

Report for AF&PA

**Trade and Environment
Program in Europe**

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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Consultants commentary and highlights

This report suggests that many of the most critical developments related to trade and environment are now occurring in East Asia and the Pacific Rim. Until recently, Asian/Pacific policy makers were not particularly active participants in the international dialogue that has emerged on issues such as illegal logging and forest certification. This despite the fact that the region plays host to some of the most controversial timber trade flows notably: between Indonesia, South East Asia and China; between Burma, Thailand, China and Vietnam; between Russia, China, Korea and Japan; and between Papua New Guinea, China and Japan. Until recently, the area of certified forest in the Asia Pacific region remained stubbornly low. With the exception of the Vietnamese garden furnitures sector, there has been only limited interest in chain of custody. Demand-side measures - such as WWF buyers group and public sector procurement measures – were unheard of in the region.

But this month's report suggests that the situation in the Asia/Pacific region is beginning to change. In Japan, the Japanese Prime Minister is now having to deal with the same sort of Greenpeace campaigning – targeting use of “illegal wood” in public sector projects - that has been so effective in pushing European governments to develop tougher timber procurement policies. Also in Japan, green campaigning against the use of wood chips from natural forests in Australia and from plantations in Indonesia seems to be driving a significant shift towards certification in the paper industry. In Australia, concerns over widespread illegal logging in Indonesia and PNG have encouraged the government to consider similar demand-side measures.

And probably of most long-term significance, the Chinese authorities are beginning to look seriously at the implications of widespread illegal logging. In recent weeks, the Chinese state news agency has produced a 3 page special report on illegal logging providing an insight into current government thinking. The main focus of the report seems to be to steer blame away from China and to suggest that the major driving force are the rich consuming countries in North America, Europe and Japan that are purchasing Chinese finished products. But at least the issue is now being debated in China. There is also emerging evidence that the Chinese authorities are willing to take effective action when they perceive this to be in their best interests. Global Witness reported in June that the Chinese authorities have quietly clamped down on illegal imports of teak logs from Burma, apparently driven by a broader concern to improve stability in Burmese border areas.

The interaction between China and Russia on illegal logging and other forestry issues is likely to be particularly significant for the long term development of the wood trade in the region. The central Russian authorities are clearly very concerned by the implications of the on-going massive heamoraging of logs from Russia into China for which – due to widespread corruption and a complete failure of regulatory processes in the Russian Far East – they fail to reap any significant fiscal benefit. The Russian central authorities are implementing various measures in an effort to overcome these problems. They are reforming forest laws with a view to encourage greater inward investment – particularly from Chinese firms - in their own wood processing sector. They have set up a joint task force with China to look at the illegal wood trade between the countries. They are trying to clamp down on corruption at regional government level and to force regional governors to introduce more effective measures to curtail illegal exports. They are also extending air and space surveillance of forests in an effort to improve monitoring. It remains to be seen how effective these measures will be.

The strategic importance of the Asian region for the long development of the international wood industry has not been lost on the forest certification schemes. In recent months PEFC has elaborated a strategy for market development in the Asian region. Meanwhile WWF remains very active in promoting FSC throughout the region. And Russia has now become a key focus for FSC certification, recently illustrated by FSC's accreditation of the its first Russian certification body.

This report also highlights some significant developments on another continent. African producers at last seem to be making more headway to achieve forest certification. In recent months, Gabon has become the first African country to formalise and bring into operation a national forest

certification scheme that may be eligible for PEFC endorsement. In other parts of West Africa and the Congo Basin, FSC now seems the preferred system. The WWF Global Forest and Trade Network has just announced a significant extension of its membership in Ghana and Cameroon.

The last 2 months have also been marked by the release of two major reports on the status of global forest resources: FAO's Forest Resource Assessment for the year 2005; and ITTO's "Status of Tropical Forest Management 2005". Both reports paint a fairly grim picture of recent global forestry trends, but also contain a kernel of hope.

The ITTO report shows that the area of sustainably managed tropical forests has expanded from less than one million hectares in 1988 to at least 36 million hectares in 2005. This amounts to less than 5% of the 814 million hectares of tropical forest surveyed for the report. But the report also indicates that several tropical countries have made significant progress to establish a permanent forest estate and to introduce legislative and regulatory changes that are key preconditions for sustainable forest management.

The FAO report shows that tropical deforestation continues at an alarmingly high rate and reports an increase in the area of forest lost to fire and pests every year. On the other hand, it also reports: increasing areas being set aside for conservation of biological diversity and for social services; an increase in the area of productive and protective plantations; an increase in the unit value of wood removals; and moves towards increased private ownership of forests.

1. Development of Forest Certification in Europe

1.1 Program for the Endorsement of Forest Certification (PEFC)

1.1.1 Status and area

	PEFC certified forest area (000 ha)			Number of C-O-C certificates*			Number of PEFC logo users		
	31-Dec-05	31-May-06	% chng	31-Dec-05	31-May-06	% chng	31-Dec-05	31-May-06	% chng
Australia	5166	5157	0	1	1	0	5	5	0
Austria	3924	3374	-14	290	275	-5	143	137	-4
Belgium	244	247	1	55	65	18	41	63	54
Brazil	0	763	na	0	0	0	0	0	0
Canada	69209	72560	5	48	48	0	1	3	200
Czech Republic	1945	1945	0	206	257	25	162	174	7
Denmark	14	26	91	6	10	67	10	14	40
Finland	22367	22151	-1	92	110	20	109	110	1
France	3981	4031	1	814	904	11	7431	8218	11
Germany	7024	7182	2	584	614	5	7295	7516	3
Hungary	0	0	na	1	2	100	1	1	0
Chile	1552	1552	0	8	9	13	6	6	0
China	0	0	na	0	3	na	0	2	na
Italy	607	608	0	26	32	23	40	55	38
Japan	0	0	na	10	12	20	7	9	29
Latvia	38	38	0	14	14	0	262	262	0
Luxembourg	17	18	5	2	3	50	3	12	300
Netherlands	0	0	na	7	17	143	3	6	100
Norway	9232	9232	0	6	6	0	17	17	0
PEFC Council	0	0	na	0	0	na	29	30	3
Portugal	50	50	0	1	1	0	1	1	0
SFI - USA & Canada	54377	54377	0	0	0	na	0	0	na
Spain	393	518	32	38	42	11	103	111	8
Sweden	6649	6707	1	61	52	-15	118	74	-37
Switzerland	<i>suspended</i>	316	na	-	0	na	-	658	na
UK	9	9	0	120	188	57	35	83	137
Total	186799	190860	2	2362	2665	13	15822	17567	11

The area of PEFC certified forest has increased by 2% since the start of 2006, with the only significant changes due to a rise in forest certified to the Canadian Standards Association (CSA) scheme. An additional 3 million hectares have been certified by CSA during the course of the year. Elsewhere, the area of forest certified to the Austrian PEFC scheme has declined by around 14% since the start of 2006. Around 300,000 hectares of forest certified to the Swiss PEFC scheme - which had its PEFC endorsement suspended at the end of 2006 - have now been reinstated. The area of forest certified to the Spanish PEFC scheme has risen by 32% this year, although the total area is still relatively small (0.5 million hectares).

Meanwhile six forest certification systems are currently undergoing the PEFC endorsement process. Lithuania, Poland and Slovenia have just submitted their certification systems for PEFC endorsement. The public consultation on the Estonian PEFC scheme has just ended and the final assessment report is currently being compiled. The French and Austrian PEFC schemes are undergoing re-assessment (required by PEFC every 5 years).

The number of PEFC chain of custody certificates issued has increased by 13% since the start of 2006, and now stands at close to 2700. The most significant increases have been in France, Germany, the UK and Czech Republic.

In the UK, where the number of PEFC CoC custody certified companies has increased by 57% in less than 5 months, the UK government procurement policy seems now to be encouraging more rapid uptake. However FSC remains strongly favoured in this market.

However in Germany, PEFC now seems to be extending a strong lead over the FSC brand - particularly in the paper sector. Three of the five biggest paper merchants in Germany - Antalis, IGEP, and Papierunion - have now been PEFC certified, and more and more paper products with the PEFC logo are arriving in stores. Most recently, Deutsche Post has said that it is keen to promote PEFC in the paper supply chain. The company printed its Business Reports for 2004 and

2005 on PEFC certified paper and PEFC certified and labelled office paper of different brands can now be purchased at Deutsche Post branch offices.

1.1.2 Progress towards PEFC compatible scheme in Gabon

On the 4th May 2006 a national workshop took place in Libreville Gabon in order to validate the PAFC Gabon certification scheme. The scheme is the first to be launched under the “Pan African Forest Certification” (PAFC) banner. These national schemes aim to conform with the PEFC requirements for independent auditing and standards-setting, and to ensure that standards are aligned with the ITTO/African Timber Organisation sustainable forestry guidelines.

The workshop was presided over by the Gabon Minister of the Forest Economy, Emile Doumba. The PAFC Gabonese certification scheme was validated and adopted unanimously (with one amendment) by the administrative, economic, and social partners, by NGOs and by research institutes. The scheme is now fully functional for forest certification in Gabon.

According to PEFC, the documentation of the Gabonese system has been widely circulated among all stakeholders involved in forestry for public consultation since June 2005. Discussion and information exchange meetings were organised by the PAFC Gabon Association in order to present the scheme and collect opinions from the various stakeholders. The certification scheme is currently being translated and will shortly be submitted to the PEFC Council for endorsement.

1.1.3 PEFC Asia Promotion

PEFC has been operating a promotion initiative in Japan for the last 2 years, mainly with support from the Australian wood chip industry which supplies the Japanese paper sector. In Early March 2006, a workshop was held involving 15 industry and certification interests from USA, Australia, Canada and Sweden, and the PEFC Council in Shanghai to discuss extending the initiative to a wider range of Asian countries. While the initiative is oriented towards supporters of PEFC, the participants agreed that the main intention should be to promote all credible sustainable forest management certification schemes, to ensure that there is a choice of different schemes in the Asia-Pacific region.

The Workshop developed a draft Asia Promotions Strategy with the key objective: “to build market awareness and acceptance of PEFC certification and PEFC certified wood products in Asia markets”.

This objective would be measured for success in 3 areas:

- Market acceptance and procurement, primarily in Japan and China, but efforts would also be made to increase awareness in Taiwan, Korea, and Vietnam
- Domestic forest certification, seeking Japanese and Chinese national forest certification scheme endorsement under PEFC.
- PEFC chain of custody for importing and exporting companies in the region, ensuring recognition of the PEFC brand and establishing local PEFC accredited certification bodies in each country to facilitate this process.

