

Report for AF&PA

**Trade and Environment
Program in Europe**

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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Consultant's comment

Outside North America, the rate of increase in certified forest area has slowed considerably this year. In western Europe, only France has seen any significant growth under the PEFC scheme. The rapid increase in certified forest area experienced in Eastern Europe last year has not been repeated this year as the large state-owned forests in the Baltic States and Poland are already certified. A significant proportion of the remaining uncertified forests of Eastern Europe are in the hands of numerous small private owners, many of which have little experience of forest management having only recently received forest plots during the 1990's land restitution process. Certification of these lands will be a major challenge.

The potential for forest certification in Russia is also still largely untapped. However, in recent months there have been signs of increased interest in the issue within Russia's Federal Forest Service. Russia's Federal Authorities seem to regard certification as a potential mechanism to improve forestry oversight and rent-capture from forest resources.

With the area of certified forests increasing only slowly, much attention is now focused on efforts to increase the supply of labelled wood products from the existing area of certified forest. The number of chain of custody certificates issued by PEFC has been rising rapidly in recent months, although the numbers are still some way behind FSC. The first PEFC labelled products reached the shelves of French retail stores during the summer. FSC is pilot testing its new % input - % output Chain of Custody standard for solid wood products which is expected to significantly increase availability of certified product when launched next year.

Nevertheless, the lack of mutual recognition between the leading certification frameworks – PEFC, FSC and the SFI Program - remains a massive barrier to entry of new certified product. Although some European wood trading companies have reluctantly accepted that they may have to conform with two different labelling systems to meet emerging demands – FSC and PEFC – it is unlikely they will be willing to add any more systems to the list. Schemes that do not mutually recognize either PEFC or FSC may play a role in business-to-business communication in Europe, but there is unlikely to be widespread adoption of their on-product labels.

Meanwhile political interest in illegal logging remains very high. The European Commission's Illegal Logging Action Plan has been endorsed by the EU's highest decision-making body, the Council of Ministers, and is now certain to be implemented. Although no-one expects anything to happen quickly, the importance of this measure should not be under-estimated. In the medium to long term, the Plan implies extension of CITES-like controls on EU imports of all primary wood products from wood supplying countries where illegal logging is currently a problem – including Indonesia, Malaysia and Cameroon, potentially also Brazil and Russia. Government efforts to tighten environmental timber procurement requirements in public sector contracts are now beginning to bite. This is particularly true of the UK construction sector, not previously known for its interest in environmental affairs. But UK construction companies are increasingly demanding FSC or PEFC labelled products. The driving force seems to be a new requirement that all buildings constructed under central government contracts must conform with BRE's Environmental Assessment Method (BREEAM) which currently favours FSC and PEFC certified wood.

This public sector interest in illegal logging is creating new opportunities and threats for U.S. wood products in Europe. The main threat is that the desire of E.U. buyers to establish traceability of forest products to source will come into direct conflict with the free trading principles on which much of the U.S. wood trade is based. The main opportunity is that the ability of some competitors to dump cheap products derived from illegal sources on the European market should diminish.

A large part of the challenge facing U.S. producers is to ensure proper recognition amongst European buyers of their existing certification frameworks and other methods to provide environmental assurance. This may be partly achieved through mutual recognition with those certification schemes already recognized in the E.U. Or it may be achieved by directly influencing European wood trading companies, encouraging them to adopt flexible and non-discriminatory environmental timber procurement policies. This latter approach needs to be linked to marketing activities targeting European end-users, encouraging them to favor suppliers that have implemented such policies, rather than to discriminate on the basis of particular product labels and chain of custody systems.

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1 Forest certification developments

1.1 Pan European Forest Certification Scheme (PEFC)

1.1.1 Recent progress

The rate of increase in PEFC certified forest area has slowed this year. Between 31 January 2003 and 31 October, certified forest area has increased from 46.6 million m³ to 48.7 million m³. The only new large areas certified under the scheme have been in France (accounting for around 1.8 million hectares of the increase this year). The main change has been a doubling in the number of chain custody certificates issued this year from 471 in January to 941 in October. Chain of custody certificates have risen particularly rapidly in central Europe, notably France (from 64 to 218), Germany (from 175 to 318), Austria (from 134 to 224), and Czech Republic (from 1 to 42). Potential for growth remains very high. For example, the indications are that the U.K. is now on the verge of a rapid expansion in issue of PEFC chain of custody certificates.

Table 1 PEFC Certified forest area, COC certificates and logo users

	Certified forest area - hectares	Number of C-O-C certificates*	Number of PEFC logo users
Austria	3 924 000	224	142
Belgium	0	5	4
Czech Republic	1 904 899	42	67
Denmark	7 068	0	4
Finland	21 910 000	71	85
France	2 657 472	218	3305
Germany	6 544 777	318	5834
Italy	0	2	2
Latvia	17 826	8	125
Norway	9 194 000	3	12
PEFC Council	0	0	18
Spain	87 898	1	10
Sweden	2 306 010	39	102
Switzerland	135 752	0	0
UK	9 125	10	1
Total	48 698 829	941	9 711

1.1.2 National PEFC news

Chile – the CERTFORCHILE scheme has become the first non-European scheme to be put forward for endorsement by the PEFC Council. The process, which includes a public consultation period, is expected to take several months.

Czech Republic – at present 1.9 million hectares of forests, mainly state-owned, have been PEFC certified. Several large wood processing companies obtained PEFC Chain of Custody certificates during the summer. A total of 47 companies are now covered by 21 individual or

group Chain of Custody certificates. These include Wood & Paper Inc and its biggest customer Frantschach Pulp & Paper Czech Inc.

Denmark – Denmark's first PEFC forest certificates were issued in June 2003. Five certificates were awarded covering 5900 hectares. More areas are in the process of becoming certified.

France – Around one quarter of French commercially productive forest area is now PEFC certified. Much marketing activity is now focused on wood product distributors to encourage them to undergo PEFC chain of custody certification. During the summer, the first PEFC products were displayed on the shelves of large French DIY companies. PEFC France organised a PEFC information day for wood products distributors in all its regions on 21st October. The day provided practical demonstrations of PEFC certification in action. PEFC France has also launched a newsletter (first issue in French only) designed to inform the markets, but which is also being widely distributed to Policy makers. PEFC France has also begun developing forest certification procedures for French Guyana which has 9 million hectares of state-owned tropical forest

Germany – PEFC certified area in Germany now amounts to 6,527,036 hectares in 2,413 community forests, 2,182 private forests and 792 forestry associations with more than 200,000 members. A total of 353 companies are now covered by 312 individual or group certificates comprising 249 timber traders, 76 saw mills, 7 paper mills and 21 other wood processing companies. According to PEFC Germany, visibility of the PEFC logo is rising in Germany. The chairman of the German FSC working group is reported to have certified his own forests to PEFC in response to customer demand!

Finland – the Finnish Forest Certification System reports that annually more than 50 million m³ of harvested timber enter PEFC certified Chain of Custody systems in Finland. The capacity of Finnish production units with PEFC chain of custody certificates totals 10 million m³ of sawn wood, 2 million m³ of wood based panels, 3 million tonnes of pulp; 2.8 million tonnes of paper and 0.5 million tonnes of paperboard. During 2002, on-product use of the PEFC logo focused on sawn lumber.

Italy – During October, the PEFC-Council announced the start of an official public Internet consultation period on the Italian Forest Certification Scheme. The scheme is being examined by independent consultants appointed to assess its conformity with the PEFC Council's requirements. The Italian scheme has been designed to take account of the small-scale forest ownership patterns in Italy where 1.2 million people own and manage an average of 7.50 ha each. 3000 hectares of beech forest in Tuscany (managed by Consorzio Forestale dell'Amiata) were recently certified against the PEFC Italy scheme as part of the pilot testing process. A recent survey of Italian forest owner representatives has indicated that up to 500,000 hectares may be certified according to the Italian Forest Certification scheme in the next two years. This is the fourteenth national scheme to be assessed. Full details of the scheme can be viewed at www.pefc.org.

Latvia – PEFC certification in Latvia is implemented through group certification of KS MAA, the representative association of Latvia's non-industrial private owners. Around 100 forests and 8 Chain of Custody participants in KS MAA are now certified. In accordance with the group certification standard, KS MAA is now implementing regular internal audits and a training program for forest owners, contractors and chain of custody participants within the association.

