



WWF

REPORT

UK

In or out?

Can the European Union's Timber Regulation keep out illegal timber?

About WWF-UK

WWF was established in 1961 and is at the heart of global efforts to address the world's most important environmental challenges. We work with communities, businesses and governments in over 100 countries to help people and nature thrive. Together, we're safeguarding the natural world, tackling climate change and enabling people to use only their fair share of natural resources.

Find out more about our forests work at

wwf.org.uk/forests

About Newleaf

Newleaf Sustainability Practice Ltd was formed in 2008, and works with pioneering companies, trade associations and NGOs to translate sustainability strategies into real results. Newleaf sees businesses as having the potential to be the greatest ecologists and conservationists – because a major part of the way they'll create value in the future will be in minimising their impact on the world and managing natural resources for future generations. Newleaf's founder, Charles Drewe, has worked with some of the UK's leading brands on corporate social responsibility for more than 15 years. He regards 'the real prize' as being those businesses that move towards becoming net neutral and even net positive contributors to Earth's natural capital.

www.newleafpractice.co.uk

**THE EUTR'S
CURRENT SCOPE IS
NOT COMPREHENSIVE
ENOUGH TO BE
EFFECTIVE IN
PROHIBITING ILLEGAL
TIMBER FROM BEING
PLACED ON THE
EU MARKET.**

CONTENTS

EXECUTIVE SUMMARY	9	3. RESULTS	30
1. AIMS AND OBJECTIVES	12	3.1 Review of combined nomenclature (CN) codes to identify all timber and timber-based products and ‘out of scope’ products	32
1.1 Aims and objectives of this study	14	3.2 Assessing the material significance of ‘out of scope’ codes	33
2. METHODOLOGY	15	3.3 Identifying the most significant ‘out of scope’ CN codes	34
2.1 Review of the combined nomenclature regulation to identify timber and timber-based products	18	3.4 Import value of the ‘out of scope’ CN codes	36
2.2 Identifying products that are in and out of the EUTR’s scope	20	3.5 Further analysis of the priority ‘out of scope’ categories	37
2.3 Estimating the value of timber and timber-based products imported into the EU	21	3.5.1 Further analysis of ‘made of wood’	37
2.4 Prioritising the list of ‘out of scope’ products	22	3.5.2 Further analysis of ‘contains wood’	40
2.5 Identifying the primary exporting countries of the ‘out of scope’ products	24	3.5.3 Further analysis of ‘may be made of wood’	42
2.6 Origins of illegal timber	24	3.5.4 Further analysis of ‘may contain wood’	43
2.7 Tropical timber directly imported into the UK, and movements from the EU to the UK	26	3.6 Summary of the ‘out of scope’ categories	46
2.8 Determining the volume of wood traded in a CN heading code that contains mixed materials	28	3.7 Key import countries for ‘out of scope’ codes	48
2.9 Interviews with industry stakeholders	29	3.8 Tropical and illegal timber in ‘out of scope’ codes	50
		3.9 Tropical timber directly imported into the UK, and movements from the EU to the UK	52
		3.10 Interviews with key stakeholders	54
		4. CONCLUSIONS	56
		5. DISCUSSION	64
		REFERENCES	69

FIGURES

1. Summary data of CN codes containing wood, showing whether they're in or out of the EUTR's scope ³²	
2. EU importation of CN codes both in and out of scope of the EUTR, by value	33
3. Summary of the number of headings and sub-headings that are 'in scope', and the four prioritisation categories of the 'out of scope' CN codes ³⁴	
4. Classification of CN codes by category and value (€) imported into the EU28 countries in 2013	36
5. The import value (€bn) and volume (tonnes) of the 15 CN codes that account for 95% of the total import value of the 'made of wood' category	38
6. EU28 import value (€m) of the most significant CN codes in the prioritisation category 'contains wood'	40
7. The EU28 value (€m) of the top 15 codes in the priority category 'may be made of wood'	42
8. The EU28 value (€m) of the top 15 codes in the priority category 'may contain wood'	45
9. Summary of data for each of the four 'out of scope' categories	46
10. Non-EU into EU exporting countries 2013 (>€5m), based on 'made of wood' and 'contains wood' categories	49
11. The value of tropical timber imported into the UK in 2013	53

