State Forests of NSW. They have spent three years so far trying to work out house designs with the least greenhouse gas emissions. The team hopes to extend the study to impacts of other building materials like brick veneers, concrete slabs and all-timber construction materials to come up with the overall effect of house design on the environment.

5 Meetings

5.1 Future Meetings in Europe

5.1.1 Forest Law, Enforcement, Governance and Trade (FLEGT) seminars and debate, July 14th and August 1st. The Tropical Forestry Resource Group is running two seminars and a linking debate in Oxford on issues surrounding FLEGT between July 14th and August 1st 2003.

5.1.2 PEFC General Assembly, 31 October 2003, Luxembourg.

5.2 Future meetings outside Europe

5.2.1 Asia Forest Partnership are holding a meeting in Jakarta during the second week of July.

5.2.2 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/>

5.2.3 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; Internet: http://www.certificationwatchconference.org/upcoming_events.htm

5.2.4 AFLEG Ministerial Conference, Yaounde, Cameroon. 13-16 October 2003, but now postponed, perhaps to June/July. 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.

5.2.5 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: itc@itto.or.jp; Internet:
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