Lithuania - after almost 2 years of development work, PEFC Lithuania's technical document has been distributed for public consultation. The central feature of the public consultation process was a seminar held in August attended by representatives from the Forest Owners Association, National Accreditation Bureau, the Lithuanian University of Agriculture, environmental and social NGOs. PEFC certification experts from Sweden also attended the seminar. Seminar participants were also invited to visit a pilot group certification.

Norway - The Norwegian Society for the Conservation of Nature has withdrawn from the Living Forests Standards revision process. The ENGO said they decided not to participate due to limited resources. The Living Forests Standards, adopted in 1998, form the basis of the Norwegian PEFC scheme and are due to be revised every 5 years.

Spain – PEFC Spain has just completed a revision of the certification process to allow inclusion of cork forests and to provide new group certification procedures. The inclusion of cork forests promises to greatly increase Spain's certifiable forest area and the public profile of PEFC throughout Europe. Spain is the world's second biggest cork producer. Spain's first PEFC chain of custody certificate has been issued to El Grupo Mariano Hervàs S.A., a specialized parquet producer. The region of Alicante (South-East of Spain) has opted for the PEFC system to certify around 1300 hectares of state owned forests consisting of pine trees and typical Mediterranean vegetation.

Sweden – PEFC Sweden is hoping to recruit some of the larger Swedish industrial forest owners who previously relied only on FSC certification. Already, Holmen Forest Division has applied for membership of the Swedish PEFC. Holmen owns around 1 million hectares of productive forestland, all of which is already FSC certified. PEFC Sweden is also focused on raising the numbers of PEFC chain of custody certificates in the country. An awareness campaign has helped boost numbers of PEFC certified sawmills in Sweden to 70. Together these mills are capable of processing over 10 million m³ of timber each year, of which approximately 30 % is PEFC certified.

UK – According to PEFC UK over 40 companies are expected to obtain a PEFC Chain of Custody certificates by the end of 2003. BM Trada, who carry out audits for Chain of Custody Certification, has indicated that there are currently 61 companies in the UK that have registered an interest in achieving PEFC CoC status.

1.2 Forest Stewardship Council

1.2.1 FSC certified forest area

The area of certified forests changed little during fall 2003, rising from 39.4 million hectares at the end of August to 39.9 million hectares in early November. The largest single certification during the period was 150,000 hectares of state-owned plantation in South Africa. Other increases in certified forest area were in Lithuania (+88,000 has.), Brazil (+70,000 has), and New Zealand (+65,000 has.).

Throughout 2003, the total area of FSC certified forests has increased by around 5.5 million hectares. Of this area, around 4 million hectares were in North America - mainly the Canadian forest holdings of Tembec and Nippissing Forest Management Inc. A further 1 million hectares comprised model forests in western Russia.

The rapid increase in FSC certification of Eastern European forests experienced during 2002 has slowed considerably this year now that most of the large state owned forests in the Baltic States and Poland are already certified.

1.2.2 Pilot testing of new chain of custody standards

FSC is currently working with a range of companies to pilot test it's new chain of custody standards for solid wood products. Drafting of these standards follows FSC's decision in May 2003 to endorse a new approach to chain of custody for solid wood products referred to as the % input-% output system. This is a more flexible approach than that previously adopted by FSC, which had required all labeled solid wood products to contain at least 70% material from FSC certified forests. The switch in policy is designed to significantly improve availability of FSC certified product. However, by separating the direct link between certified forest and labeled product, the new system raises questions over the integrity of the FSC brand. Furthermore it has heightened concern about the risks of wood from "controversial sources" contaminating FSC labelled product.

In September, FSC commented on the progress of the pilot test: "*While the pilot test is still in its early stages, a number of positive outcomes are emerging. These include a tighter labelling system that would allow for the creation of a 'premium' FSC label as well as brands that will distinguish products coming from percentage-based or volume credit systems; a tightening of requirements for company-controlled 'non controversial sources' of forest products in areas not previously reached by FSC; increased availability of FSC material; an opening of opportunities for consumers to access FSC material; and opportunities for increased promotion of FSC certified forest management.*" One specific outcome is expected to be a set of guidelines to be used by FSC certified companies and other interested parties to check the legality of non certified wood.

Further pilot testing and consultation will continue until March next year. Finalisation of the new standards is scheduled for mid 2004. Drafts of the new standards are available on the FSC website www.fscoax.org

1.2.3 Small and low intensity managed forests (SLIMF)

The Small and Low Intensity Management Forest (SLIMF) technical committee met with FSC staff from October 7-9, 2003 in Bonn, Germany to incorporate results from the recent series of field trials and to plan the next steps of this initiative. 24 field trial reports were received from certification bodies, National Initiatives representatives, forest managers and FSC accreditation auditors. With this step, FSC's procedures for small and low intensity managed forests (SLIMF) are nearing finalization. The draft SLIMF policies will be presented to the FSC Board of Directors for approval in November. It is anticipated that small and low intensity forest managers will be able to use the new certification procedures in early 2004. The Small and Low Intensity Managed Forests Initiative aims to make FSC certification more accessible for small and low intensity managed forest operations by streamlining certification procedures, and providing guidance to national initiatives on developing indicators and verifiers for these forest operations. More information on the SLIMF Initiative is available from slimfs@fscoax.org

1.2.4 Land tenure and indigenous peoples rights

FSC has brought together a team of consultants from different regions of the world to develop draft guidance on the interpretation of FSC Principle 2, Tenure and Use Rights and Responsibilities and Principle 3, Indigenous Peoples' Rights, for certification bodies and FSC standards development working groups. The team is led by Russell Collier, a member of Canada's First Nations peoples. The team will produce draft guidance aimed at certification bodies revising their generic certification standards, and national standards working groups striving to produce national indicators and verifiers. This draft guidance will be subject to stakeholder consultation later this year, and will be implemented in early 2004. FSC takes a progressive view on the rights of indigenous peoples in international law and is explicitly committed to abiding by ILO Conventions. FSC's decision to develop the guidance follows publication of an NGO study highlighting problems of interpretation of Principles 2 and 3 in Indonesia. Further information: dawnr@fscoax.org

1.2.5 IKEA-WWF co-operate to promote certification

The WWF and IKEA co-operation on forest projects has produced a series of instruments designed to support and empower multi-stakeholder working groups to develop forest certification standards. The "Pathfinder" documents describe the institutional requirements for forest certification, how certification and chain of custody work, and how to formulate sustainable forest management standards. Access the "Pathfinder" on <http://www.piec.org/pathfinder>

1.2.6 FSC Regional and National Developments

1.2.6.1 Africa

FSC has established an African Regional Office with the appointment of Dr. Demel Teketay as the new Regional Director for Africa. Dr. Demel is from Ethiopia and has more than 20 years experience working in forestry and agriculture as an assistant professor and director of Forestry Research in Ethiopia, and Director General of the Ethiopian Agricultural Research Organization. Demel Teketay can be contacted at: dteketay@fscoax.org.

The establishment of an FSC African office coincides with WWF's launch of a Producers Group for West and Central Africa. WWF note the group is "*composed of logging companies committed to halting illegal logging in the region*", although no companies were named at the launch. Companies wishing to participate will have to agree with WWF and other partners "*to achieve environmentally, socially, and economically sustainable forestry practices in their logging concessions and mills.*"

1.2.6.2 Japan

FSC certification is just beginning to make its presence felt in Japan. In the last 18 months, around 99 FSC Chain of Custody and 9 forest management certificates have been issued. The UK-based Soil Association Woodmark Programme, in association with its Japanese partner organization AMITA, has been actively promoting FSC certification in Japan. There is growing interest in the printing and paper sectors and in the house building industry. Six construction companies already possess FSC chain of custody certificates. AMITA held a seminar in October for companies and forest managers interested in FSC certification.

A recent article in the Japanese Times made reference to growing interest in FSC certified products. The article notes that Mitsukoshi Ltd., a leading department store chain, started selling FSC wood products in August.

1.2.6.3 Brazil

The Brazilian FSC National Initiative, IMAFLORA, Friends of the Earth – Amazon Program and AMAZON have linked up to organize the first Brazilian trade fair of FSC certified products, to be held April 15 -17, 2004 in São Paulo, Brazil. The aim is to bring together the range of FSC certified products now available in Brazil, to build new commercial relationships and support the development of FSC in Brazil. Brazil is becoming a more important supplier of FSC certified products to the international market place, including wood based panels, decking, flooring, furniture and doors. More information can be found at: www.certifiedbrazil.com.br.