This basic strategy is now being considered by potential participant organisations with a view to securing seed funding. Seed funding is being sought to cover the first two years, tiding the initiative over until such time as longer-term financing mechanisms have been established by the PEFC Council for overall development and promotion of the scheme.

Meanwhile, market research will be undertaken to establish baseline information in key Asian markets, to refine the business strategy, and to benchmark performance.

1.1.4 Seminars in Belgium and UK

The PEFC Council and its national members in Belgium and the UK organized two seminars for companies in the timber and paper sectors – on Tuesday, the 13th June 2006, in London and on the 21st June 2006 in Westerlo (close to the Dutch-Belgian border).

1.1.5 PEFC Council General Assembly

The next PEFC Council General Assembly will be held on Friday, 27th October 2006 in Portland, Oregon (USA).

1.2 Forest Stewardship Council

1.2.1 Status and area

FSC certified forest area has expanded rapidly during 2006, rising 12% during the first 6 months to reach 76.4 million hectares. As in 2005, the largest area increases have been in Canada and Russia, although the pace of expansion in both countries has slowed a little compared to the previous year.

While Table 2 indicates only slow expansion in Eastern Europe this year, the data excludes a significant area of forest just certified in Belarus (see 1.2.2). With more areas due to be certified in Belarus and Romania, the rate of expansion is expected to pick up again in Eastern Europe over the next couple of years.

Table 2: Change in FSC certified area by region (in million hectares)

	01-Dec 2004	21-Dec 2005	21-Jun 2006	% chg Dec 04- Dec 05	% chg Dec 05- Jun 06
N. America	9.7	21.2	24.4	119	15
W. Europe	12.7	13.9	14.0	9	1
E. Europe	12.4	14.4	14.8	16	3
Asia Latin America	0.4	1.1	1.6	175	45
Africa	6.4	8.1	8.7	27	7
Russia	1.9	1.7	2.1	-11	24
Oceania	2.1	6.7	9.5	219	42
	1.2	1.3	1.3	8	0
All	46.9	68.4	76.4	46	12

In % terms, there have been significant increases in the area of certified forest in Asia and Africa during 2006. FSC certified forest in Asia has expanded from 1.1 million hectares to 1.6 million hectares since the start of the year. The increase is almost entirely accounted for by Indonesia where two privately managed natural forest concessions have been certified by the Rainforest Alliance. These are the PT Intracawood Manufacturing concession of 195000 has, and the PT Sumalindo Lestari Jaya Tbk concession of 270,000 has.

In Africa, the area of certified forest actually fell last year as various plantations in the southern part of the continent failed to renew or otherwise lost their certification status. There has been a reversal of this downward trend during 2006, with a particularly notable expansion in certified area occurring in the tropical forests of Central Africa – a key source of tropical hardwood supply to the European Union (see 1.2.3).

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

	<i>Dec</i> <i>2005</i>	<i>Jun</i> <i>2006</i>	<i>No.</i> <i>Change</i> <i>Dec 04-</i> <i>Dec 05</i>	<i>No.</i> <i>Change</i> <i>Dec 05-</i> <i>Jun 06</i>		<i>Dec</i> <i>2005</i>	<i>Jun</i> <i>2006</i>	<i>No.</i> <i>Change</i> <i>Dec 04-</i> <i>Dec 05</i>	<i>No.</i> <i>Change</i> <i>Dec 05-</i> <i>Jun 06</i>
World	5103	5765	1003	662	America	1273	1418	169	145
Europe	2911	3302	648	391	USA	582	661	60	79
UK	469	621	50	152	Brazil	244	248	26	4
Germany	453	473	112	20	Canada	167	210	35	43
Poland	351	367	45	16	Mexico	na	69	na	na
Nethlds.	293	339	63	46	Bolivia	na	40	na	na
Switzld.	271	295	61	24	Chile	41	37	4	-4
Italy	137	170	47	33	Asia	675	805	194	130
France	99	134	33	35	Japan	314	360	93	46
Sweden	128	129	3	1	China	132	174	52	42
Latvia	93	108	4	15	Vietnam	84	95	17	11
Belgium	79	89	2	10	Malaysia	61	67	15	6
Lithuania	na	70	na	na	Indonesia	32	34	4	2
Denmark	60	64	9	4	India	na	4	Na	na
Russia	na	64	na	na	Africa	152	142	-15	-10
Austria	na	47	na	na	S. Africa	129	116	-16	-13
Croatia	na	46	na	na	Oceania	92	98	7	6
Ireland	22	23	0	1	New Zld.	72	68	0	-4
					Australia	na	27	Na	na

1.2.2 FSC makes more progress in Eastern Europe

On 5 June 2006, 1.4 million hectares of forests in Belarus achieved certification to the FSC standards. The certification bodies Rainforest Alliance and NEPCon had issued three FSC group certificates to Mogilev, Grodno and Brest Regional Forest Boards in Belarus. Furthermore, around 1 million hectares of forest are currently under FSC evaluation and the Ministry of Forestry expects that an additional area of around 4.5 million hectares will undergo FSC evaluation during the next two years. The certification followed from a government decision to seek FSC certification of the Belarussian state forests. Pulpwood from Belarus is widely exported through the Baltic countries to mainly Scandinavian pulp mills, while processed timber is sold to several western European countries.

NEPCon conducted FSC evaluations of 2.5 million hectares of state forest between June and November 2005, and follow-up audits took place in March and April 2006. The certification of the groups is the first major FSC certification in the country since a pilot certification of one forest district took place three years ago. Experience from the pilot test has been used for preparation of forest management certification of the groups. FSC evaluations covered 5 Group Forest Management (FM) certificates and 1 Single FM certificate. The FM evaluations were combined with chain of custody evaluation of 32 timber industries belonging to the forest management operations. The assessments were carried out by a broadly composed international team of 11 experts from 7 different countries.

As a result of the assessments, major non compliances with the standards were identified for three groups out of the five. The non compliances were related mainly to harvesting rights, harvesting technique, personal protection equipment, high conservation value forest and/or procedures for group management. These non compliances shall be corrected before an FSC certificate may be issued. Corrective actions have already been taken by two of the three groups. Public summaries of the certification reports will be available in English and Russian on the Rainforest Alliance web site (www.rainforest-alliance.org) during July 2006.

Belarus has more than 9 million hectares of forest which are 100% state-owned. Nearly 8 million hectares, with a growing stock of 1.3 billion m³, are managed by the Ministry of Forestry. Belarussian woodlands mainly comprise coniferous forests dominated by Scots pine, Norway spruce, and birch with some admixture of alder, aspen, oak and larch. About 3 million ha of the

forest in Belarus is contaminated by radiation after the Chernobyl meltdown. One million hectares of forest administered by the Ministry of Forestry will not undergo certification because these forests are so seriously contaminated that it is not possible to work there.

1.2.3 A major tropical African concession achieves FSC certification

On May 25th, 2006 it was announced that the Kabo Forest Management Unit (FMU) of Congolaise Industrielle des Bois' (CIB), a subsidiary of the DLH group, had achieved FSC certification under the SGS Qualifor Programme. Heiko Liedeker, Executive Director of the FSC, announced the achievement at the 11th Conference of African Environment Ministers held in Brazzaville. Located in the Republic of Congo, the Kabo FMU covers 296,000 hectares. The forest is home to more than 600 indigenous peoples as well as a diversity of threatened large mammal species. It is a vital resource for economic development in the northern Congo.

Scott Poynton, Executive Director of the Tropical Forest Trust which oversaw the certification process noted that "*Over the past 2 years, there have been enormous changes [in CIB forest management], with the sole purpose of achieving FSC certification.*" CIB made particular progress to improve its interaction with indigenous communities. The Kabo Forest Management Plan has been developed and approved by the Congolese authorities which sets out on-going development targets. CIB's certification program is on-going with efforts continuing to have its remaining FMUs, covering its full 1.3 million hectare area, FSC certified in the near future.

1.2.4 FSC Certified Paper sector in Europe

The FSC German Working Group has just released the results of a survey undertaken in January 2006 of companies involved in the FSC certified paper sector in Europe. The authors claim that the survey shows that use of FSC trademarks provides strong commercial advantages. However closer analysis of the survey data suggests the commercial benefits may not be so obvious.

The survey indicates that at present only a small proportion of product sales by FSC certified companies actually comprise FSC-labelled products. In 2005, an average 4.3% of sales turnover of surveyed companies was sold as FSC-certified in 2005. Nevertheless all companies replying to the survey anticipated a steady or increasing demand for FSC-products during 2006. In 2006, it is estimated that perhaps 6.7% of sales turnover will be sold as FSC certified product.

The survey included a sample of the 250 FSC-certificate holders operating in the European pulp and paper sector. As of April 7th 2006, the list of FSC chain of custody certified companies involved in the sector included: 43 FSC pulp producers or traders; 73 FSC paper producers; 62 wholesalers and paper product producers; 15 hygienic paper producers; 20 FSC wallcover producers and 96 FSC printers and publishers.

1.2.5 First Russian FSC-accredited certification body

In a move that may open the way to further uptake of FSC certification in Russia, FSC has accredited it's first Russian certification agency. The FSC accreditation documents were presented on 27 June 2006 to the president of EuroPartner, a firm based in St Petersburg. EuroPartner is accredited to independently audit and certify sustainability of forest management and chain of custody in Russia and CIS countries. The existence of a FSC accredited Russian certifier may partly ease nationalistic objections to FSC in Russia. Some Russian interests have strongly objected to the idea of Russian forests being certified by "foreign" agencies.

1.3 Pan-Canadian Program

Time Inc recently announced that forest products certified under the Pan-Canadian Woodlot Certification Program would meet the requirements of its Certified Sustainable Forests Program. According to David Refkin, Director of Sustainable Development for Time Inc, "*The Pan-Canadian*

Woodlot Certification Program program, which incorporates third party certification, represents a major advance in the effort to broaden forestry certification programs to smaller private landowners, a key part of the fiber supply chain. Time Inc., the worlds largest magazine publishing company, is a member of the Paper Working Group, 21 companies focused on increasing the availability of environmentally preferable paper. Every day, more and more users of wood want to insure that the fiber used in their products is from sustainably managed lands. The development of this program, and Time Inc.'s qualification that it meets the standards of our Certified Sustainable Forestry program, represent an important step in increasing the supply of certified products into the marketplace."