APPENDICES

1. An extract from the master list of CN codes, showing the top 15 CN codes sorted by 'made of wood'	70
2. An extract from the master list of CN codes, showing the top five CN codes sorted by 'contains wood'	71
3. An extract from the master list of CN codes, showing the top 15 CN codes sorted by 'may be made of wood'	72
4. An extract from the master list of CN codes, showing the top 15 CN codes sorted by 'may contain wood'	73



© BRENT STIRTON / GETTY IMAGES / WWF-UK

EXECUTIVE SUMMARY

This report outlines a review of the EU combined nomenclature (CN) codes to identify products that are currently out of scope of the EU Timber Regulation (EUTR). It then assesses various

options to broaden the current scope of the EUTR so it includes these products – for example by including all wood-based CN codes; or including high value, high volume or high-risk products.

For the purpose of this report, we refer to CN codes (and the products that fall within these codes) included in annex 1 of the regulation as ‘in scope’. The CN codes (and their respective products) that aren’t included in the annex are referred to as ‘out of scope’. Those that are exempted from regulation, such as recovered paper and packaging, are the only things referred to as ‘exempt’.

To facilitate this analysis, we divided the CN codes identified as ‘out of scope’ into four categories:

- 1. ‘MADE OF WOOD’**
a product group that’s wholly or predominantly made of wood.
- 2. ‘CONTAINS WOOD’**
are products where there’s a reasonably high level of certainty that components contain wood.
- 3. ‘MAY BE MADE OF WOOD’**
are products that are potentially wholly or predominantly made of wood.
- 4. ‘MAY CONTAIN WOOD’**
are products that are likely to contain wood components, depending on their design specification.

KEY FINDINGS

This study demonstrates that the EUTR's current scope is not comprehensive enough to be effective in prohibiting illegal timber from being placed on the EU market. Our key findings support this conclusion.

- We identified 934 CN headings and sub-headings that contained wood and wood-based products. Of these, only 47% are 'in scope', and 2% are exempt from the EUTR.
- As the EUTR currently stands, 51% of the wood-based CN codes identified in this report are currently out of the scope of the EUTR. With a split of 11% in the category 'made of wood' and a further 11% in the categories 'contain' or 'may be made of wood'. The highest percentage (29%) is in the category 'may contain wood'.
- In terms of import values into the EU in 2013, this analysis established that 'in scope' CN codes only represented 41% of the value, whereas 'out of scope' CN codes represented 59% of the value of the products imported. The most materially significant 'out of scope' codes include an assortment of products such as seating, matches, printed materials, other articles of wood, wood marquetry and inlaid wood, charcoal, clock cases, musical instruments and less obvious items such as fireworks and cellulose and its chemical derivatives.
- Seating dominates the 'out of scope' category that 'contains wood'. Unfortunately, there isn't a clear set of sub-headings that the operator can choose from that would describe chairs that contain wood, so the UK government recommends the generic code 9401¹ to cover this group of products. This code covers wood-framed dining chairs, office chairs, garden chairs and benches – as well as plastic and metal-based products. This study revealed that 77% of seats imported into the UK contain wood, making the wood content of this CN code very significant and bringing into question its omission from the EUTR.
- Analysis of the CN codes for the flow of hardwoods – including tropical timber, which is considered to hold a particularly high risk of being the product of illegal logging – into the EU showed that tropical timber can still arrive in EU member states that

77%
of the seats
imported into the
UK contain wood



have implemented the EUTR, via EU member states that have partial or no implementation – without any requirement for due diligence. This demonstrates just how critical it is that all EU member states effectively enforce the EUTR.

- Finished products made from hardwood timber currently can mainly be found in the 'out of scope' CN codes. This includes product groups such as musical instruments, musical boxes and ornaments, inlay work, garden chairs, parasols and chopping boards. So, tropical timber is entering EUTR-compliant countries through the use of 'out of scope' CN codes.
- Finally, the bulk of 'out of scope' products entering the EU are imported from China and to a lesser extent the US. China presents a particular risk with respect to 'out of scope' products because of the well-documented contamination of wood-based supply chains with illegal timber before and after entry into China for further processing. The scale of importation from this region further strengthens the need for the EUTR to be more inclusive of further CN codes.