In parts of Europe, FSC certified hardwood decking from Brazil seems now to be attracting a price premium, although volumes are still small. A U.K. agent reported in September that he sold FSC-certified Brazilian massaranduba decking to an importer for a 10% premium over the uncertified product. But the fact that the certified massaranduba was available at a lower price than uncertified Asian bangkarai/balau decking was also a factor in the sale.

1.2.6.4 Switzerland

The 31 company members of the WWF's Swiss Forest and Trade Network, the *Woodgroup*, claim to have sold more than 28 million euro worth of FSC products in 2002, double the amount in 2001. In 1999, members of the Network sold only 650,000 Euro worth of FSC products. Products with the FSC label amount to 6% of timber products turnover of Network members.

1.2.7 Environmentalist critique of FSC certified plantations

Environmentalists continue to criticise aspects of the Forest Stewardship Council. The World Rainforest Movement (WRM) recently published a book "*Certifying the uncertifiable. FSC certification of tree plantations in Thailand and Brazil*". According to the book's publicity

material “*Concern over the spread of tree monocultures and their certification is at the centre of the book. Affected local communities and non-governmental organizations (NGOs) are increasingly worried about FSC certification of large-scale monoculture tree plantations. Millions of hectares have already been certified and it appears that many more will follow unless changes occur within the FSC itself.*”

The book provides information gathered from two case studies: one in Brazil and one in Thailand. According to WRM, these case studies indicate that “*FSC certification of plantations is undermining efforts for environmental and social improvement and closing the door to community-based forest management.*” WRM are also highly critical of the FSC certification process which they claim is “*characterized by inadequate information, participation, consultation, transparency and basic social, political, cultural, economic and environmental research.* WRM suggest “*both case studies reveal major, well-documented failures in complying with FSC principles and criteria - failures which, disturbingly, have not prevented the plantation operations from receiving and maintaining FSC certification.*”

1.3 Australia

The Australian Forestry Standard Limited commenced operations in mid-July 2003 taking over from the partnership of Commonwealth Government, State and Territory Governments, and forest industry associations that had overseen the development of the Australian Forestry Standard from late 1999 onwards. The company is currently finalising a Chain of Custody standard and arranging for accreditation of certification bodies to certify to the standard based on an existing product certification programme under Australia’s national accreditation body, JASANZ. This completes the main elements of the Australian forest certification scheme. The company plans to pursue mutual recognition through the PEFC in the near future.

1.4 Malaysia

So far, eight timber producing forest management units in Peninsular Malaysia have been independently assessed against the Malaysian Timber Certification Council (MTCC) standards. The total area of MTCC certified forest amounts to 4.8 million hectares. All certified forests are state-owned permanent production forests. In addition, a forest management unit in Sarawak has undergone a preassessment against the requirements of the MTCC standard.

The certification standard currently used by MTCC is referred to as the Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I). It is based on the 1998 ITTO Criteria and Indicators for Sustainable Management of Natural Tropical Forests. From January 2005, MTCC will replace this standard with another standard developed in conformance with the FSC Principles and Criteria.

1.5 Canada

A two and a half year review of the CAN/CSA-Z809 forest certification standard has just been completed with the approval of a revised set of requirements and guidance documents by the Standards Council of Canada. The Standards Council report that the new standard is a significant improvement over the 1996 standard with a stronger focus on the 3 pillars of sustainable forest management in Canada: Public Participation Requirements; SFM Performance Requirements and Management System Requirements. As of September 18 million hectares of Canadian forests have been certified to CAN/CSA-Z809. In addition, 43 CSA chain of custody certificates have been issued covering 71 sites. More information: <http://certifiedwood.csa.ca>, or Peter.Johnson@csa-international.org

1.6 Comparative studies

Various comparative studies of forest certification schemes have been undertaken in recent months. The consultancy firm PROFOREST was commissioned to undertake a comparison

of forest certification schemes by B&Q as part of the DIY company's revision of its procurement policy. The green group FERN has carried out another assessment of forest certification schemes. CEPI (the Confederation of European Paper Industries) is currently reviewing its comparative matrix and developing an on-line comparative database of forest certification schemes. The European DIY Retail Association has also been reviewing its principles for timber procurement and credible forest certification schemes.

1.7 ISO re-assesses sector specific ISO14001 guidance

ISO, the International Body for Standardisation, is to re-assess the effectiveness and use of its 1998 Technical Report: Information to assist Forestry Organisations in the use of ISO 14001 and ISO 14004.

1.8 American Hardwood Export Council European Convention

There was, as usual, a strong focus on forest certification and other environmental issues at the American Hardwood Export Council (AHEC) European Convention in Hamburg during October. AF&PA's T&E Technical Consultant gave a presentation on the theme "Addressing the demand for sustainable hardwood products". Details of the presentation and a comment on environmental issues discussed are attached to this report.

1.9 Institute of Wood Science (IWSC)

AF&PA's T&E Technical Consultant gave a presentation to the UK's Institute of Wood Science held in Newcastle during October 2003. The presentation focused on forest certification, including a review of progress to date, of existing obstacles to further development, and of future prospects. The presentation was subsequently turned into a feature article for syndication to the European trade press (a copy is distributed with this report). It is also now being included as a study module for the IWSC's professional exams.

1.10 "Globalisation, localisation and tropical forest management"

The European Tropical Forest Research Network has produced a newsletter on "Globalisation, Localization and Tropical Forest Management". For those interested, it provides fairly good coverage of where the European research community has got to with forest certification. The emphasis is very heavily on forest certification's potential as a forest policy tool in tropical countries, and the role it could play to combat illegal practices. But there is little coverage of issues related to market demand for certified forest products. The newsletter can be accessed at <http://www.etfrn.org/etfrn/newsletter/pdf/etfrnnews3940.pdf>

2. International Agreements and Institutions

2.1 EU Illegal logging Action Plan

The EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan was formally endorsed by the European Council of Ministers during October. No changes were recommended to the original text. The European Commission now has until June next year to work up a regulation that will allow the EU to enter into negotiations with timber exporting countries to develop FLEGT partnership agreements. Under these agreements, the latter will be responsible for issuing "legality licenses" for all timber exported to the EU. The EU will provide support for capacity building in exporting countries for legality licensing procedures. The Plan also requires the Commission to *"review options for, and the impact of, further measures, including, in the absence of multilateral progress, the feasibility of legislation to control the imports of illegally produced timber into the EU."*

Contacts in the European Commission suggest that while the major hurdle of Council endorsement has been overcome, there remain significant obstacles to full implementation of the Action Plan. The Commission has yet to find the resources required – both human and

financial. And development of bilateral agreements, backed with sufficient donor assistance for capacity building – is likely to take considerable time. The Commission intends to focus initial efforts on a limited number of countries where illegal logging is known to be a significant problem. Likely targets will be Indonesia, Brazil, Cameroon, and Russia.

Despite the lengthy timeline, it is important not to underestimate the implications of the Council decision. In time, it implies the extension of CITES-like controls to imports of all primary wood products from certain large wood supplying countries. Most European industry contacts seem now to be taking a positive line on the plan, suggesting that sensible implementation could provide significant benefits. For example, the plan implies a significant input of public funds for development of effective procedures for legality verification. There should also be more public money to support existing industry initiatives to develop environmental codes of conduct for wood trading companies.

DG Enterprise of the European Commission is holding an industry consultation on implementation of the Action Plan, probably during the second week of December.

2.2 African Forest Law Enforcement and Governance (AFLEG)

The Africa Forest Law Enforcement and Governance (AFLEG) Conference, held in Yaounde, Cameroon, from 13 to 16 October 2003, concluded with agreement on a ministerial declaration. After three days of negotiations, 31 African countries and 9 from outside the continent finally reached agreement on a 30-paragraph declaration and a two-page indicative list of actions.

Many of the commitments focus on improving national forest policies and regulatory programmes, and on greater co-ordination of efforts at regional level. Only a few relate specifically to the wood products trade as follows:

- [Signatories will] consider the roles, both positive and negative, of trade regulatory bodies in relation to illegal logging and associated trade;
- explore the ways and means of demonstrating legality and sustainability of forest products to encourage consumer market confidence and thereby enhance legitimate trade for a greater financial return to producing countries;
- work in collaboration with other related initiatives such as the EU FLEGT Action Plan and the United States President's Initiative against Illegal Logging;
- implement market-based instruments, including certification, and rationalize the fiscal regime in the forest sector so as to provide better incentives for good governance, sustainable forest management and value added processing;
- develop partnership agreements between trading partners, consumer and producer countries and enterprises, to strengthen forest law enforcement and governance;
- develop regional cooperation agreements to address cross-border trade issues

The Declaration has the force of a voluntary political commitment, with no legal strength. It's full significance will only become clear in time. A full report on the Conference can be obtained online at: <http://www.iisd.ca/linkages/sd/sdyao/>

2.3 Illegal logging research activities

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

2.3.1 ITTO Research

A study commissioned by the UN International Tropical Timber Organisation (ITTO) is analysing tropical timber trade data in an effort to establish the scale of unrecorded trade. A preliminary report issued in early November has uncovered numerous discrepancies in the trade data, but shows that illegal trade is only one of the possible reasons for these discrepancies.