The Pan-Canadian Program was developed in 2003 by the Canadian Federation of Woodlot Owners in response to increasing interest from the pulp and paper and sawmilling industries to obtain certified forest products. Composed of nine provincial associations, the Federation is the voice of woodlot owners at the national level in Canada. After a review of available Certification Standards, the Federation determined that it was essential to provide Canada's 450,000 woodlot owning families with a new Standard that is appropriate for the size of their forests, typically 40 hectares, and is affordable. The Pan-Canadian Program sets forth requirements for sustainable management of woodlots. Among key commitments, participating woodlot owners must protect water quality, maintain wildlife habitat, ensure timely forest renewal, and act as good neighbours to adjacent landowners and First nations. The Program also sets out the requirements for third-party audits to provide an independent assessment of the management carried out by participating owners.

2. International Agreements and institutions

2.1 European Commission

2.1.1 EC adopts Forest Action Plan

The European Commission adopted an EU Forest Action Plan in June 2006. The Action Plan builds on a 2005 report on the implementation of the EU Forestry Strategy and consequent conclusions by the Council. In summarising the Action Plan, a Commission spokesman noted that it *"is designed to make a major contribution to sustainable forest management. Our intention is to maintain and enhance the multifunctional role of European forests, underpinning better and sustained provision of goods and services to citizens."* The Action Plan focuses on four main objectives: (1) to improve long-term competitiveness; (2) to improve and protect the environment; (3) to contribute to the quality of life; and (4) to foster coordination and communication. Eighteen key actions are proposed by the Commission to be implemented jointly with the Member States over a period of five years (2007–2011).

Building on the Council Resolution of 15 December 1998 on a forestry strategy for the European Union, the Action Plan provides a framework for forest-related actions at EU and Member State level. It also serves as an instrument of coordination between EU actions and the forest policies of the Member States. Recognising the wide range of natural, social, economic and cultural conditions and differences in forest-ownership types in the EU, the Action Plan acknowledges the need for specific approaches and actions for different types of forests. It emphasises the important role played by forest-owners in the sustainable management of forests in the EU.

In order to improve long-term competitiveness of the forest sector, the Action Plan encourages innovation and research activities as well as training for forest-owners and forest workers. In line with the Biomass Action Plan and the EU Biofuels Strategy, it also proposes actions aimed at increasing the use of forest resources for energy production.

The Action Plan includes a number of specific steps to contribute to EU environmental objectives concerning climate change and biodiversity. It also addresses the protection of forests and proposes to work towards an improved European forest monitoring system.

To contribute to the quality of life, the Action Plan promotes the social and cultural dimensions of forests. It encourages environmental education, underlines the importance of the protective role of forests, and proposes to explore the potential of urban and peri-urban forests.

It proposes measures for more efficient cross-sectoral cooperation in order to balance economic, environmental and socio-cultural objectives in forest-related policies.

Forests currently cover 37.8% of the EU's land area. The forest area of the EU Member States has been steadily increasing over the last decades. According to recently published reports, total forest cover in the EU during the period of 2000-2005 has increased by 2.3 million ha. Forest cover greatly varies among the EU Member States ranging from respectively 73.9% and 66.9% of the total land area in Finland and Sweden, to 9.7% in Ireland, 10.8% in the Netherlands and 11.8% in Denmark. About 60% of the forests in the EU are in the ownership of roughly 15 million private forest-owners. Private forest holdings have an average size of 13 ha, but many privately-owned forests are less than 3 ha in size. Forestry and forest-based industries employ about 3.4 million people, and the EU produces about 20% of the world's industrial roundwood, being the second biggest producer after the USA. Despite these large quantities of production, the average annual volume of timber harvested in the EU is only slightly over 60% of the annual forest growth.

The Communication on an EU Forest Action Plan is available at:

http://ec.europa.eu/agriculture/fore/action_plan/index_en.htm

More information on EU forest-related policy and the EU Forest Action Plan is available at:

http://ec.europa.eu/comm/agriculture/fore/index_en.htm

2.1.1 EC adopts plan to halt loss of biodiversity by 2010

In May 2006, the European Commission adopted a Communication setting out an ambitious policy approach to halting the loss of biodiversity by 2010. In particular, it provides an EU Action Plan which proposes concrete measures and outlines the responsibilities of EU institutions and Member States, respectively. It also specifies indicators to monitor progress, and a timetable for evaluations. It spells out what needs to be done to halt biodiversity loss in the EU and to meet international commitments to reduce biodiversity established in the Convention on Biodiversity (CBD – see 2.5). It also creates an advisory mechanism to help decision-makers make better use of existing knowledge.

The Communication identifies four key policy areas: biodiversity in the EU; the EU and global biodiversity; biodiversity and climate change; and the knowledge base. It proposes 10 priority objectives in relation to these, addressing most important habitats and species; actions in the wider countryside and marine environment; making regional development more compatible with nature; reducing impacts of invasive alien species; effective international governance; support to biodiversity in international development; reducing negative impacts of international trade; adaptation to climate change; and strengthening the knowledge base. The Communication suggests four supporting measures relating to: adequate financing; strengthening EU decision-making; building partnerships; and promoting public education, awareness and participation.

The communication forms part of the commitment made in 2001 by the EU to halt biodiversity loss within the region by 2010. The Commission notes that "*halfway to the 2010 targets, some progress has been made in the EU - but the pace and extent of implementation has been insufficient.... Much of EU biodiversity remains greatly impoverished and continues to decline. Achievement of the EU 2010 target is still possible but will require accelerated implementation at both EU and Member State levels.*" The Commission has emphasized that "*halting biodiversity loss is an absolute priority for the EU, an essential goal for humanity*".

2.2 ICFPA Commits to Improve Sustainability Performance

Member companies of the International Council of Forest and Paper Associations (ICFPA) have agreed a new leadership statement on sustainability and illegal logging. The statement was signed

by 59 company CEOs and association presidents - representing some of the largest pulp, paper, and wood companies in the world - during the second meeting of the ICFPA Global CEO Roundtable. Through this statement, ICFPA member companies committed to continuously improve their sustainability performance through action in several core areas including:

- Promoting sustainable forest management worldwide through development of credible forest certification systems and other mechanisms
- Combating illegal logging by encouraging the development of laws and regulations, as well as effective government monitoring, enforcement and assessment of forests
- More efficient fiber use, by encouraging the recovery of pre- and post-consumer paper and wood products.
- Creating solutions to global climate change and energy supply objectives – through innovative energy solutions that will increase efficiency, reduce reliance on fossil fuel and expand the use of renewable energy sources.
- Investing in workers and communities - maintaining a safe work environment and improving its health and safety standards and practices, engaging with key stakeholders and interest groups, and with indigenous and other communities where it operates, in an open and respectful manner.

2.3 ITTO reports on progress towards sustainable tropical forestry

The International Tropical Timber Organisation (ITTO) has released what it claims to be “*the most comprehensive analysis of the status of tropical forest management ever conducted*”. The report - "Status of Tropical Forest Management 2005" - exhaustively probes the state of tropical forestry in 33 countries in Asia, the Pacific, Latin America, the Caribbean and Africa. Its findings, although grim, do contain a kernel of hope.

The report shows that the area of sustainably managed tropical forests has expanded from less than one million hectares (2.4 million acres) in 1988 to at least 36 million hectares (87 million acres) in 2005. Countries that have made particularly notable improvements include Malaysia, which now has at least 4.8 million hectares of sustainably managed production forests, Bolivia (2.2 million hectares), Peru (560,000 hectares), Brazil (1.4 million hectares), the Republic of Congo (1.3 million hectares), Gabon (1.5 million hectares), and Ghana (270,000 hectares).

While there has been progress, the report finds that the amount of forest land being managed sustainably still comprises less than 5 percent of the 814 million hectares surveyed by the report. The 814 million hectares represent the total area of natural tropical forests that meet the ITTO definition of "permanent forest estate" and account for two thirds of all the world's natural tropical forests. According to ITTO, lands are considered permanent forest estate if landowners (mainly governments) intend to manage them for sustainable production or as protected areas.

Unlike any other forestry report, the ITTO document assesses the effectiveness of ambitious plans to bring sustainable management practices to large areas of timber-producing tropical forests, and comments on the extent to which forests that are supposedly managed as protected areas are actually being protected. What the report found was a significant gap between words and deeds. For example, ITTO's analysis reveals that tropical countries have developed plans for managing 27 percent of the 353 million hectares designated as production forests. In reality, however, only about 25 million hectares, or about 7 percent of those forests, are being managed sustainably.

The gaps were apparent in all regions. In Asia and the Pacific, ITTO estimates that only 14.3 million hectares of production forest are being sustainably managed, though on paper some 55 million hectares are covered by management plans. In Africa, the comparable figures are 10 million under management plans versus 4.3 million actually sustainably managed, while in Latin America and the Caribbean, the gap is 31 million versus 6.5 million.

With regard to forests designated as protected areas, an even smaller percentage is covered by management plans. Of the 461 million hectares of forests that are supposed to be protected, ITTO members have developed plans for 18 million hectares or 3.9 percent, and have implemented

them on about 11 million hectares or 2.4 percent. Most of the forests under active protection lie in the Asia/Pacific (5.1 million hectares) and the Latin America/Caribbean regions (4.3 million hectares). In Africa, ITTO found only 1.7 million hectares of tropical forest with viable protection plans.

ITTO's analysis, reflecting four years of work, incorporates data submitted by ITTO countries, as well as information collected from a variety of other sources, including independent ITTO missions to member countries, interviews with forestry experts, government officials, industry, and NGOs, as well as assessments made by the United Nations Food and Agriculture Organization (FAO), Global Forest Watch and other international organizations. The report evaluates forest status country-by-country, as well as by region, and globally.