This report discusses two options for addressing the omissions in the EU Timber Regulation's current scope identified in this study. The first option is adopting an 'all-inclusive' scope to address all wood-based products. By being all-inclusive, this ensures a level playing field to all businesses wishing to trade within the EU.

The second option is increasing the scope of the regulation based on a prioritised list of CN codes/chapters that are materially significant, to ensure that the EU Timber Regulation achieves its primary objective of prohibiting the placing of illegally-harvested timber onto the EU market.

Following any change, widening the scope wouldn't affect any business placing domestically-grown or imported timber on the EU market, as this is currently already in scope. But any increase would impact on businesses that import finished goods – such as manufacturers, retailers and importers.

The stakeholders we interviewed – such as retailers, manufacturers, consultants, trade bodies and auditors – all agreed that they'd rather see a more effective timber regulation, not only in its scope to address some or all of the clear omissions but also in its implementation within the EU.



1. AIMS AND OBJECTIVES

1.1 AIMS AND OBJECTIVES

The aims and objectives of the EUTR 'in and out of scope' products study.

This study aims to review the combined nomenclature (CN) codes – the EU's classification of goods – and to identify all the CN codes that include wood-based products. As the EU Timber Regulation uses the CN codes as a way of identifying products that are affected by the regulation, this study also aims to identify all the CN codes that are either affected by (as listed in Annex 1) or not affected by the current 'scope' of the EU Timber Regulation.

Based on the results of the above investigation, this study aims to:

- Identify, by means of value/volume/risk, whether any CN code/s not listed in Annex 1 could have a material impact on the efficacy of the EU Timber Regulation.
- Discuss options to address the future inclusion of any materially significant CN code/s when the EU Timber Regulation is reviewed in 2015.



2. METHODOLOGY

NATURAL SOLID WOOD
Teak
FSC



2.1 REVIEW OF REGULATIONS

Review of the combined nomenclature regulation to identify all timber and timber-based products.

A review of the combined nomenclature (CN) regulation was undertaken to identify all timber and timber-containing products. The CN is the European Community's classification of goods. This classification is based on the Harmonised Commodity Description and Coding System (HS) of the Customs Cooperation Council (CCC). It is used worldwide as a reference for classifications of external trade statistics and for customs tariffs.

Annex 1 of the Timber Regulation (EU) 995/2010 outlines the list of timber and timber products affected by the regulation and classifies them using the CN set out in Council Regulation (EEC) No 2658/87 – Annex 1. The timber regulation was enacted on 20 October 2010 and came into force on 3 March 2013. Since then the EU has subsequently updated the Common Customs Tariffs (Combined Nomenclature) (Commission Regulation (EU) No 1001/2013 of 4 October 2013, amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature.)

We used the Commission Regulation (EU) No 1001/2013 and the EU's online customs tariff database (TARIC) as the basis of this report to identify the relevant CN codes. TARIC is an integrated database that relates to EU customs tariffs and gives users a clear view of the measures to be undertaken when importing into the EU.

Within the customs tariffs, there are 97 CN Chapters. Every chapter is numbered – for example, the first entry is Live Animals (01), and it continues through to Works of Art (97). Each chapter is broken down, where appropriate, into headings and sub-headings. This creates a 4-to-8 digit code, depending on the breakdown of headings and sub-headings within the chapter. For example, the code 4401-31-00 represents:

CHAPTER 44

(wood and articles of wood)

HEADING 01

(fuel wood)

SUB-HEADING 31-00

(fuel wood from non-coniferous species)

This study began with reviewing every heading and sub-heading within the common customs tariffs. Newleaf's industry knowledge and experience meant we could identify all wood-based materials and any product type that might contain wood. It could be claimed that wood is found in almost all product types, so the study focused on products that were generally recognised as being 'made of' or 'containing' wood.

2.2 IDENTIFYING PRODUCTS

Identifying products that are in and out of the EUTR's scope.