The report shows that the reported volume and value of timber exported from a country often differs substantially from those reported by the importing country. One possible reason for such discrepancies is illegal trade - smuggling. However, the results of four case-studies carried out by ITTO - in China, Indonesia, the UK and the USA - suggest that many factors are at play.

Discrepancies in the import and export data for tropical timber between China and the exporting countries of Malaysia, Indonesia, Thailand and Myanmar, for example, can arise from several sources, according to analyst Dai Guangcui. These include: the incorrect specification of origin or destination of shipment, particularly since a significant quantity of tropical timber imports to China are trans-shipped through Hong Kong; confusion in the classification of tropical and temperate non-coniferous timber; and differences in measurement standards and scaling methods. Illegal trade is likely to account for some of the discrepancies but it is difficult to assess the extent of this without a more detailed analysis of customs documents in both source and destination countries than was possible under this study.

On the other hand, analysts S.Y. Chrystanto and Imam Santosa suggest that smuggling is the most significant contributor to the very large export-import data discrepancies observed between Indonesia and several importing countries.

When completed next year, the ITTO trade statistics discrepancies study will comprise up to eleven case-studies. In general, the case-studies completed to date suggest that standardizing the tracking and reporting of forest products trade would have a significant impact on its transparency.

2.3.2 International Forestry Review

The International Forestry Review in its September 2003 Special Issue examines the causes and effects of illegal logging and reports on recent research and policy developments by foresters, scientists, NGOs and policy makers. It includes contributions from DFID, the World Bank, Greenpeace, ADB, Forest Monitor, CIRAD-Forêt, RIIA, US Department of State, ITTO, FERN, Timber Trade Federation, ODI, CIFOR and others. Copies of "Illegal Logging" can be purchased from the publishers, the Commonwealth Forestry Association, by contacting the editor, Alan Pottinger, at cfa@cfa-international.org

2.3.3 Royal Institute for International Affairs

The Royal Institute of International Affairs in London is now the main U.K. focal point for research and policy development on illegal logging. RIIA's research was an important foundation for the European Commission's FLEGT Action Plan. RIIA is running a website at www.illegal-logging.info, which is a useful resource on this issue. It has also embarked on a series of policy development meetings.

On 5 September RIIA held a meeting on "Sources of investment for forestry – preventing flows of finance to illegal activities." The centre-piece for discussion, which did not aim to reach any formal "conclusions", was a background paper written by Jan Willem van Gelder of Dutch consultancy Profundo and Wolfgang Richert of AIDEnvironment. The paper and related presentation provided a summary of the key forestry and related-sector activities that are linked to illegal logging in different geographical areas, and the main international

financial drivers for those activities. These drivers were identified as commercial and investment banks, institutional investors, multilateral development banks and agencies, and national and regional institutions such as bilateral donors, development banks and export credit agencies. The meeting looked at two case studies in Indonesia and Latvia considering the links between illegal logging and these financial agents, and potential mechanisms to prevent flows of finance to illegal logging activities.

The full background paper for the meeting can be viewed at:
www.illegal-logging.info/events/Financing_illegal_forest_activities.doc.

A report of the meeting is available at
http://www.illegal-logging.info/events/Forest_Finance_Meeting_Notes.doc

On 6 October, RIIA held a two day invitation-only meeting “Excluding illegal timber: border controls and procurement: making the system work”. This aimed to “address the practical and legal implications of establishing a timber licensing scheme and to discuss the broader options for legislation designed to exclude all illegal timber from the EU and the use of procurement policy to expand the market for legally sourced timber. Questions arising from the definition and verification of illegal timber were also covered. Details of this closed discussion have yet to be released.

2.4 EU eco-label on furniture

On September 24, the European Commission decided to suspend the vote on a new eco-label for furniture following the criticism of several national competent bodies (CB) and environmental NGOs. The vote will now happen in December at the earliest at the next eco-label regulatory meeting.

At the Eco-labelling Board (EB) meeting in September, the Competent Bodies and green groups present criticised the following aspects of the most recent draft set of criteria:

- the decision to lower the required content certified wood content from 70% to 50%;
- the removal of a statement related to illegal logging and other controversial sources of wood.
- implicit acceptance of PVC and that up to a level of 6.5 wt%
- explicit re-introduction of flame-retardants
- acceptance of reasonable limits for formaldehyde (as stipulated by European standards: class E1), although this criticism was less prominent.

The CB's were irritated by the fact that that they were not given enough time to obtain feedback from their national correspondents. They were also concerned that the European Commission had changed so many details, after an EC inter-service consultation which had not involved CBs.

The result of this irritation was that a majority declared not to be able to vote positively during the (closed) EB session on 24 September. As a result the Commission responsible decided to postpone voting at least until the next Board meeting in December.

The European wood industry representative attending the meeting reports that one of the Competent bodies (the consultancy CREM) succeeded in getting the EB to agree to add wording on “controversial sources” based on the FSC policy. If so the wording would be along the following lines:

“It is the policy of this company to avoid using wood that has been illegally harvested and wood from genetically modified trees, from areas where traditional or civil rights are violated, and from uncertified high conservation value old-growth forests”

2.5 UNECE Timber Committee

At their 61st session, the UNECE Timber Committee considered the issue of illegal logging and issued their regular annual update of forest certification developments worldwide. Presentations included an expert report on the extent of illegal logging and recent activities to counter the problem by Carl-Éric Guertin, Communications Manager at the Quebec Wood Export Bureau, and a summary of the global forest certification situation by Dr. Ewald Rametsteiner. The full set of papers and presentations have been posted on the web at: <http://www.unece.org/trade/timber/docs/tc-sessions/tc-61/presentations/item-3.htm>

3 National forest policy

3.1 Baltic States

New research shows that the extent of “illegal logging” in the Baltic States is highly dependent on the definition used. “Illegal logging” is relatively low if considered to include only forest management infringements. However, if non-payment of forestry taxes is included, the level of “illegal logging” rises dramatically.

This is the main conclusion of a discussion paper issued by WWF Latvia and the Danish Forest and Nature Agency on “*The features of illegal logging and related trade in the Baltic Sea region.*” The paper provides an overview on illegal logging in the Baltic Countries and North-Western Russia and illegal forest products export to the Nordic Countries. The document is based on direct interviews and electronic questionnaires conducted in the three Baltic Countries and NW Russia.

According to statistics provided by the state forestry authorities and quoted in the paper, the share of illegal logging in the three Baltic Countries is 0.5 – 2.5%. This illegal logging figure, reported by the state forestry authorities includes the following groups of illegal activities:

- logging without a felling license;
- thefts of wood in forest and from roadside;
- too intensive felling/ignoring normative requirements.

However in the broader definition of “illegal logging” used in the study, which also includes violation of tax, social and other legislation issues, the study suggests illegal logging levels are significantly higher. Accurate assessment of illegal logging levels under this broader definition is very difficult due to inconsistencies in the procedures used by companies to declare their operations to the tax authorities, long and complex wood trading chains, and lack of data and capacity.

National experts interviewed for the study generally agreed with the officially provided statistics, but admitted that not all cases of illegal logging are found and documented. Almost every expert mentioned that figures represented in the official statistics are only a small part of the problem according to the broader definition of illegal logging used in the study.

The study suggests that “In Estonia experts agree that according to broader definition of illegal logging, 40–50% of forest products in Estonia are illegal in one way or the other. The experts in Latvia mentioned that according to their estimates, the share of illegal logging in Latvia is 15– 25% [according to the broader definition]. In Lithuania, the interviewed experts mostly commented on illegal logging in narrow terms and do not include tax issues in the illegal logging definition. The Lithuanian experts in general agree with the official statistics.”