The report has gained widespread media attention, with most coverage highlighting the negative aspects, particularly the limited area of tropical forests now under sustainable management. The Economist is notable for taking a different tack, highlighting the difference the report found between forests where logging is allowed, and those that have been earmarked for conservation. *"Some 7% of production forests, it turns out, are in good shape, compared with just 2.4% of protection forests....it is easy to undertake to preserve a forest, but difficult to do so in practice. Timber concessionaires at least have an incentive (and probably the wherewithal) to look after their property, while ill-paid and ill-equipped forestry officials often have neither. Exploiting forests may prove the best way to preserve them."*

2.4 FAO Global Forest Assessment 2005

The Food and Agriculture Organisation has just released their Global Forest Assessment for the year 2005 (FRA-2005), calling it *"the most comprehensive to date"*. The report is based on information derived from 229 countries and for three periods of time: 1990, 2000 and 2005. FRA 2005 examines the current status and recent trends for about 40 variables covering the extent, condition, uses and values of forests. Key findings of the report include:

- Total world forest in 2005 is just under 4 billion hectares, corresponding to 0.62 ha per capita.
- Deforestation, mainly for conversion to agriculture, continues at an alarmingly high rate – about 13 million hectares per year.
- At the same time, forest planting and natural forest expansion have significantly reduced the net loss of forests. Net change in forest area in the period 2000-2005 is estimated at minus 7.3 million hectares per year, down from minus 8.9 million hectares per year in the period 1990-2000.
- In the period 2000-2005, South America suffered the largest net loss of forests (-4.3 million hectares), followed by Africa (-4.0 million hectares). North and Central America and Oceania each had a net loss of around 350,000 hectares, while Asia had a net gain of 800,000 hectares largely due to large scale afforestation in China. Forest areas in Europe continued to expand, although at a slower rate than in the 1990s.
- Primary forests still account for 36% of forest area, but around 6 million hectares of these forests are lost or modified each year and there is no indication that this trend is slowing down.
- Forest plantations are increasing, but they still account for less than 5% of total forest area.
- It is estimated that the world's forests store 283 gigatonnes (gt) of carbon in their biomass alone. These carbon stocks decreased by 1.1 gt annually during the period 2000-2005 owing to continuing deforestation and forest degradation, partly offset by forest expansion.
- 84% of the world's forests are publicly owned, but private ownership is increasing.
- 11% of the world's forests are formally designated for conservation of biological diversity. This area has increased by an estimated 96 million hectares since 1990.
- One third of the world's forests are used primarily for production of wood and non-wood forest products.
- Global wood removals are forecast to amount to 3 billion m³ in 2005, similar to the total removals recorded for 1990 and averaging 0.69% of total growing stock. While Asia reported a decrease in wood removals in recent years, Africa recorded an increase. Nearly

- 50% of wood removals are for fuelwood.
- On sustainable forest management, overall the situation at global level remained relatively stable during the period 1990-2005. Negative trends include decreases in primary forests and in employment, and an increase in the area of forest adversely affected by fire, insects, and disease. Positive trends were reported for the area of forest designated for biological diversity and social services, as well as for areas of productive and protective forest plantations, value of wood removals, and area of forest under private ownership.

The full report can be downloaded at:

<http://www.fao.org/forestry/fra2005>

2.5 Convention on Biodiversity (CBD)

The Eighth Conference of the Parties (CoP-8) to the Convention on Biodiversity was held in Brazil at the end of March 2006. The CBD aims to encourage progress towards the international target to "*reduce significantly the rate of biodiversity loss by 2010*" originally endorsed in 2002 at the CoP-6 conference and by the World Summit on Sustainable Development in Johannesburg. At the previous CoP-7 meeting held in Kuala Lumpur in 2004, parties to the CBD adopted measurable indicators and specific goals to be achieved by the year 2010. These included conserving at least 10% of each type of ecosystem, protecting those areas that have a particular importance for biodiversity, stabilizing populations of certain species now in decline and ensuring that no species of wild flora or fauna are endangered by international trade.

Also at the CoP-7 meeting, parties to the Convention agreed a work program specifically on forest biological diversity. The program encourages incorporation of relevant forestry indicators into biodiversity protection programs; greater regional-level cooperation to protect forest bio-diversity; and improved collaboration and integration with other sectors. Parties to the Convention also requested that the CBD Secretariat develop outcome-oriented targets for protection of forest biodiversity to be integrated into the work program. The Secretariat was also asked to continue to collaborate with other members of the Collaborative Partnership on Forests; and to facilitate the full and effective participation of indigenous and local communities and other relevant stakeholders.

At the CoP-8 meeting, discussions were held on progress made to implement the forest biodiversity work programme. A CoP final recommendation on the future direction of this programme was agreed based on this discussion. A key theme of many interventions, which are reflected in the CoP final recommendation, was to invite closer collaboration and harmonization with the UN Forum on Forests (UNFF), FAO, regional FLEG processes, and the ITTO. Main points of contention were on genetically modified (GM) trees and references to the forest law enforcement and governance (FLEG) process.

Brazil in particular requested that there should be no references to FLEG processes in the CoP recommendation, arguing that these references shifted the focus away from sustainable forest management (SFM). Indonesia strongly opposed, and after consultations delegates agreed to language on strengthening efforts to promote SFM, to improve forest law enforcement, and address its related trade. Specific reference to FLEG was placed in a footnote to the CoP-8 recommendation listing processes with which to collaborate.

Ghana, the EU and Kenya advocated a precautionary approach to the use of GM trees, while Liberia opposed their use before thoroughly assessing risks. Several NGOs called for a moratorium on their use. In the end, delegates agreed compromise text put forward by the EU, recommending parties to take a precautionary approach when addressing the issue of GM trees and requesting the CBD secretariat to collect and collate existing information to allow for an objective assessment of the impacts of GM trees.

The final CoP-8 recommendation also requested that the CBD secretariat carry out an in-depth review of the forest work programme to be made available for consideration by the CBD's Ad-Hoc Technical Expert Group on Forest Biological Diversity.

2.5 CIFOR: investors risk billions on paper projects by failing to assess wood resources

The Center for International Forestry Research (CIFOR), based in Indonesia, has released a report claiming that false assumptions about the origins and the cost of wood used in emerging market pulp mills has led international investors to channel tens of billions of dollars worldwide into financially risky and environmentally destructive ventures. The report entitled "Financing Pulp Mills: An Appraisal of Risk Assessment and Safeguard Procedures" draws on an analysis of 67 large-scale emerging market pulp and paper projects and was funded by the European Commission and the United Kingdom's Department for International Development (DFID). The study warns that a lack of due diligence in the expanding global pulp sector may lead to a new wave of ill-advised projects, setting up investors, forest-dependent communities, and the environment for a precipitous fall.

According to CIFOR, over the last decade, leading financial institutions and international investment banks have poured over US\$40 billion into pulp mill projects, aimed at increasing capacity in the developing world. To meet growing global demand for paper, analysts expect companies to invest another US\$54 billion by 2015, much of it in Brazil, China, Indonesia, Uruguay, and the Baltic States. Low wood costs are a major factor driving expansion of the sector in these countries, as wood fiber can account for up to 60% of pulp producers' cash costs in North America and Europe.

According to CIFOR: *"Financial institutions have shown a surprising lack of interest in understanding how the pulp companies requesting loans are going to get all this cheap wood. In reality, some of these mills have vastly overestimated what's legally available from timber plantations. So the only way they can meet production targets is through unsustainable logging of natural forests or by shipping in wood from distant sources at a much higher cost."* The report also claims that plantation development to support these new mills often displaces forest communities and fuels social conflicts.

CIFOR's report, which builds on eight years of study, claims that banks and other financial institutions often conduct only minimal due diligence to assess the sources of wood for pulp projects, in spite of the fact that mills can involve investments of US\$ 1.0 billion or more. Most banks have little in-house forestry expertise and rely heavily on data provided by the pulp producers themselves and on projections of global paper demand. The study concludes that pulp mill projects often carry significantly higher degrees of financial risk than investors realize. According to CIFOR's research, two companies in Indonesia, Asia Pulp & Paper (APP) and Asia Pacific Resources International Ltd. (APRIL) are clear instances in which financial institutions failed to conduct proper due diligence on fiber supply. Ongoing efforts by Singapore-based United Fiber System to purchase and expand the PT Kiani Kertas pulp mill could place similar pressures on remaining natural forests in Indonesian Borneo. Merrill Lynch, ANZ Bank, and Cornell Capital are now working with UFS to secure financing for the deal, which will have a total value of US\$ 400-600 million.

The CIFOR study finds that the International Finance Corporation (IFC) -- the World Bank Group's private sector lending agency - is playing an increasingly important role in financing pulp and plantation projects in emerging economies. Over the last few years, the IFC has aggressively expanded its lending for forestry-related investments, including pulp and paper mills. It now has a forestry portfolio of over US\$ 1.0 billion, and has helped to attract billions of dollars of additional loans from private banks. While IFC policies require Environmental Assessments for socially and environmentally sensitive projects, CIFOR claim that these assessments are often overly general, and sometimes they even discourage private banks from assessing a project's impacts when they believe the IFC will be doing so.

CIFOR note that investor enthusiasm for pulp expansion is increasingly driven by China's seemingly insatiable demand for paper products, which is projected to reach 68.5 million tonnes in 2010. According to the CIFOR report, this enthusiasm has led investors to ignore overly optimistic projections by companies seeking to raise funds to feed this demand.

However CIFOR's report gives credit to the growing number of banks that are now adopting policies that require better social and environmental assessments of their forest-related investments. For example, Dutch banks ABN AMRO and Rabobank are praised for agreeing not to finance the clearing of primary forest or the purchase of illegally harvested timber. The report also notes that since 2003 some 41 of the world's largest lending institutions have endorsed the IFC-sponsored Equator Principles, which commit them to meeting enhanced environmental and social standards in their loans for specific types of projects. The report applauds these developments, but also notes that the Equator Principles fail to cover most of the loans and bonds used to finance the expansion of pulp mills.

CIFOR suggests that, at a minimum, banks and investors must insist that pulp producers provide better data on the sources of their raw material and should conduct independent assessments of fiber supplies and environmental and social impacts.

3. National Procurement Policies

3.1 China

3.1.1 New Evaluation Standard for Green Building

AF&PA report that a new Evaluation Standard for Green Building (GB/T 50378-2006) is being introduced in China, effective June 1, 2006. AF&PA staff in China have reviewed the new standard and determined that there should be little effect on the use of wood products. The new voluntary standard provides separate criteria for the evaluation of two occupancy types - residential and public buildings (office, retail and hotel), across six categories of environmental and energy performance. Each category specifies three levels of requirements referred to as Basic, General, and Advanced Conditions.

Depending on the number of criteria met, buildings can earn from one to three green stars. Of the six categories of environmental performance, wood products would be predominantly affected in "Materials and Resources Efficiency." Recognizing the positive environmental contribution of wood, the commentary that accompanies the standard states that, "Wood is a sustainable building material and should be produced from sustainable forestry. Under the permissible condition on finance and technology, importing wood products from countries with sustainable forest resources should be encouraged."

One notable item in the standard, however, is a Materials and Resources Efficiency requirement that a minimum of 70% of the total weight of building materials and products be manufactured within 500 km of the project site. It is expected that as a result of the very common use of concrete foundations in China, normally constituting more than 70% of the total weight of a building, even a three-story wood frame building would still be eligible for the credit as most concrete is sourced locally. The current version of the standard does not indicate whether third-party certification is required, but at a minimum does require a self-assessment and preparation of documents for submittal, although to whom such papers are submitted is presently unclear.