Once the initial list of products was identified using their common customs tariffs the products were differentiated on the basis of being included or not included in Annex 1 of The Timber Regulation (EU) 995/2010. The author of the report noted from previous experience that operators often confuse terms such as 'products excluded from the EU Timber Regulation' with 'products that are exempt'. Operators also use this incorrect terminology to describe products that aren't included within Annex 1 such as 'these products are exempt'. For these reasons, Newleaf tried to ensure that the terminology used in this report for the identification of products was consistent with that used within the regulation.

For the purpose of this report, all products with CN codes listed in Annex 1 are referred to as 'in scope' of the regulation. All products with CN codes containing wood but not included in Annex 1 are referred to as 'out of scope' of the regulation. The only products considered truly 'exempt' are bamboo based and recovered (waste and scrap) pulp and paper based products, and the packaging that supports, protects and carries the products placed on the market.

2.3 ESTIMATING THE VALUE

Estimating the value of timber and timber-based products imported into the EU.

In establishing if the CN headings not included within the EU Timber Regulation were materially significant to the objective of the regulation – namely prohibiting illegally harvested timber and timber-based products being placed on the EU market – the study also identified the value of the imports into the EU for each CN heading.

The most robust import figures, which aligned themselves with the CN headings, came from the European Commission's Eurostat online database². A query was created to provide data for imports to the 28 EU member states for the period January-December 2013³. This provided results for the value of imports (in €) and volume (in 100kg, subsequently converted to tonnes).

The use of both value and volume figures does have limitations, especially when other non-wood-based materials appear in the product. Where the product was still in its raw or semi-processed state – such as logs, rough sawn, processed solid wood, or plywood and board materials – value and volume figures can be used more accurately to demonstrate whether a product was materially significant. Once a raw material was converted and formed part of a finished product, both value and volume figures could only be used as a guide, rather than state any material significance.

Eurostat allowed the examination of CN codes down to the level of eight-digit sub-headings. Where appropriate, descriptions were examined in order to include or exclude data at the most specific level available, so as to be as accurate and relevant as possible.

A caveat must accompany all the analysis in this report that uses Eurostat information as its base. The analysis is only as good as the quality of information held within Eurostat.

2.4 PRIORITISING OUT OF SCOPE PRODUCTS

Newleaf used the results of 2.1 to 2.3 to develop an initial priority list to consider including. Each 'out of scope' CN heading/sub-heading was prioritised into categories using the terminology.



MADE OF WOOD

This category was found to have the highest potential for inclusion in the revised EUTR. This is a product group that is wholly or predominantly made from or derived from wood, or which has 'wood' in the CN codes sub-heading title. These product groups are often composite materials, but often include solid wood items. All are finished/processed products rather than raw materials – such as 100% paper-based products.

CONTAINS WOOD

We assessed this category as having a strong potential for inclusion in the revised EUTR. This is a group in which there's a reasonably high level of certainty that products contain a wood component. These products, based on the title of the CN codes sub-headings, may not have an indication that a wood-based-material was in the product. Newleaf placed codes into this category using its product knowledge, which includes composite products such as furniture.

MAY BE MADE OF WOOD

This category has a potential for inclusion in the revised EUTR. This is a group in which there's a likelihood that products could be wholly or predominantly made of wood. Equally, the products may be made of other materials, depending on their design specification. No mention of wood appears in the CN codes sub-heading title in this category. Products include items that may be made from plastic or wood, such as toys and games.

MAY CONTAIN WOOD

This category has a potential for inclusion in the revised EUTR. This is a group in which there's a likelihood that products could contain wood components, depending on their design specification – but where no mention of wood appears in the CN codes sub-heading title. Examples are ships, boats, hand tools and umbrellas.

Note: with the above definitions of categories there is some degree of interpretation when actually placing a CN heading or sub-heading into each of the categories. The categories have been used to try and simplify the wood-based products that are 'out of scope'. With respect to the finer detail, there may be cases for moving many CN headings from one category to another. But the focus of this report was to make sure that, irrespective of the category, the key CN codes were identified and grouped to help identify and prioritise the gaps in the current regulation.

2.5 IDENTIFYING PRIMARY EXPORTING COUNTRIES

Identifying the primary exporting countries of the 'out of scope' products.

Import data was broken down by country, and grouped as 'traded within the EU member states' or from 'outside the EU'.