The Baltic experts mentioned six groups of factors/problems that drive illegal logging:

- Difficult socio - economic situation in rural areas;
- Gaps and problems in legislation;
- Lack of capacity of the state forest authorities;
- Inefficient work of the state tax authorities and customs;
- Fictitious forestry companies and middlemen that are acting illegally;
- Factors related to the owners of the private forests.

The full paper is available at:

http://www.illegal-logging.info/papers/Illegal_logging_in_Baltic_Sea_region.pdf

3.2 Russia

During September 2003, the Russian government approved in general a new draft Forest Code extending the term of forest concession agreements between the state and private companies from 49 to 99 years and also allowing for private ownership of forests. The government hopes the law will be approved by parliament before the end of November 2003.

The Russian government has noted that while Russia has nearly a quarter of the world's forests, it exports a quarter as much wood as Finland or Sweden. At a meeting with industrialists in September, President Putin said that a major aim of the new policy is *"to attract investment in the timber industry. Current investments in the basic facilities of woodcutting and timber businesses are minimal....Experts believe that the investment process should be by concession and long-term lease of forest fund plots...Russia has every opportunity to become a major quality timber exporter and the industry itself could bring significant profits to the Russian economy."*

Meanwhile, the Russian government is also showing signs of interest in forest certification. According to a WWF report, the Russian Forestry Sector and the Russian Federal Forestry Service for the first time invited NGOs to their recent co-ordination meeting. A key agenda point was the outlook for independent forest certification in the Russian Federation and its impact on the development of the Russian forest sector.

According to WWF, Valery Roshchupkin, Deputy Minister of the Russian Ministry of Natural Resources said *"Certification will create favourable conditions for responsible forest users who are ready to manage forests properly and obstruct those who come to the forest with the only goal of making fast money violating rules and laws. Russian timber is an excellent product, however inside the country economic problems of the forest sector are not being solved. Presently only 2 million hectares of forests have been certified. As a result, irresponsible forest users are taking advantage of the situation. Russia needs forest certification."*

Among the forty participants of the meeting were representatives of the Ministry of Natural Resources (MNR), forest companies like Ilim Pulp, research institutes, forest inventory enterprises and NGOs.

As part of the discussions about the future of forestry in Russia the meeting participants visited the Pskov model forest. The WWF – coordinated Pskov Model forest is a research laboratory designed to demonstrate alternative and innovative forestry methods under Russian conditions. The model forest forms part of the concessions of STF Strug, a daughter company of Stora Enso and has been FSC certified.

3.3 Indonesia

3.3.1 Indonesia-Korea Bilateral Agreement

According to ITTO, during a meeting of the Indonesia-Korea Forestry Committee held in September, the governments of the two countries signed a joint statement "The Call for Combating International Trade in Illegally Harvested Forest Products". Under the agreement, the Government of Korea pledged to continue aid for the forestry sector of Indonesia in such areas as eco-tourism and forest rehabilitation. Korea also announced it would extend a grant of US\$3 million for programs on modern seeding techniques for the rehabilitation of water catchments. On the issue of illegal logging and trade in illegal wood products, the government of Korea said it "fully understands the situation in Indonesia giving rise to illegal logging activities and fully supports Indonesia's efforts to address this problem"

3.3.2 Indonesia-UK bilateral agreement

Despite lack of cooperation from the Indonesian plywood association APKINDO, the Timber Trade Federation (TTF) has forged ahead with its efforts to encourage independent audits of Indonesian plywood mills supplying the U.K. market. Following APKINDO's decision not to participate, the Tropical Forest Trust (TTF) backed by UK plywood importing companies, has approached individual Indonesian mills seeking their co-operation. The response from these direct business-to-business contacts has been positive.

With funding from TTF members, the Tropical Forest Trust is investigating the current and future legality of existing and potential mills supplying the UK market. It is also assessing options for independent verification of legality of raw material used by these mills.

The ultimate aim of the research is *"to identify which mills have the ability to reach sustainability at some point in the future and so meet UK market needs in terms of legality in the short term and certified sustainable timber in the long term."* The research provides a foundation for UK industry activity within the framework of the UK-Indonesia bilateral agreement to co-operate in tackling illegal logging.

3.1.3 Indonesia-Malaysia Bilateral (Dis)agreement

In an extraordinary outburst, Indonesia's Minister of Forestry Muhammad Prakosa sparked a furious row with Malaysia and effectively admitted that his government had lost control over forest regulation.

Prakosa is reported to have called on the E.U. to reject timber products from Malaysia *"as there are indications that most of them are made of logs taken from illicit sources."* According to the Jakarta Post, Prakosa made the comments in the sidelines to a media gathering during October.

The Jakarta Post claims Prakosa said that the Indonesian government and the E.U. representative in Jakarta were currently discussing joint measures aimed at preserving Indonesia's severely damaged natural forests. Apparently, Prakosa proposed that the E.U. should include a specific article in its proposed bilateral agreement with Indonesia on Forest Law Enforcement, Governance and Trade (FLEGT) requiring E.U. countries to screen all timber products from Malaysia and reject those suspected of using illegally cut logs from Indonesia. Prakosa said that the *"EU is considering our proposal. It is likely to be approved."*

Furthermore, the Jakarta Post claims Prakosa said that he had planned to visit Malaysia to talk with the countries' government on possible solutions but he had subsequently dropped the plan. Prakosa said *"There will be no bilateral talks with Malaysia and Singapore since they are uncooperative. To date, both countries consider they have the right to legally use the smuggled logs, and blame Indonesia for its lack of preventative efforts...So what we will do instead is to approach buyer countries to reject their products."*

The outburst prompted a furious response from Malaysia. Malaysia's Primary Industries Minister issued a formal protest to the Indonesian government. A spokesman for the Malaysian Timber Council suggested that Indonesia *"can be accused of trying to snuff out the business of a competitor."* The Director of Malaysian Timber Council's London Office, S.K. Tham, commented in a letter to the Timber Trades Journal: *"One wonders what the Minister is trying to achieve by making such unsubstantiated and misleading statements. It is also interesting to note that while Minister Prakosa has in the past accused Malaysia, Singapore and China of using illegal logs, he is calling for the E.U. to only reject Malaysian timber products. He has also conveniently neglected to ask the EU to also reject Indonesian timber products that are suspected of containing illegally cut Indonesian wood. Malaysia has sufficient wood resources of its own and its timber industry need not depend on illegal Indonesian logs."*

Tham goes on “*Malaysia has been repeatedly asking the Indonesian Government to set a date for the bilateral Malaysia-Indonesia Joint Working Group on Forestry for more than four years but to date the Indonesian Government has been unable to respond positively..... Contrary to what Minister Prakosa said, the Malaysian Government has never received any official notice of any previous plans by the Minister to visit Malaysia. Malaysia is always prepared to work with Indonesia to resolve the issue of the illegal trade in Indonesian logs but it needs Indonesia to put aside rhetoric and to set a definite date for constructive discussions between the two countries....Instead of putting the blame on other countries, it will be more productive for Indonesia to seek a solution in consultation and collaboration with its fellow ASEAN members and to focus its efforts on strengthening its own enforcement measures*”

While the governments continue to argue over measures, reports suggest that the illegal export of logs from Indonesia to Malaysia continues. A recent article in Tempo magazine (No. 08/IV October 28 – Nov 3) quotes Koes Saparjadi, Director-General for the Protection of Forests and Nature Conservation at the Indonesian Department of Forestry. He suggests that every week around 1,000 trucks carrying 10,000-20,000 cubic meters of illegal logs pass between in Indonesia and Malaysia on the Island of Kalimantan. The NGOs Telapak Foundation and the Environmental Investigation Agency (EIA) estimate that every year around 3-5 million cubic meters of illegal logs from Indonesia are smuggled to the neighboring country through the Malaysian Peninsula, Sarawak, and Sabah.

3.4 Cameroon

Cameroon been a major target for European environmentalist pressure and aid intervention in relation to forests. This is partly because Cameroon is the leading supplier of ayous, an important moulding species, and of valuable African redwood sawn lumber, notably sapele, to western European markets. Much environmentalist criticism has focused on levels of illegal logging in the country. Some of this criticism has been simplistic, failing to acknowledge the underlying causes of illegality in Cameroon. Although corruption plays a role, another factor has been the failure by the authorities to properly consult industry prior to development of new regulations and also to communicate these regulations once they have been developed.