3.1.2 Action taken on illegal timber from Burma

China has quietly cracked down on illegal timber imports from Myanmar, a rights group and state media say, after decades of Chinese logging in the isolated country's northern forests. A report from the southwestern province of Yunnan, which borders Myanmar, said that as of March 27 measures had been adopted to ensure all logging and mineral trade was legal. "*All border posts and border inspections will adopt measures to prevent people from our side illegally crossing the border to log or extract minerals and bring the goods from Myanmar into Yunnan,*" said the report on the official Xinhua news agency.

Global Witness, a UK-based environmental group, gave credence to the reports with their own

investigation in May which showed that Chinese checkpoints had been sealed to log transports. According to Global Witness, "*Some timber is still entering China via border back roads, however the overall volumes are vastly reduced. Sawmills in China's frontier timber towns are at a standstill and thousands of Chinese timber workers have left the border area.*" Global Witness also report that the Myanmar government has officially requested Chinese help in tackling the illegal outflow of wood.

China has traditionally had a close relationship with Myanmar, formerly Burma, valuing not only its timber, but its gas resources and military bases that give it access to the Indian Ocean. But analysts say it has also been increasingly concerned about drugs and HIV/AIDS flooding across the border and is keen to stop instability in Myanmar, which has endured decades of military rule, from impacting on China.

Despite progress, Global Witness suggest that the picture on the ground within Myanmar remains mixed. Global Witness suggest that the Myanmar regime's commitment to the logging ban it imposed in the north of the country in late 2005 has shown signs of wavering. As a result timber is now piling up on the Burma side of the border.

In 2005, China imported more than 1.5 million cubic metres of Burmese timber worth an estimated US\$350 million. Almost all of these imports were technically illegal.

3.1.2 Chinese press reports on illegal logging

In another sign that the Chinese authorities are becoming more concerned about the inflow of illegal wood into the country, on May 8, 2006 the International Herald Leader – which is operated by China's state Xinhua News Agency, included a special report on the connection between illegal logging, China and the rest of the world. But the whole tone of the report aims to steer responsibility away from China towards the US, European, and Japanese consumers.

The report covered 3 pages and included several different stories, including quotes from Greenpeace, Forest Trends, the China State Forest Administration (SFA), the FEDRC (the research arm of the SFA), and Beijing Forest University. Highlights include (based on summaries of the news articles translated by Weng Qian of Forest Trends):

- The overview article countered ENGO and western media claims that China is primarily responsible for driving illegal logging, alleging that the main responsibility lies at the end of the commodity chain – that is demand from customers of finished products in EU, US and Japan. China "*only plays the part as the world's workshop*".
- To illustrate this point, a boxed article describes how profit is allocated along the bintangor plywood commodity chain from the natural forest in PNG to log yard, to port, to wholesale market in Jiangsu China, to processing mills in Shandong China, to final destination in Belgium.
- In a similar vein, another article focuses on the growth in exports of Chinese wood furniture, highlighting that the main beneficiaries are US and European consumers. It also notes that some 60% of Chinese furniture exported to the US is made by US manufacturers that have invested in China.
- An article on Indonesia highlights the scale of illegal logging in that country, suggesting that currently 29.5 million m³ of illegally logged timber is produced every year. The article suggests that the huge profit to be made from overseas sales is the main driver of illegal logging in Indonesia. The Indonesian Ministry of Forestry is quoted as suggesting that the US is the largest market for illegally felled Indonesian logs. The article goes on to say that Indonesia and China have an agreement forbidding the illegal log trade, although it is acknowledged this is not fully implemented due to "technical factors".
- Another article includes comments from SFA officials, forest-related Chinese academics, and ENGOs on appropriate solutions. Most comments highlight first the need for China to promote self-sufficiency in timber supplies, and second improved monitoring of the chain of custody in international trade.
- On both issues, the SFA seemed confident that China is already doing enough. SFA

spokespersons were wheeled out to state that self-sufficiency will be achieved as the Chinese authorities have plans to establish plantations capable of supplying 2 billion m³ of timber per year by 2015. Meanwhile China is participating in various FLEG processes to tackle international trade in illegal wood.

- However some other interviewees were less confident that these problems may be so easily solved. Some academics noted that Chinese plantations will not be able to supply the full range of species required. A Greenpeace spokesman suggested China should be doing more to control illegal log imports. A Forest Trends spokesman suggested China should consider a green procurement policy similar to that in EU countries
- An article on illegal logging in Russia suggested that the Russian government has informed China that in order to combat illegal logging, some 0.1 billion hectare forest will be surveilled from air and space this year and that such surveillance will be expanded to all Russian state forest resources by 2007.
- The report also mentioned that a Russia–China forestry collaboration task force has been established. During the first meeting of the task force held in Beijing on April 17-21, 2006, Russia informed China of the likely passage of its Forest Law before autumn, which would fundamentally change Russian forest resource use. Russia encouraged more Chinese enterprises to invest in Russia and to produce and process timber there, rather than to rely on imported logs.
- An article by Greenpeace called on China to reduce wood consumption generally and, in particular, to shift away from solid wood. The article was particularly critical of China's heavy reliance on tropical wood flooring and teak furniture.

3.2 UK

3.2.1 Review of criteria for legal and sustainable

Between February and March this year, the UK government's Central Point of Expertise on Timber (CPET) put out for consultation the Category A criteria used to assess forest certification schemes, and a draft set of Category B criteria used to assess other evidence of the legal and sustainable status of wood products supplied to public sector contracts in the U.K. The consultation generated a high level of interest, this being the first opportunity offered by the UK government in over 3 years for the majority of stakeholders to offer formal comment on the UK government criteria. But despite receiving over 170 pages of comments, UK government, on the advice of CPET, decided to make only very minor drafting changes.

The redrafted Category A criteria, taking account of comments received, were published on 24 May 2006. The environmental groups, who are calling for social criteria to be introduced alongside the existing environmental criteria, were disappointed. So too were European forest owner interests, who argued the criteria for standards-setting should be amended so that they align more closely to ISO standards and less closely with FSC requirements (e.g. for "*balanced representation of economic, environmental and social interests*"). Given that the Criteria A criteria have already been used for a detailed assessment of forest certification schemes, it is perhaps understandable that UK government avoided significant changes. It would, after all, be unreasonable to ask these schemes to adjust to yet another set of criteria.

On release of the redrafted Category A criteria, CPET announced another review of five forest certification schemes to ensure that the schemes continue to conform. Interested parties were invited to submit comments and evidence to CPET before 24 June and the results will be published in due course.

Meanwhile, with the exception of UK government, no-one seems satisfied with the draft Category B criteria for assessing non-certification claims of "legal and sustainable" timber. Despite receiving a wide range of mainly critical comments, UK government have been reluctant to make any real changes to the existing draft. This is partly owing to lack of practical experience of applying these criteria. But it also reflects the wide range of views expressed by different stakeholders which are impossible to accommodate within a single approach. Those stakeholders already able to supply

certified products are determined that the Category B criteria should not provide an “easy option” for non-certified products to achieve “legal and sustainable” status. They want these to effectively force suppliers down the certification route. On the other hand, those stakeholders not in a position to provide certified wood products - perhaps for technical reasons, as for example when dealing with wood products derived from small non-industrial forest owners – are equally determined that these criteria should provide a real alternative to independent certification and chain of custody.

The end result is a set of Category B criteria widely regarded to be inadequate and confused. Although not clearly stated, the underlying principles behind these criteria seem to be that: a) all claims of “sustainability” will, in practice, require independent certification or verification; b) claims of “legality” for wood from countries regarded as not having “*robust forest governance*” will also, in practice, require independent certification/verification; and c) claims of “legality” for wood from countries that do have “*robust forest governance*” may be allowable using alternative forms of evidence.

However, for obvious reasons associated with compliance with WTO rules, it is not possible for UK government to provide direct guidance on the countries which they regard as possessing “robust forest governance”. Nor, in the absence of more practical experience, is UK government in a position to provide useful guidance on the alternative forms of evidence of legality that may be acceptable. To overcome this problem, the Central Point of Expertise on Timber (CPET) is now looking for case studies of the alternative evidence that may be available. The American Hardwood Export Council is currently co-operating with CPET to identify case studies demonstrating the type of evidence that may be available for uncertified American hardwoods.

All documents and further details can be found on the CPET website at www.proforest.net/cpet

3.2.2 TTF Responsible Procurement Policy (RPP)

The number of signatories to the Timber Trade Federation (TTF) Responsible Procurement Policy is gradually increasing, while the TTF has set a timetable for making adherence to the policy a condition of membership of the Federation. The Policy requires importing companies to ensure that all wood is from legal sources, to undertake risk assessment of all wood suppliers, and to develop specific targets for increasing procurement of certified wood products from high risk areas.

In June 2005, the TTF announced that 5 more companies had signed up to the Policy, bringing the total to 39, that is 15% of the membership (around 260). At the same time, the TTF announced that the RPP would become a condition of TTF membership when 51% of the members have signed up and a subsequent TTF AGM has fixed a date.

Meanwhile, the UK government is considering a TTF proposal for RPP signatories, and companies operating similar approaches, to gain an official CPET Approved Supplier status. The TTF is pushing the Government for workable alternatives to specifying certified timber only.

3.2.3 London Mayor requires FSC for public sector construction

The Mayor of London Ken Livingstone has been pushing to make the metropolis a greener city. He has announced that the Greater London Authority (GLA) will ensure that all timber used in their building projects is from sources approved by the Forest Stewardship Council “or equivalent”. However, he was recently taken to task by Greenpeace following their discovery of bintangor plywood, manufactured in China from the Papua New Guinean hardwood, being used at GLA building work in Trafalgar Square. In their press release, Greenpeace quote from a recent report by the World Bank and the PNG government which states, “the majority of forestry operations [in PNG] cannot credibly be characterised as complying with national laws... and are therefore ‘unlawful’”. Immediately following the Greenpeace statement, the Mayor used his weekly press conference as an opportunity to acknowledge the problem and to promise to tighten up the GLA’s policies for sustainable timber.

3.3 Spain

The Spanish Timber Importers' Association (Asociación Española de Importadores de Madera, AEIM) has reached an agreement with the Rainforest Alliance – an FSC accredited certifier - to assess the Association's Code of Best Practices (CBP). The CBP is a declaration of principles by which AEIM's company members are committed to the responsible trade of timber products, to excluding illegally logged timber from their supply chain, promoting sustainable forest management and supporting certification as a guarantee to the consumer. AEIM membership comprises 125 Spanish timber importers and 40 exporters. Since the CBP was launched in March 2005, AEIM has facilitated its implementation among its members, and helped member businesses integrate the code into their operations. Following the assessment, Rainforest Alliance will present final recommendations for further developing and strengthening the CBP to AEIM by the end of this year. Rainforest Alliance and AEIM have been working together under a collaborative agreement for the last four years with the aim of promoting uptake of FSC certification. So far, 18 importer members of AEIM have achieved FSC Chain of Custody certification.