It should be noted that the Eurostat data covers trade flows between countries, so it doesn't include the trade in items produced

and consumed within the same member state. For comparison, the query also returned results for imports into the UK only, which were used to determine the flow of tropical timber from outside of the EU as well as from other EU member states into the UK.

For each CN code (or groupings of similar sub-headings) we recorded the most significant non-EU exporting countries, along with the value of the products imported from them into the EU.

2.6 ORIGINS OF ILLEGAL TIMBER

There is plenty of publicly available information about the origins of illegal timber, so we conducted a brief review to identify the main countries of origin for illegal timber.

This list was then used to compare against the list of exporting countries to see if any correlation could be made. The EU Timber Regulation was developed specifically to prohibit illegal timber from being placed on the EU market. By establishing the main origins of illegal timber and comparing 'in scope' and 'out of scope' products, we could assess the effectiveness of the EUTR in prohibiting this type of material from being placed on the EU market.



CHINA

A HIGH RISK COUNTRY FOR ILLEGAL TIMBER AND A SIGNIFICANT EXPORTER OF OUT OF SCOPE PRODUCTS TO THE EU

934

NUMBER OF WOOD-BASED PRODUCT IMPORT CODES - OF WHICH ONLY 437 ARE COVERED BY THE EUTR

€23M

THE VALUE OF 'IN SCOPE' TROPICAL TIMBER PRODUCTS IMPORTED INTO UK PER YEAR VIA A COUNTRY THAT DOES NOT ENFORCE THE EUTR

2.7 TROPICAL TIMBER IMPORTED TO THE UK

Tropical timber directly imported into the UK, and movements from the EU to the UK.

Tropical timber was chosen as a product group that could not have primarily originated from any of the EU 28 member states. So, by tracing this material into

and across Europe, the study could identify trade flows between EU member states that had fully or partially implemented the EU Timber Regulation. The Eurostat query (conducted in 2.3) returned results for imports into each of the EU 28 member states, into the UK only, and from each of the EU 28 member states into the UK. Using the UK as a proxy for the rest of Europe, an example of high-risk trade flows within the EU was examined to illustrate the potential challenge with assuming that intra-EU imports present a negligible risk.

To do this, we searched the titles of currently ‘in scope’ CN codes for the word ‘tropical’. This produced eight results (indicating CN codes containing tropical timber, which must have originated from outside of the EU). We segmented the results into four groups shown on page 27.

The classification of EU member states as fully or partially implementing the EU Timber Regulation was based on an investigation by WWF’s Government Barometer 2014⁴. A subsequent investigation by Client Earth was also reviewed, and although the data slightly differed between the two reports – possibly owing to the timing of the research into each of the reports – the end results for this study were the same. The European Commission prepared a table of information on the state of implementation of the regulation in July 2014⁵, whose results broadly aligned with WWF and Client Earth studies.

NON-EU INTO UK

for those trade flows into the UK originating outside the EU (and so, in principle, being subject to due diligence by a UK operator).

EU COMPLIANT

for those being imported from an EU member state known to have implemented the EUTR.

EU DRAFT LEGISLATION

for those being imported from an EU member state that has not yet fully implemented the EUTR.

EU NO ACTION

for those being imported from an EU member state that has not yet begun to implement the EUTR.

Note: the search of CN codes with the word ‘tropical’ missed off other CN codes that could be associated with tropical timber. The figures reported are conservative and to be used for indicative purposes only.

2.8 DETERMINING THE VOLUME

Determining the volume of wood traded in a CN heading code that contains mixed materials.

Ahead of the development of this report, Newleaf conducted some initial analysis

to identify if the volume or value of wood-based products could be determined in CN headings that contained finished products of mixed materials, such as seats. Seats could either be made of 100% wood – such as in outdoor benches, garden furniture and dining chairs – or contain a combination of wood, plastic, fabric and metal, or contain no wood-based materials at all.

Trade statistics from the Furniture Industry Research Association (FIRA) indicated that 77% of seats imported into the UK contain wood. This 77% comprises 45% non-upholstered wooden seats plus parts and 32% upholstered seats that have a wood component. According to FIRA, its assessment of the value of seat imports into the UK was very similar to HMRC’s trade statistics, which indicated that their percentage breakdown of seats containing wood could be used as an indicator to establish an import value for the purposes of this report.