In an effort to overcome this problem, the Cameroon authorities launched a new “*Legal Guide for the Control of Forest Activities in Cameroon*” during October. Production of the guide had been recommended by Global Witness, an NGO commissioned by the Cameroon authorities with support from international donor agencies to act as an independent observer of forestry activities in the country. The guide is the product of a team of legal experts and forestry engineers. Produced with the assistance of the U.K Department of International Development (DFID), the guide addresses a major concern of Cameroon stakeholders; that the texts of new forestry laws are distributed through a wide range of complex legal documents. Responsibilities were not clearly defined, leading to confusion both within the administration and in the forestry profession. The guide aims to overcome this by providing for each stage of forest activity a list of provisions of the law, responsibilities of different actors, and relevant offences and penalties.

3.5 Peru

A report released recently by the International Tropical Timber Organization (ITTO) says that a new forestry law in Peru is an important step towards reducing illegal logging, but strong additional measures are needed for it to be implemented effectively. The report also highlights that while corruption has been a contributory factor, the main underlying causes of illegal logging in Peru are related to poverty and excessive bureaucracy.

The report, which was prepared on behalf of ITTO by the Peruvian Environmental Law Society, a non-governmental organization, analyses the illegal logging and marketing of timber species in Peru and the strengths and limitations of the new forestry law, which was passed by Congress in 2000.

The report suggests that after the promulgation in 1992 of Supreme Decree No 051, which discontinued the granting of forest harvesting contracts, the existing forest management process gave way "to a new, erratic stage of national policies for the harvesting of natural forests". One consequence was a significant increase in the bureaucratic process for securing logging rights, says the report. When combined with a high level of poverty and unemployment in the Amazon and a lack of other income-generating opportunities, logging has increasingly been carried out without legal authorization.

The difficulties involved in obtaining logging rights on a large scale also led to a proliferation of small-scale loggers, operating with contracts covering less than 1000 hectares of forest. The "informal approach" of many such loggers, the difficulty in policing them, and their aggressiveness (in some cases) have all contributed to *"the chaos which is now affecting forest activities"*.

The report condemns what it calls *"corruption and the unethical behaviour of officers of agricultural sector institutions"*, which *"contributed to the legalization of the illegal logging and marketing of timber by approving contracts in unauthorized areas"*.

Nevertheless, says the report, the underlying cause of the problem is poverty. For example, in Ucayali, an Amazonian department, a large majority of the rapidly growing population is desperately poor; even in Pucallpa, the departmental capital, only 30% of houses have access to electricity or sanitary services. For many families, illegal logging is one of the few ways of generating the income they need to survive.

Under the new forestry law, the Peruvian forestry sector is moving from a system skewed towards short-term, small-scale forest logging contracts to one involving forest concessions of 5000 hectares or greater granted for periods of 40 years. According to the report, the new law *"contains necessary changes to the country's forest regime"*. However, similar changes are also required in institutional structures to enable adequate management, monitoring and control. Inattention to such changes, says the report, *"threatens the implementation and efficient operation of the forest regime"*. The report notes *"there are still several illegal groups of loggers - very well organized in some cases - who, even through the use of force or prohibited or clearly illegal means, continue working in distant and difficult-access areas to harvest the last stands of high-value species such as mahogany."*

The report is the first in a series planned by ITTO under a decision by the International Tropical Timber Council to assist its producer countries, upon request, to devise ways to enhance forest law enforcement. An executive summary is available at:

http://www.itto.or.jp/ittcdd_ses/download/34th/council/E-C34-15.doc

3.6 Liberia

At a meeting on 26 August 2003, the UN security Council agreed that the existing sanctions against the Liberian timber trade should remain in force for a period of 10 months from time of introduction on 7 July 2003. The Security Council decided that receipts from the Liberian timber industry might be used to finance continued fighting in the country. This decision is due to be reviewed again during November.

The UN decision drew a protest from ATIBT, the Paris-based tropical timber association, which issued a press release calling for the sanctions against Liberian wood products to be lifted as soon as possible, citing the importance of the timber sector to the Liberian economy. ATIBT also renewed its call for the United Nations to send a joint mission to Liberia with NGOs, donors, and ATIBT. The mission would aim to propose mechanisms to ensure effective control over Liberian forest operations, and correct use of funds derived from timber operations.

Many log importers previously dependent on Liberian supplies – mainly French and Chinese - have now switched to alternative species from the Congo basin. However, some manufacturers have been severely affected. Global Timber, a large Chinese manufacturer of plywood which was heavily dependent on Liberian logs, has announced that it intends to temporarily cease production. ITTO reports that Global had its last delivery of Liberian logs on 5th July, and continued to operate on inventory until the end of October. The company intends to use veneer from Indonesia to resume operations in February 2004. Total production is between 15,000-16,000 m³ per month, with around two thirds destined for the Japanese market.

4 National timber procurement policy

4.1 United Kingdom

4.1.1 Central Government Procurement Policy

In recent months, the UK government has made several statements to clarify the terms of its new public sector timber procurement policy. Draft proposals for this policy drawn up in 2002 by ERM, an independent consultancy firm, had placed great emphasis on independent chain of custody verification to the original source of product and of independent certification of forestry practice. This led to concerns from some suppliers that uncertified material will be excluded from central government contracts and that FSC certified products would be favoured. These fears intensified with the publication of guidance specification documents that referred to FSC as an example to illustrate how certification may provide assurance of contract compliance.

In an email to the PEFC Council, Claire Treliving at the Department for Environment, Food, and Rural Affairs (DEFRA), the lead agency on this issue made the following statement:

“Public sector buyers should not be demanding certified products of any description; that is contrary to EU procurement directives. We can demand timber from legal and sustainable sources but must leave it to suppliers to decide how they meet that particular requirement and what evidence they produce to demonstrate compliance. It would be acceptable for a supplier to arrange for independent verification of the source of timber rather than rely on a certification scheme. However, as you will appreciate, certification does offer suppliers with a quick and relatively inexpensive means of assurance and we believe that certification is the pragmatic solution. As things stand the Government makes no distinction between FSC, PEFC, SFI, CSA, LEI, and such other schemes currently operational provided they do provide assurance that the timber in question is legal and sustainable as defined in the contract specification.”

On 3 October, DEFRA published another statement on this issue which took an equally pragmatic line. The statement stresses the difficulties of sourcing certified wood products – particularly FSC certified wood products – and the challenges of chain of custody. While indicating that independent certification is still the preferred option for central government procurement, the statement provides scope for suppliers to provide alternative forms of assurance. Furthermore it includes recognition of the efforts by the Timber Trade Federation to develop an audited wood procurement system for its members (see 4.1.2).

The statement notes that *“NGOs support the FSC and argue that none of the others is genuinely independent. FSC certified forests represent less than 4% of the world’s productive forests and most of those are in the northern hemisphere and comparatively free from controversy. The legal and policy framework prevents public sector buyers from demanding certified products. Nevertheless, suppliers can offer certification as assurance of contract compliance.....Current guidance to central departments is to demand independent verification of suppliers’ claims where there is no credible evidence of legal and sustainable timber sources. Implementation is proving to be difficult for many suppliers and buyers alike. Tracing the sources of wood used to manufacture products from forest to consumer requires a sophisticated chain of custody system. Certification is likely to be the practical solution for*

suppliers but they are confused about which schemes the Government will accept. As far as the controversial forests are concerned it can be difficult to obtain timber that can be independently verified as legal and sustainable.”

The statement emphasises the importance of ensuring that buyers are not put off using wood. DEFRA also recognise that the policy should not lead to disengagement from poor producing countries that do not have the capacity to implement SFM. *“With this in mind the Government is considering allowing suppliers to offer legally logged timber as a minimum standard.”*

The statement goes on to explain current guidance which is provided in the form of a model contract clause. *“This clause includes a requirement for suppliers to produce documentary evidence to support their claims and empowers the buyer to demand independent verification if the evidence is not credible.”*

The statement also notes the difficulties that government buyers have in establishing the credibility of claims of sustainability. This problem will be solved through the establishment of a central point of expertise on timber (CPET) to assess forms of evidence and provide clearer guidelines. According to DEFRA, *“the CPET should be accountable to a cross section of stakeholders. Some CPET advice could be controversial and lead to representations from either producing countries or NGOs depending on whose interests are affected adversely. DEFRA is still considering what form the CPET should take and how the necessary resources to operate it are to be provided.”*

Finally the statement notes *“There is growing recognition that the realistic way forward is to adopt a stepwise approach that recognises the difficulties faced by many producing countries and also takes into account the complexities involved.”*

For those interested in the detailed content of the U.K. governments policy on timber procurement, this has been set out in the Government’s response to a House of Commons Environmental Audit Committee report “Buying time for forests: Timber Trade and Public Procurement” issued on 2 July 2003. This document can be downloaded at <http://www.parliament.the-stationery-office.co.uk/pa/cm200203/cmselect/cmenvaud/1082/1082.pdf>

4.1.2 Timber Trade Federation Purchasing Policy

Partly as a reaction to the increased political interest in environmental timber procurement, the UK Timber Trade Federation is revamping and strengthening it’s existing environmental timber purchasing policy for timber importers and agents.