3.4 Japan

3.4.1 28% of local governments in Japan have a green purchasing policy

A survey undertaken by the Japanese Ministry of the Environment indicates that around 28% of the local governments in the country have drawn up green purchasing procurement policies. The survey was conducted nationwide in November 2005 to find out about efforts and constraints in green procurement.

Since the "Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the States and Other Entities" came into effect in April 2001, the need for local governments to promote green purchasing has been much publicized in Japan. Local governments are believed to account for more than half of total public sector spending in Japan. When asked if they are systematically implementing green procurement policies, 96.7 percent of prefectures, together with 14 cities with a population of over a million and 53.1 percent for other cities and Tokyo's 23 wards answered in the affirmative. However the corresponding ratio among towns and villages was only 15.2 percent, indicating only limited uptake in smaller communities.

With regard to constraints to green procurement, "prices are high" topped the list of replies at 44.9 percent, followed by "low awareness of green procurement" at 37.1 percent, and "bulk procurement is difficult because procurement is carried out separately by each department" at 36.8 percent.

3.4.2 Greenpeace press PM Koizumi on illegal logging

Greenpeace campaigners recently called on Japanese Prime Minister Koizumi to take more action on illegal wood imports as he hosted an Asia Pacific Region Forum on the Island of Okinawa. Greenpeace unfurled a 450 square-metre banner on a beach on the island with a call to "Stop Forest Destruction." The 14 Nation Heads of State Forum, which was convened to discuss issues of common interest in the region, did not cover illegal logging. However, under pressure from Greenpeace, Koizumi said in a separate statement that Japan was prepared to help other countries in the region address forestry issues by sending experts to regions where logging occurs and that it also is prepared to increase aid to those countries. But he made no direct reference to illegal logging.

3.5 Australia

The Australian Federal Forestry Minister, Senator Eric Abetz, has announced his intention to publish a policy paper on measures to deal with illegal and unsustainable timber imports. He has said that he is willing to work with industry to solve the problem, and that consideration will be

given to requiring certification on wood imports. Another aim would be to promote local industry by encouraging value-adding processing and the expansion of the plantation sector.

Drawing on a report by management consultants Jaakko Poyry for the Department of Agriculture, Fisheries and Forestry, Abetz said that each year Australia imported more than \$400 million worth of illegally logged timber products. A government department had calculated that this amounted to 900,000 cubic metres of sawlogs. The report had found that most illegal imports came from South-East Asia, with the main problem areas being Indonesia, Malaysia and China. The report estimated that \$214 million, or half the illegally logged imports, were furniture. This amounted to 20 per cent of all wooden furniture imports.

4. National forest policies

4.1 Brazil

Brazilian President Luiz Inácio Lula da Silva signed decrees in June creating three more conservation units (UCs) in the Amazon. The UCs are the Amazon Grasslands National Park, with approximately 880 thousand hectares in southwest Amazonas and the northeast tip of Rondônia, and the Rio Unini and Arapixi extractive reserves (Resex), with 830 thousand and 133 thousand hectares, respectively, both in the state of Amazonas. At the ceremony the minister of Environment, Marina Silva, said that the new conservation units will serve as a protective barrier against the deforestation of the Amazon rain forest. According to the Ministry of Environment, the decrees add 1.84 million hectares to the protected area in the Amazon. The conservation units created by the current Administration incorporate a total of 19.3 million hectares.

4.2 Finland

WWF Russia, WWF Finland and Finnish Forest Industries Federation (FFIF) have agreed on a joint statement on legal sourcing of wood. According to the statement, WWF and FFIF share a joint view on the ultimate goal of legal and sustainable forest management, recognize illegal logging as a mutual concern world wide and share a vision of international timber trade with wood procured from legal and sustainable sources only.

The Joint statement focuses on Russia because of the significant imports of timber from Russia into Finland. Estimates of wood from unknown origin traded in Russia range from 0.6% to 27%. However since the 1990s, Finnish forest industry companies on their own initiative have been developing methods designed to ensure the legal origin of wood. Tools to combat illegal logging include company-specific policies and principles, creation of long-term business relations with trustworthy suppliers, forest certification, Environmental Management Systems, wood tracing systems, training and increasing awareness through stakeholder dialogue.

In the joint statement, WWF acknowledges the work done by the Finnish forest industry to combat illegal logging in Russia and recognises that the tracking systems are considered to be among the most efficient processes currently available. However, WWF believes that the current tracing systems are not sufficient to exclude all kind of illegalities in the forest sector. The statement notes that WWF and FFIF will establish a working group to develop more effective tracing systems through participatory processes and dialogue.

4.3 Russia

Alexander Tishanin, the governor of the Siberian province of Irkutsk, has pledged to curtail the trade in illegal logging in the Russian Far East, declaring that his administration plans to establish around 10 new inspection points along the Trans-Siberian railway which is one of the main transit routes from Russia to China. In an interview with the business daily Vedomosti, Tishanin claimed that combating the illegal logging trade would be one of his administration's top priorities.

Tishanin's comments come in the wake of an anti-corruption drive launched by the federal government, which has already claimed the head of the Federal Customs Service (FCS) and has weakened a number of senior officials from Siberia. According to WWF reports, the anti-corruption campaign has made many officials in Siberia, who have been involved in the lucrative illegal logging trade, nervous. At the same time, the adoption of the new Forestry Code remains a priority in the current parliamentary term and the federal government is aware that it will have to boost revenues from the forestry sector, which still accounts for an insubstantial 3% of GDP.

4.4 West Africa

4.4.1 Liberian wood export sanctions lifted

On 20 June, the UN Security Council decided not to renew international sanctions preventing the import of round log and timber products from Liberia. However, it said that the sanctions would be reinstated if appropriate forestry legislation was not passed. In taking the decision, the Council applauded President Ellen Johnson Sirleaf for her commitment to transparent management of the country's forestry resources, and took note of her recent announcement of a moratorium on timber exports and new timber concessions, pending the passage of appropriate forestry legislation.

The immediate impact on trade will be very limited. In a statement issued immediately after the sanctions were lifted, the Forest Development Authority (FDA) which is responsible for the management of Liberia's forest resources, noted that at present no concessions have been allocated in Liberia and nobody is allowed to produce timber for export. The FDA stated that as things stand, *"anyone caught exporting logs or sawn timber will be considered as a violator of Executive Order #1 and shall face the full weight of the laws of Liberia relative to such violation."*

The FDA, through the Forest Reform Monitoring Committee (FRMC), is now developing a legal framework for allocation of concessions and wood export permitting.

Prior to the implementation of the UN sanctions on Liberian wood products, the country had been a significant exporter of tropical redwood logs (notably nyatoh), particularly to France and China.

4.4.2 Ghana Forest and Trade Network makes progress

The Ghana Forest and Trade Network (FTN) was launched in 2003, particularly encouraged by Timbmet, the UK's largest hardwood importing company, and other members of the WWF's international Forest and Trade Network. The WWF's FTN includes companies committed to progressively increasing the level of trade in FSC certified products.

One Ghanaian company – Samartex – has formed the core of the Ghana FTN. On joining the network, Samartex declared a moratorium on logging in 20,000ha of its primary forests, developed benefit-sharing plans with local communities within Samartex-managed concessions, and put together a comprehensive road map for achieving FSC certification by 2007. In a recent media article, Samartex claim to have received about US\$2 million in new business inquiries from buyers in the network. Samartex suggest this level of interest is reflection of rising demand for certified tropical hardwoods amongst their major buyers combined with lack of availability of alternative certified tropical wood.

Since Samartex became the first member of the Ghana FTN, eight other companies have followed its lead and applied for membership. Two of them have prepared action plans to achieve FSC certification based on baseline audits of their forests totaling over 85,000ha. The baseline audits were undertaken by SmartWood, an FSC-accredited certification body, in January 2006.

According to Darius Sarshar, who works for the WWF Global and Forest Trade Network, there are just a handful of big Ghanaian timber exporting companies, and most of them are now either members or applicants to the Ghana FTN. The GFTN will now focus on enlisting the country's numerous small- and medium-sized companies. Because Samartex has large-scale timber

harvesting concessions, its membership in the GFTN puts more than 22 per cent of Ghana's production forests on the path to responsible management. When the other companies complete their audits and action plans for certification, that figure will reach nearly 60 per cent.

4.5 Congo Basin

4.5.1 Congo Forest and Trade Network expands

Three logging companies operating in Cameroon have become the first members of WWF's Central Africa Forest & Trade Network (CAFTN), agreeing to move towards FSC certification of 700,000ha of natural forest in the Congo Basin. The three new CAFTN members are Groupe Decolvenaere, Pallisco and Transformation Reef Cameroun.

Pallisco-CIFM, a French-owned company operating in Cameroon since 1972, is managing five forest concessions totalling about 300,000ha in the eastern part of the country. It exports timber mainly to Spain and France, with smaller volumes destined for the UK.

Decolvenaere Cameroon, a subsidiary of Belgium-based Decolvenaere – a member of the Belgian Forest & Trade Network – is operating two forest concessions totaling about 138,000ha in the south-east of Cameroon. It mainly sells timber to Belgium and the Netherlands.

Transformation Reef Cameroon (TRC) is a subsidiary of Dutch company Reef Hout, a founding member of the Netherlands Forest & Trade Network. Transformation Reef Cameroon is managing four logging concessions totalling about 270,000ha in the Coastal and Central Provinces of Cameroon, and sells timber mainly into the Netherlands.

4.5.2 France and Cameroon in debt-for-nature swap

France and Cameroon have signed the first ever Central African debt-for-nature swap, which will see at least US\$25 million over the next five years invested in protecting parts of the Congo River Basin, the world's second largest tropical forest. The agreement was initiated by France's Debt Development Contract (C2D) under the Heavily Indebted Poor Countries initiative (HIPC) -- a joint initiative of the World Bank and International Monetary Fund. The agreement requires Cameroon to earmark funds among four different sectors: education, health, infrastructure and natural resources. This is the first C2D agreement to allocate funds to natural resources. The investment funds will be used to better manage protected areas, wildlife and forest production and increase community forest resources and research capacity.

4.6 Denmark

The Danish Minister of Environment has announced that all the nation's state forests will be certified to both the FSC and PEFC standards. The first two certified state forest districts are in Kronborg and Fusingø. The two districts cover 12,000 hectares including 7,500 hectares of forest. The certification was undertaken by NEPCo in collaboration with Rainforest Alliance (for FSC) and BMG Trada Certifiering AB (for PEFC). It is expected that certification assessments of the remaining 18 districts will take place before the end of 2006. Certification is being introduced alongside a Danish action plan to shift to "close-to-nature" forestry, adopted in 2005. This plan has involved changes in the working environment, increased stakeholder involvement, phasing out the use of pesticides, and protection of old natural forest. In addition the plan prescribes the phasing out of clearfelling systems in favour of a "permanent tree cover management system".