This information was used to estimate the total value of wood-based seats imported in to the UK, based on 2011 data (e.g. 77% of the total value for CN 9401).

2.9 INTERVIEWS WITH INDUSTRY

Interviews with key industry stakeholders.

As part of this study, we interviewed key industry stakeholders and asked them questions based on their role within the industry and their experience to date of the EU Timber Regulation. Stakeholders may be broken down into the following groups:

RETAILERS

MANUFACTURERS

TRADE BODIES

CONSULTANTS AND AUDITORS

OTHERS

The interviews were conducted by phone, email or via direct meetings with key representatives. The identity of all interviewed stakeholders was withheld from this report to allow the stakeholders to make as candid a response as possible. We used this information to help frame the discussions later in this report.

3. RESULTS



3.1 REVIEW OF CN CODES

To identify all timber and timber-based products and ‘out of scope’ products.

All CN codes for timber and timber-based products were identified under their common customs tariffs and established the codes that are/are not included within Annex 1 of The Timber Regulation (EU) 995/2010.

Appendix 1 of this report details each ‘in-scope’ CN code and all currently ‘out of scope’ CN codes that contain or may contain wood. For each CN code we provide its chapter and chapter heading reference, description and the ‘out of scope’ category assigned by Newleaf (see 2.4).

A summary of the CN codes containing wood and whether they are in or out of the EUTR’s scope is presented in Figure 1.

Category	Number of CN codes	% of total
Total CN codes containing wood	934	100%
CN codes in scope	437	47%
CN codes out of scope	481	51%
CN codes exempt	16	2%

Figure 1. Summary data of CN codes containing wood, showing whether they’re in or out of the EUTR’s scope.

In total, we identified 934 CN headings and sub-headings that contained wood and wood-based products. Of these, 47% are ‘in scope’ and 2% are exempt from the EUTR. As the EUTR currently stands, 51% of the CN codes identified in this report that contain wood are out of the EUTR’s scope.

These ‘out of scope’ codes include products such as matches (3605-00-00), printed materials (chapter 49), other articles of wood (4421), seats (9401-30-00), wood marquetry and inlaid wood (4420), charcoal (4402), musical instruments (9202 and 9207), clock cases (9112), and less obvious items such as fireworks (3604-10) and cellulose and its chemical derivatives (3912).

3.2 ASSESSING THE MATERIAL

Assessing the material significance of ‘out of scope’ codes.

A quick analysis was undertaken to establish whether the currently ‘out of scope’ CN codes were materially significant. EU import figures (values in euros – from the query, see 2.3) were used for each of the 934 CN codes.

	Euros (billions)
Total imported (all wood-containing CN codes) into 28 countries of Europe	54.1
CN codes in scope	22.3
CN codes out of scope	31.8

Figure 2. EU importation of CN codes both in and out of scope of the EUTR by value.

This analysis established that of the total (934 CN codes), 41% of the value was ‘in scope’ and 59% was currently ‘out of scope’.

Using value as a proxy, the EUTR currently misses a significant number of wood-based CN codes.

3.3 IDENTIFY Identifying the most significant 'out of scope' CN codes.

We identified four of the most significant 'out of scope' CN categories, based on the extent of wood content in the product. The categories are shown opposite on page 35.

The 'out of scope' CN codes that are wood-based were sorted into these four categories (see Figure 3). We expressed the number of codes falling into each category as a percentage of the 934 wood-based CN codes.

The largest 'out of scope' group, representing 29% of the total wood-based codes, was the category 'may contain wood'. It is the hardest category in which to determine exactly how much wood is involved in these codes. The second-largest 'out of scope' category was 'made of wood'. The latter is of the greatest concern because the likelihood of wood being in these products is extremely high, yet these products are currently outside the scope of the EUTR.