The TTF has been promoting this policy for over a decade. It has sought to provide a flexible framework for timber companies to progressively improve environmental procurement practices. While independent certification is seen as a valuable tool, the framework has also recognised a variety of other approaches. For example, where appropriate the policy also encourages suppliers to develop their own procedures for second party assessment of suppliers; to work in partnership with their key suppliers to progressively improve environmental performance; to implement environmental management systems (like ISO14001) and establish requirements for their suppliers to do the same; and to participate in programs to raise awareness of environmental issues amongst suppliers.

In the past the policy has been under-promoted and lacked the market presence of the WWF Buyers Groups. It has also suffered from the perception that it is merely window dressing on the part of the industry. But the new political interest in environmental timber procurement seems to have given the framework a new lease of life.

The TTF has been redrafting the policy so that it is aligned with the government’s own timber procurement proposals. As a first step, signatories will be encouraged to implement procedures to ensure all timber derives from legal sources. They will be encouraged to carry

out a risk assessment of their suppliers and then to focus attention on progressively reducing the level of risk. This may be achieved either by transferring to lower risk suppliers or where this is not possible, working in partnership with suppliers to progressively improve performance. The framework will include improved and updated guidance on risk assessment procedures, setting of environmental targets, and on the content of different forest certification schemes. The credibility problem will be addressed by introducing a framework for third party audit of conformance with the policy.

And in line with the European Commission's FLEGT Action Plan, which calls for private sector initiatives, the TTF has now drafted a proposal to develop the policy into an EU-wide framework. It will be seeking EC funding for this initiative in the next few months and is inviting participation from potential partners including European national and regional trade associations, exporting trade associations, NGOs, and commercial certifiers. The TTF reports are already expressions of interest. A preliminary planning meeting of interested parties is to be held in early December to firm up the project proposal.

4.1.3 BREEAM - Ecohomes

The new government timber procurement policy has had the effect of raising the profile of the Building Research Establishment's Environmental Assessment Method (BREEAM) for building construction. Since its launch in 1990 BREEAM has been applied to some 400 large office buildings and more occasionally to industrial units, supermarkets and homes. The homes version of BREEAM is called EcoHomes. There is now a requirement on all U.K. central government departments to use BREEAM or a similar assessment scheme for new construction and refurbishment projects.

BREEAM seeks to assess the environmental performance of buildings across their entire life cycle. Amongst other aspects, it includes assessment of construction management; energy use; pollution; transport; local land use; and materials. Credits are awarded in each area according to performance. A set of environmental weightings then enables the credits to be added together to produce a single overall score. The building is then rated on a scale of PASS, GOOD, VERY GOOD or EXCELLENT, and a certificate awarded that can be used for promotional purposes.

BREEAM standards are reviewed on an annual basis. In the 2003 standard, a total of 6 credits may be achieved for the use of timber from "*sustainably managed sources, or re-used timber*". At present, the only method recognised by the standard to demonstrate conformance with this requirement is through supply of FSC and PEFC certified wood. Furthermore the system provides more credits for FSC certified wood than for PEFC certified wood. It also provides more credits for supply of certified wood from "temperate" sources than from "non-temperate" sources.

There is now rising pressure on BRE to restructure this approach on grounds that is biased and unscientific. The UK government has also expressed concern that the approach conflicts with its new public procurement policy which does not allow this form of discrimination for and against particular certification schemes. In recent weeks, representatives of both SFI and PEFC have met with representatives of the Building Research Establishment arguing the case for equal treatment. BRE have indicated their willingness to address their concerns.

4.1.4 Greens continue to push FSC-only policy

While industry groups and forest owners are pressing for the UK procurement policy to remain inclusive, some environmental groups continue to push for the UK government to adopt an FSC-only policy. Greenpeace have announced that they will be holding a press conference on 11 November in the House of Commons to launch "*a new initiative to ensure UK construction companies stop fueling illegal logging*". The press conference is being held in association with UCATT, Britain's construction workers union, and coincides with publication of an UCATT report "*The case for specifying timber from sustainable and legal sources*." In their pre-publicity Greenpeace suggest the report "*makes clear that only by*

purchasing timber certified to the FSC can companies guarantee that timber used in their projects is from well managed forests". The report is to be distributed to UCATT members, contractors, local authorities, housing associations and property developers. Greenpeace will also be calling on the UK government to ensure the Central Point of Expertise on timber procurement is fully funded and autonomous from DEFRA.

4.2 Germany

In earlier T&E reports, it was noted that the German Federal Government had made a commitment to require all timber purchased through Federal government contracts to be FSC certified by 2005. However, PEFC Germany is now reporting that the Federal government has decided not to translate this commitment into action. The responsible ministry for procurement is now said to be developing a set of criteria for forest certification schemes and is discussing mechanisms to assess the legitimacy of these schemes. A first draft of this model is imminent. More information is available from Mr Dirk Teegelbeekers of PEFC Germany : info@pefc.de.

4.3 Denmark

The Danish government has issued a new set of guidelines designed *"to make it easier for public and semi-public institutions to ensure that the tropical timber they purchase is produced in a legal and sustainable manner."* The guidelines are also being distributed to private institutions and individuals. On the whole the guidelines are pragmatic, and seem to have drawn on the UK public sector procurement policy.

The guidelines suggest that *"the easiest way to obtain legally and sustainably produced tropical timber is by means of an FSC certificate. The Malaysian certificate, MTCC, is considered to provide a good guarantee of legal forest management, on its way towards becoming sustainable. However, FSC and MTCC timber can be difficult to obtain, and at present there are certain tree species that cannot be supplied with these certificates. This is the case, for example, for the most popular tree species used for harbour construction work. There are alternative ways to document legality and sustainability."*

The guidelines also note *"There is a risk that categorical requirements for full documentation of both the legality and sustainability of forest management would be tantamount to a boycott of most tropical timber. That is not the aim of these guidelines."* Public purchasers are advised *"to adapt their requirements to the realistic options requiring, when ever possible, documentation for both the legality and sustainability of tropical timber, without being categorical."*

Other forms of *"alternative and adequately supported documentation"* may also be used to support claims of legality and sustainability. This is taken to include other certification schemes such as LEI and Keurhout; export permits; certificates of origin; other declarations from the authorities and from suppliers and sub-suppliers; concession agreements; a documented eco-management system in accordance with ISO 14001; details of standards and guidelines used for forest management; specification of the method for monitoring compliance with the standard and the entity responsible for such monitoring; documentation for legally produced tropical wood in accordance with a FLEGT (to be developed). The guidelines recommend that *"where possible, such alternative documentation be submitted for assessment to an impartial third party with market insight and knowledge of forestry conditions in the tropics."*

Finally, the Danish guidelines recommend that public purchasers seek to obtain tropical wood at three levels:

- legal and sustainable – acceptable evidence would be *"an FSC certificate guaranteeing that 100% of the wood comes from FSC-certified forest, or alternative and adequately supported documentation"*
- legal and progressing towards sustainability – acceptable evidence would be *"an FSC certificate guaranteeing that something less than 100% of the wood comes from FSC-*

certified forest, or an MTCC certificate for the forest management with an attached traceability certificate from Malaysia to a Danish purchaser, e.g. a traceability certificate from SGS, or alternative and adequately supported documentation”

- legal – acceptable evidence would be *”alternative and adequately supported documentation.”*

5 Environmental campaigns and issues

5.1 Illegal Logging in Eastern Europe

The WWF is focusing attention on illegal logging activities in Eastern Europe. This campaign has been linked to the European Council of Ministers deliberations of the E.U. Illegal Logging Action Plan. It has sought to raise political concern about illegal logging in countries due to join the European Union in May 2004, an issue ignored in the Action Plan. Central to the campaign has been publication of two reports exploring the nature and extent of illegal logging in the Baltic States (see under 3.1).