4.7 Australia

A media report from Tasmania in Australia suggests that Japanese paper mills are turning away from woodchips from natural Tasmanian forests in favour of plantation woodchips from other parts of the world, partly due to environmental concerns. The leading Tasmanian woodchip producer –

Gunns – is also a major sponsor of PEFC marketing initiatives in Asia, while in recent months Japanese paper industry buyers have been adopting FSC chain of custody. So the report has implications for the marketing of different certification brands in the Japanese market.

According to a Tasmanian industry spokesman *"All the [Japanese] buyers are indicating to us that they are moving to buying certified timber only, with the main issue being are you clearing forests to supply chips, or is it from a plantation...I've spoken to Japanese customers who have been scared off, who've told me that even if they wanted to buy our woodchips, that the green campaigners have scared off their customers, printers and publishers, further down the chain."* These problems have emerged following successful campaigns by international green groups against the logging of Tasmania's old native forests.

The switch away from Tasmanian natural forest woodchips is not only due to environmental concerns. Increasingly, Japanese paper manufacturers are demanding woodchips from trees that are less than 15 years old and that have been grown in single-age plantations rather than natural forests. These alternative woodchips are considered by the Japanese paper mills to be of higher, more uniform quality and require less bleaching and processing to turn into office-grade white paper. Some of these plantation grown woodchips are also cheaper, notably from Chile and Brazil. The downturn in demand for Tasmanian natural forest woodchips is also fuelled by the high Australian dollar.

The preference of Japanese paper manufacturers for plantation-grown and certified woodchips has created a crisis in Tasmanian timber harvesting. Major Japanese buyers – such as Oji and Daio - that were previously large customers for Gunns', are now switching to alternative suppliers. Meanwhile, another major buyer, Mitsubishi Paper Mills, announced in 2004 that it intended to stop buying woodchips from Tasmanian old growth and high conservation value forests *"as soon as possible"*.

However, according to the Tasmanian industry spokesman, *"it is not complete substitution, Gunns still has five of the six major Japanese paper companies buying from it"*. And a local industry expert noted that *"Japanese knowledge of the Tasmanian timber industry is maturing, with the environmental difference between woodchips from mature native forests and regrowth forests starting to be realised."*

Gunns has sought to counter the significant threat to its market through certification under the Australian Forestry Standard, a certification scheme recognised under the PEFC umbrella. Increased recognition of the PEFC brand in Japan will therefore be a key factor in overcoming the current market downturn.

At present, the FSC brand has established a significant lead in the Japanese paper sector. FSC chain of custody certificates issued in Japan have risen rapidly in the last 2 years to reach around 360, with well over 50% issued to pulp and paper firms. All the country's largest paper manufacturers are represented, including OJI Paper, Nippon, and Mitsubishi. Some leading companies such as Mitsubishi and OJI Paper have made firm commitments to FSC in their published environmental policies and other statements. On the other hand, other major companies – including Nippon Paper Group and Fuji-Xerox - have indicated a willingness to work with a variety of different brands. So the Tasmanian industry's strategy may yet be effective.

4.8 Papua New Guinea

Papua New Guinea, which in recent years has become a key supplier of tropical hardwood logs to the Chinese and Japanese markets, has become a key focus for campaigners targeting the illegal wood trade. Local media reports suggest that this focus may be justified.

A recent report in the PNG Inquirer newspaper suggests that *"PNG government documents obtained by Inquirer demonstrate how Malaysian logging companies that hold concessions to log eight million hectares of rainforest in PNG are operating in defiance of the country's laws with the*

blowing of [the PNG] Government. Port Moresby now faces restrictions on timber imports by Australia and other Western nations, which are increasingly frustrated at PNG's failure to act against unscrupulous operators in the industry."

The article also quotes Sasa Zibe, sacked as the Minister of Environment 18 months ago, who claims that at the time of his sacking, he was implementing measures to crack down on the corruption, human rights abuses and environmental degradation that have become the industry's hallmarks. Since then, the environment department's enforcement unit has been effectively disbanded. According to Zibe, "*Now there is nobody watching over what these companies get up to.*"

The article goes on to suggest that compliance audits completed by the PNG Government's forestry review team have found numerous breaches of regulations in all 11 forestry projects studied. A report on the Asengseng project, typical of the rest, said loan conditions negotiated between the Government and the World Bank to improve forestry practices were not met. Political pressure resulted in new permits continuing to be issued quickly, in defiance of government policy to log forests on a sustainable basis.

The article is particularly critical of links alleged to exist between PNG Prime Minister Somare and the Rimbunan Hijau Group, a Malaysian logging firm. The Group accounts for 80 per cent of logging in PNG and has an annual turnover of more than \$1.5 billion. Rimbunan is a big player in the country's economic and political life. Royalties from the group make up 3 per cent of government revenue. Rimbunan owns one of PNG's two main newspapers, The National, which runs a fiercely pro-logging line, as well as its biggest supermarket chain, RH Hypermarket. Somare declared in a recent speech that Rimbunan "must be supported" in the face of international criticism of its logging practices.

The article alleges that Rimbunan has used police to silence complaints against logging, through violent abuse of protesters and torching of homes. However Rimbunan have denied that police have ever been asked to act against logging opponents. The company claims that the allegations of environmental degradation and abuse are being made by marginal groups of landowners "*coerced by third parties pursuing their own agendas*".

Negative reports of this nature are beginning to impact on the wood trade. They have been a key factor behind the decision by the Australian government to tackle imports of illegally logged timber from PNG and elsewhere (see 3.5). In New Zealand, the High Court recently ruled in favour of the expulsion by the NZ Timber Importers Association of the LumberBank, a Rimbunan company. In the UK, the Wolseley Group has banned the import of Chinese plywood manufactured from PNG bintangor. Activists in Australia are now planning a campaign against the ANZ bank because Rimbunan is a client and the bank provides guarantees for logging companies to secure approval for new projects in PNG.

4.9 Indonesia

An article in the Washington Post (21 May 2006) gives an insight into the causes and impact of the the illegal export trade in merbau logs from the Indonesian state of Papua. The article reports from the perspective of local villagers who are regretting a significant loss of income now that the Indonesian government has clamped down on the illegal trade.

The article focuses on the Sougb people based in Bintuni Bay, a district in West Irian Jaya province. For centuries, these people lived with the forest, sometimes cutting trees for firewood or shelter but never taking more than they could use. As far as they were concerned the forest was a community asset. However, by the late 1960s, the Indonesian government had taken away these rights, designating about 70 percent of the archipelago's landmass, including the tribal lands of Papua, as state-administered forest area. Following the removal in 1998 of Suharto, the authoritarian president, a democratizing Indonesia began to grant more power to its provinces. A 1999 Forestry Ministry decree opened the door to subsistence timber-harvesting by local

communities. The idea was to give native Papuans, among the poorest of Indonesians, the opportunity to benefit once again from their own forests. Three years later, the ministry issued a decree clarifying that it alone had the power to issue logging licenses. Nonetheless, Papua province claimed the authority to grant such permission on its own.

Soon afterward, Wong Sie King, a timber merchant from Malaysian Borneo, arrived in the area. He encouraged the villagers to sell the valuable merbau logs on their lands. At least 25 native Papuan clans in the area set up cooperatives and signed contracts with Wong's company, PT Marindo. It agreed to pay the cooperatives \$12 to \$15 per cubic meter of merbau logs. This is, of course, only a small fraction of the international market value, but represented a huge increase in income for the villagers.

Clan members did not have to undertake the logging themselves. They let Marindo's crews, which included Indonesians hired locally, bring in trucks and chain saws and do the work. The resulting harvesting was regulated poorly, if at all. Sometimes Marindo logged in conservation areas outside the permit boundaries. Even when they logged within the boundaries, they often took down more trees than allowed and the methods used were wasteful and destructive.

But in 2004, as reports surfaced of contract violations, a provincial police investigation scared Wong and his men off. But the cooperatives, unwilling to give up the income, struck deals with other companies and the logging continued.

Then last year, following a report by EIA of a massive timber smuggling operation in Papua, the central government launched a highly publicized crackdown. "Operation Forest Protection 2005" netted 72,000 logs, 20,000 cubic meters of sawed timber and 850 logging trucks, and resulted in about 100 court cases, most involving Indonesian truck operators and crew foremen, police said. Although some analysts suggest that a substantial illegal trade continues, masked by timber mills that underreport the amounts of wood logged and processed, the police report that the rampant illegal logging has stopped.

According to local officials, the crackdown has generally had a positive effect. However local communities have suffered, and many villagers continue to yearn for the relatively high incomes to be had when Wong was around. And the deeper issues – of who should have the right to own and manage the forests and to grant harvesting rights – remain largely unresolved. Today, the national forestry ministry, local government and nongovernmental groups are attempting to revise conflicting forestry and land laws in Indonesia – but it is a lengthy and complicated process.

4.10 Guyana

The Guyana Forestry Commission has engaged UK's Proforest to conduct a comprehensive audit of the country's log tracking system used for tracking forest products. This activity is funded by ITTO as part of the Council's Decision which requires the Organization, upon request, to assist countries to develop systems to demonstrate the legality of timber exports. Proforest will develop a Legal Verification System (LVS compatible with other internationally recognized schemes such as the EU FLEGT initiative and the WWF's Global Forest and Trade Network. The LVS will comprise five main elements: i) definition of legality, ii) adequate traceability (chain of custody), iii) verification of legality, iv) licensing and v) independent monitoring. The LVS development process will involve the review of current systems, stakeholder consultation, technical workshops, field testing and training of auditors. Guyana is a relatively minor supplier of tropical hardwoods to international markets, with the heavy structural timber greenheart probably the best known species.

5. Environmental campaigns

5.1 EIA: US Free Trade Pacts and Illegal Timber Trade

The Environmental Investigation Agency (EIA) has published a report claiming that U.S. free trade

agreements are accelerating the destruction of tropical forests in Asia and Latin America. The report suggests that the administration and Congress should enact a law prohibiting entry of illegal timber imports into the US before signing pending free trade agreements with other timber trading nations.

The EIA report, entitled 'America's Free Trade for Illegal Timber -- How US trade pacts speed the destruction of the world's forests', claims that there has been an alarming increase in US imports of illegal timber via Singapore since the U.S. signed a free trade agreement with that country in May 2003. It also claims that US demand is fuelling an illegal logging crisis in Honduras, with which the US signed a free trade pact last year.