5.2 Cambodia and Burma

In recent months, Global Witness has focused on the illegal timber trade in Cambodia and Burma/Myanmar, particularly their trade links with China. Global Witness is earning a reputation amongst western policy makers and international donors for accurate reporting and positive on-ground intervention. Forest regulatory authorities in Cambodia, under pressure from international donors earlier employed Global Witness as an independent observer. However this contract was terminated by the Cambodian government in April 2003 in response to a Global Witness report on Cambodian police violence against peaceful demonstrators on 5 December 2002. Since then Global Witness has continued to report on alleged poor practice in the Cambodian forestry sector.

During October 2003, Global Witness also issued a report entitled *“A Conflict of Interests: The uncertain future of Burma’s forests”*, which they say is *“the result of extensive research and fieldwork within Burma, Thailand and China”*. Global Witness claim their report *“sets out for the first time in detail the history of logging in Burma, the reality of current logging by the Myanmar government, logging by insurgent groups, rampant logging in ceasefire areas, and the cross-border trade in particular with China”*.

The report claims that the need for foreign currency has resulted in cutting, by the state-controlled Myanmar Timber Enterprise, exceeding levels set by the Forestry Department. This, together with chronic mismanagement, corruption and institutional decline is alleged to have *“led to a situation that does not correspond with the picture of sustainability painted by the regime”*. It is claimed that ‘Informal’ logging has put even greater pressure on the forests of central Burma. Global Witness’ comparison of official import - export figures suggest that the trade in Burmese timber is at least double that recorded by the regime. Global Witness suggest that unrecorded exports are in excess of one million m³ and worth approximately 250 million dollars.

According to Global Witness, much of the illegally sourced wood is destined for China. The report quotes Chinese import data which shows China imported over one million cubic metres of timber from Burma in 2002 - this figure is likely to exceed 1.4 million m³ in 2003. More details are available at <http://www.globalwitness.org>

5.3 Singapore

The Environmental Investigation Agency (EIA) has issued a report claiming that Singapore *“plays a key role in smuggling illegally cut timber into other Asian countries and in some cases into the United States.”* The EIA suggest that the recent free trade agreement signed between the United States and Singapore *“will trigger a major increase in Singaporean controlled exports of illegally cut timber into the US.”* EIA claim that their own investigations in association with Telapak, an Indonesian NGO, *“confirmed Singapore to be a central hub*

for laundering illegal shipments of Ramin, a highly valuable and endangered tree species found only in Indonesia and Malaysia, onto world and US markets. Indonesia [has] banned the export of Ramin through the CITES....This report presents evidence that over US\$ 3 million of Ramin was imported into the US without the required CITES permits from or through Singapore between September 2001 and July 2002. Almost 52 percent of all Ramin shipments into the US during these ten months passed through or originated in Singapore. Total illegal Ramin imports — i.e. without CITES permits — into the US during this period may have exceeded US\$9 million.” EIA are heavily critical of the Singapore authorities which they claim “systematically withholds trade data to shelter evidence that could quantify the scope of illegal activities occurring in and throughout its territory.”

5.4 “Ancient-forest friendly” paper

Greenpeace launched a new campaign for "ancient forest friendly" paper at the world's biggest book fair in Frankfurt, Germany, held from October 11 - 15, 2003. Authors and publishers from Germany, Canada, Italy, UK and USA joined the initiative to opt for recycled paper or FSC certified paper for their books. Greenpeace also launched a guide for publishers wanting to switch to high grade recycling paper and paper from FSC certified forests. The guide is available at:

http://www.saveordelete.com/downloads/publishers_guide.pdf;

6 Meetings

6.1 Future meetings in Europe

FOREST GOVERNANCE AND TRADE: INTERNATIONAL STAKEHOLDER CONSULTATION, 1st December 2003, Royal Institute of International Affairs, Chatham House, 10 St James' Square, London SW1Y 4LE. a high-level workshop gathering together a select group of experienced and engaged stakeholders from Europe, the US and timber producing countries to discuss the lessons that can be learned from the last two years of international work in the field of forest governance and trade undertaken by the UK Department for International Affairs and groups under contract to them. Information from Jade Saunders (jade.saunders@riia.org)

ILLEGAL LOGGING AND CONTROL OF TRADE IN ILLEGAL TIMBER: LATEST DEVELOPMENTS IN UK, EU AND GLOBAL INITIATIVES. Tuesday 2 December, Royal Institute of International Affairs, Chatham House, 10 St James' Square, London SW1Y 4LE. The meeting is designed to provide an update on what is happening in the development of policies on illegal logging and the control of trade in illegal timber - including presentations on the recent Africa Forestry Law Enforcement and Governance process held last month in Yaounde, Cameroon, The UK Timber Trade Federation's Indonesia Programme and relevant research updates from key groups working in the area.

RESPONSIBLE TIMBER PURCHASING – ARE YOU BUYING LEGAL AND SUSTAINABLE TIMBER. 9th December 2003, Foreign and Commonwealth Office, London. Organised by the UK Forest Partnership for Action – a partnership of government, the forest industry and environmental groups set up to promote sustainable development in the forestry sector, both at home and internationally. The seminar will demonstrate best practice in responsible timber procurement from the public and private sectors, illustrated through the use of case studies from UK and overseas producers, timber traders, architects, builders and government, including an update on the UK Government's timber procurement policy. The links between timber procurement, forest certification and the illegal logging of timber will be looked at so as to help reduce the impacts of UK timber consumption on people and nature overseas. It will help business avoid the risk of buying illegal timber. To be attended by central and local government procurement officials, architects, structural engineers, timber traders, house builders, property developers, wood and wood product manufacturers and users, timber certification bodies, NGOs, representatives of exporters of timber to the UK and anyone with an interest in sustainably sourced timber. Further information, including

registration details – www.UKForestPartnership.org.uk, T – 0131 538 7111, F – 0131 538 7222, E – Fiona@ukforestpartnership.org.uk

UNFF-4: The Fourth Meeting of the United Nations Forum on Forests (UNFF-4) will convene from 3-14 May 2004 in Geneva, Switzerland. For more information, contact: Mia Söderlund, UNFF Secretariat; tel: +1-212-963-3262; fax: +1-212-963-4260; e-mail: unff@un.org; Internet: <http://www.un.org/esa/forests/session-intro.html>

SIXTH INTERNATIONAL SYMPOSIUM ON LEGAL ASPECTS OF EUROPEAN FOREST SUSTAINABLE DEVELOPMENT: This Symposium, organized by IUFRO, will be held on 1 June 2004, in Brasov, Romania. For more information, contact: Peter Herbst; tel: +43-4242-52471; fax: +43-4242-264048; e-mail: hp@net4you.co.at; Internet: <http://iufro.boku.ac.at/>

6.2 Future meetings outside Europe

INTERNATIONAL EXPERT MEETING ON THE DEVELOPMENT AND IMPLEMENTATION OF NATIONAL CODES OF PRACTICE FOR FOREST HARVESTING - ISSUES AND OPTIONS: The International Expert Meeting will convene from 17-20 November 2003, in Kisarazu City, Japan. For more information, contact: Yuji Imaizumi, International Forestry Cooperation Office; e-mail: yuuji_imaizumi@nm.maff.go.jp; Internet: <http://iufro.boku.ac.at/iufro/secure/nb-practicecodes-harvesting.htm>

INTERNATIONAL TEAK CONFERENCE 2003: The International Conference on Quality Timber Product of Teak from Sustainably Managed Forests will be held from 2-5 December, 2003 in Peechi, Kerala, India. For more information, contact: K. M. Bhat, Convener, International Teak Conference 2003; tel: +91-487-269-9037; fax: +91-487-269- 9249; e-mail: kmbhat@kfri.org; Internet: <http://www.kfri.org/html/k0500frm.htm>

SIMFOR 2004: Third International Symposium on Sustainable Management Of Forest Resources (SIMFOR 2004), organized by IUFRO, will be held from 21-23 April 2004, in Pinar del Rio, Cuba. For more information, contact: Fernando Hernandez Martinez; tel: +53- 82-779363; fax: +53-82-779353; e-mail: fhernandez@af.upr.edu.cu; Internet: <http://iufro.boku.ac.at/>

ITTC-36: The thirty-sixth session of the ITTC will be held 20-23 July 2004 in Switzerland. For more information, contact: Alistair Sarre, ITTO Secretariat; tel: +81-45-223-1110; fax: +81-45-223- 1111; e-mail: itc@itto.or.jp; Internet: <http://www.itto.or.jp>

Rupert Oliver
AF&PA Technical Consultant, 10 November 2003