The report's release is timed to coincide with the opening of U.S. free trade negotiations with Malaysia, and the third anniversary of the U.S. and Singapore signing of an environmental side agreement to the U.S.-Singapore Free Trade Agreement (USSFTA), intended to address illegal timber trade. EIA claim that *"the Malaysia FTA, if approved, will result in yet more illegal timber flooding into the US"*. A free trade agreement with Peru, another country which EIA allege has *"a massive illegal logging problem"*, is awaiting Congressional approval.

The report notes that the U.S. is the world's biggest importer of wood in the world. According to EIA, *"U.S. demand drives both illegal logging in developing countries and illegal timber trade because of US failure to ban imports of illegal wood. The administration has failed to act despite an agreement by the G8 nations in July 2005 to prohibit illegal timber imports. The US has also failed to press Singapore to take action against illegal timber trade"*.

The report is critical of Malaysia's record to tackle illegal logging, suggesting that *"Malaysia is a major recipient of illegal logs and timber from Indonesia with estimates of up to 3 million cubic meters of illegally felled wood crossing the border every year....Malaysia has also refused Indonesia's request to ban imports of Indonesian sawn timber, despite an Indonesian export ban on all sawn timber products"*. According to EIA *"The report documents the smuggling of illegal Indonesian timber into Malaysia two weeks ago, only miles from the capital Kuala Lumpur, on the eve of the first round of free trade negotiations with the US."*

The Malaysian Timber Council has angrily dismissed the report, suggesting that EIA's estimates of illegal logging and trade in Malaysia are based on discredited data that is already 5 years old.

5.2 Global Witness criticise World Bank record in Cambodia

According to Global Witness, a UK-based NGO, a leaked World Bank Inspection Panel report criticises the Bank's own forest management project in Cambodia for breaking internal safeguards, ignoring local communities and failing to reduce poverty. Local communities lodged a complaint with the Bank's Inspection Panel in 2005, after it became clear the Bank's five-year Forest Concession Management and Control Pilot Project had exacerbated an already dire situation. "Ultimately, this project promoted the interests of asset-stripping companies and corrupt politicians over those of the rural poor," said Simon Taylor, Global Witness Director. Global Witness is calling for a whole-scale shift in the Bank's thinking on forest management and dealing with corruption.

5.3 Greenpeace: targeting teak garden furniture

In the UK in recent weeks, Greenpeace have targeted the use of Burmese teak in garden furniture. They embarrassed the Royal Horticultural Society (RHS) Chelsea Flower Show, which in theory only allows FSC certified products to be displayed, by identifying various items in Burmese teak. Greenpeace claimed that exhibitors routinely get round RHS rules on sustainable timber by submitting documents for a "sample" of their products, while ensuring the main supply comes from cheaper sources. In their publicity Greenpeace stress that the teak trade provides a key source of income for the Burmese government *"one of the most brutal military dictatorships in the world"*. They suggest that *"Illegal logging in ancient rainforests along Burma's border is widespread, with much of that timber going into China and Thailand to be made into furniture, flooring and veneers"*.

The RHS said it did everything it could to ensure only certified timber was sold. Its brochure warns buyers to insist on certified timber.

6. Events

Illegal Logging Update and Stakeholder Consultation No. 8. The next Chatham House International Stakeholder Update will be held on the 20th and 21st July. The event is free and open to all but registration is essential. Contact: Gemma Green. ggreen@chathamhouse.org.uk

Conference On New Challenges In Management Of Boreal Forests: 28 August 2006 - 30 August 2006. Umeå, Sweden. This 2006 Conference of the International Boreal Forest Research Association (IBFRA) is organized by IBFRA, IUFRO 1.01.01 Boreal forest silviculture and management, and IUFRO 8.01.05 Subalpine and boreal ecosystems. For more information contact: IBFRA Faculty of Forest Sciences; tel: +46-90-786-8100; fax: +46-90-786-8102; e-mail: info@ibfra.org; Internet: <http://www.ibfra.org/page.cfm?page=11>

Conference On The Global Importance Of The Boreal Forest: Migratory Birds And The Paper Industry: 10 September 2006 - 13 September 2006. Cambridge, United Kingdom. The conference will feature discussions on: promoting cross-sectoral collaboration and communication; the world's impacts on boreal ecosystems, especially in relation to migratory birds; and new tools and information to help papermakers and major paper buyers improve environmental performance. For more information contact: Jim Ford; e-mail: jim@taigaescue.org; Internet: http://www.taigaescue.org/index.php?view_article=195

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

International Workshop On Climate Change: Opportunities And Challenges For Forest Mitigation Projects In Sub-Saharan Tropical Africa: 1 October 2006 - 4 October 2006. Busua, Ghana. ITTO, in collaboration with the Ghana Forestry Commission (GFC), will host an international workshop on climate change and forest mitigation projects in Sub-Saharan tropical Africa. The workshop will cover a wide range of issues related to investment opportunities in natural forest ecosystems and renewable energy in Sub-Saharan Africa. For more information contact: Emmanuel Ze Meka, ITTO; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: zemeka@itto.or.jp; Internet: <http://www.itto.or.jp/live/PageDisplayHandler?pageId=223&id=1136>

Seminar On Science, Policy And Practice: Improving Forest Governance: 1 October 2006. New York, NY, United States of America. The seminar will contribute to the UNFF Secretariat's efforts to define its approach, scope and strategy at the international level for promoting implementation of internationally agreed decisions on forests and governance. For more information contact: Ghazal Badiozamani, UNFF Secretariat; tel: +1 212 963 3160 / 3401; fax: +1 917 367 3186; e-mail: badiozamani@un.org; Internet: <http://www.un.org/esa/forests/n-mayjun06.html#art1>

International Conference On Managing Forests And Poverty Reduction: Capturing Opportunities In Forest Harvesting And Wood Processing For The Benefit Of The Poor: 2 October 2006 - 6 October 2006. Ho Chi Minh City, Viet Nam. This conference is organized by a consortium of partners including FAO, the Netherlands Development Organisation (SNV), the International Tropical Timber Organization (ITTO), the Asia-Pacific Forestry Commission (APFC), the Tropical Forest Trust (TFT), the Regional Community Forestry Training Center (RECOFTC), the Department of Forestry in Viet Nam and the World Wide Fund for Nature (WWF). The event will bring together diverse stakeholders and international experts to share experiences related to small-scale forest operations, labor-intensive forest management practices and wood processing. For more information contact: Thomas Enters; e-mail: Thomas.enters@fao.org; Internet: <http://www.apfcweb.org>

UNECE/FAO Team of specialists on forest products markets and marketing, 6th meeting, 2 October, Geneva

UNECE Timber Committee Sixty-fourth session, 3-6 October 2006, Palais des Nations, Geneva, Switzerland: <http://www.unece.org/trade/timber/docs/tc-sessions/tc-64/tc-64.htm>

Public Procurement Policies for Wood and Paper Products, Joint UNECE/FAO Policy Forum, 5 October 2006, Geneva. Key questions to be discussed include: Are public procurement policies effective in achieving their goals? What is the impact of public procurement policies, including their implications for markets for wood and paper products? How can public procurement policies avoid creating market barriers? How can implementation procedures be improved, including instruments for verification of legality and sustainability as well as alternative options for evidence? Are there needs or possibilities for harmonized approaches in public procurement policies? Participation is open to government policy makers, as well as experts from NGOs, scientific bodies, industry and trade organizations, national and international certification schemes, private forest owners' organizations and international organizations. Details: <http://www.unece.org/trade/timber/Welcome.html>

Eco-system Goods and Services from Planted Forests. Bilbao, Spain, 4-7 October 2006. Contact joachim.schmerbeck@waldbau.uni-freiburg.de. <http://www.waldbau.uni-freiburg.de/bilbao.html>

6th Dialogue on Forest Certification. Washington DC, USA. 30-31 October 2006. Contact: The Forest Dialogue, New Haven, USA. www.theforestdialogue.org

Renewable Resources – Sustainable Future: A cross-sectoral forum on the contribution of renewable natural resources to European competitiveness, sustainability and well-being will be arranged during Finnish EU presidency in Helsinki, on November 2, 2006. Forestry forms a major focus of the event which is arranged by the Finnish government. Amongst other issues, presentations will cover the current and future role of the European forest and timber resource in guaranteeing a sustainable future. Details can be obtained at: <http://www.smy.fi/renewableresources>

ITTC-41: The 41st session of the ITTC will be held 6-11 November in Yokohama, Japan. For more information, contact: ITTO Secretariat; tel: +81-45-223-1110; fax: +81-45-223- 1111; e-mail: itc@itto.or.jp; Internet: <http://www.itto.or.jp>

Traveling Workshop: Regional Forest Responses To Environmental Change: 6 October 2006 - 13 October 2006. Massachusetts, New Hampshire and New York, United States of America. To assess the state of knowledge of regional forest responses to global change, this traveling workshop will introduce researchers and students to the breadth of research and the regional characteristics of forests in the northeastern USA. The workshop will focus on assessing the state of knowledge of the tools and experimentation needed to predict regional responses of forests to global and regional environmental change. For more information contact: Nathan Phillips, Boston University; e-mail: nathan@bu.edu; Internet: http://people.bu.edu/nathan/iufro_info.htm

UNFF Open-Ended Ad Hoc Working Group: 11 December 2006 - 15 December 2006. New York, NY, United States of America. The Working Group is expected to consider the content of a Non-Legally Binding Instrument on all types of forests prior to the seventh session. For more information contact: UNFF Secretariat; tel: +1 917 367 3186; fax: +unff@un.org; e-mail: [1 212 963 3160 / 3401](tel:12129633160); Internet: <http://www.un.org/esa/forests/n-mayjun06.html#art1>

Seventh Session Of Un Forum On Forests: 16 April 2007 - 27 April 2007. New York, NY, United States of America. The seventh session of the UNFF is expected to consider the multi-year programme of work, a non-legally binding instrument on all types of forests, the multi-stakeholder dialogue, and enhanced cooperation and policy and programme coordination. For more information contact: Internet: <http://www.un.org/esa/forests/session.html>

Second Latin American IUFRO Congress: 23 October 2007 - 27 October 2007. La Serena, Chile. Hosted by the Chilean Forestry Institute (INFOR), the International Union of Forest Research Organizations Congress will focus on three main subjects: forests, environment and society; forests and production; and arid and semiarid zones. For more information contact: Santiago Barros; tel: +56-2-693-0700; fax: +56-2-638-1286; e-mail: sabarrosvtr@vtr.net, seminarios@infor.gob.cl; Internet: <http://www.infor.cl>