Prioritisation category	Number of CN headings	Number of CN sub-headings (within headings)	% of total CN codes both in and out of scope
In scope	47	437	47%
Exempt	2	16	2%
Out of scope made of wood	32	103	11%
Out of scope contains wood	10	45	5%
Out of scope may be made of wood	16	59	6%
Out of scope may contain wood	39	274	29%
TOTALS		934	100%

Figure 3. Summary of the number of headings and sub-headings that are 'in scope', and the four prioritisation categories of the 'out of scope' CN codes.

Overall, this demonstrates that the EUTR's current scope is not comprehensive enough to be effective in prohibiting illegal timber from being placed on the EU market. As it stands, 51% of the total wood-based codes are missing from the EUTR, which breaks down into 11% of codes that definitely are 'made of wood', a further 11% that either 'contain' wood or 'may be made of wood' and 29% that 'may contain wood'.



3.4 IMPORT VALUE

We calculated the import value of the codes that fall into each of the four prioritisation categories.

The importation value of the codes that fall into each of the four prioritisation categories imported into the EU in 2013 was determined to confirm, or not, whether the current CN codes included within the scope of EUTR were sufficient in prohibiting illegal timber from being placed on the EU market (see Figure 4).

Using import value, the value of the 'out of scope' codes is 59% of the total value of imported CN codes. The highest value 'out of scope' category is 'may contain wood'. The second-highest is the highest-priority category, 'made of wood'.

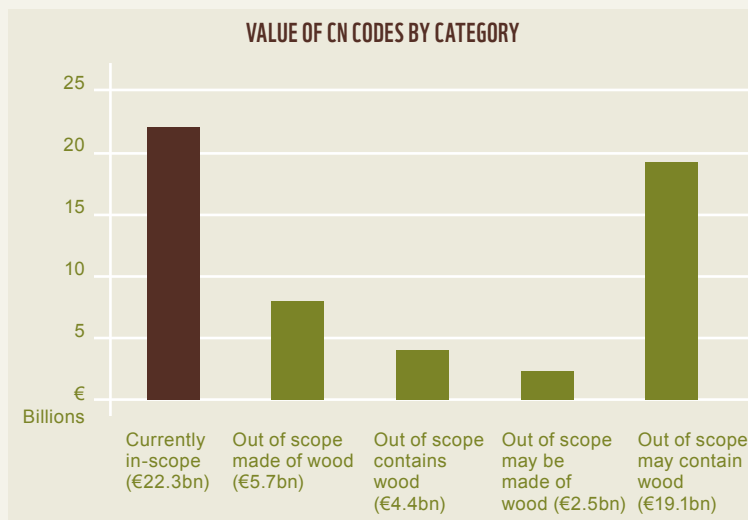


Figure 4. Classification of CN codes by category and value (€) imported into the EU28 countries in 2013.

Note: Due to a lack of detail in trade data, this study was unable to determine the percentage split of wood versus non-wood components in certain CN headings, so the whole import value has been used. For example, data sets for CN 8201 hand tools. For this reason, the import values for mixed commodity headings can only be used to indicate that a varying amount of wood is present within this heading, and the total value in some cases cannot be solely attributed to wood.

3.5 FURTHER ANALYSIS OF THE PRIORITY CATEGORIES

Further studies were conducted to better understand if there were any clear trends within each of the four 'out of scope' categories, to develop a prioritised list of codes for inclusion in the revised EUTR.

3.5.1. Further analysis of 'made of wood'.

To recap: this category contains the most obvious products that are made of wood, which are not currently included within the EU Timber Regulation.

This prioritisation category contains 32 CN headings and 103 CN sub-headings, with a total EU28 import value of €5.7bn. The use of volume figures can only really be attributed to product codes where as close as possible to 100% of the product is made of a wood-based material. For this reason, we've included volume figures in this category.

Further analysis of the import value and volume data highlights that of the 32 CN headings, 95% of the total value and 75% of the total imported volume (3,136,686 tonnes) of the 'made of wood' category is made up by the same top 15 CN headings – see Appendix 1 for an extract from the master list of CN codes showing the top 15 CN codes sorted by 'made of wood'.

These 15 CN headings and their import values and volumes are presented in Figure 5. The use of tonnage figures in Figure 5 also shows that value alone can't always be used to indicate products that are materially significant. Wood charcoal (4402) and feminine hygiene products (9619) have a reasonably low import value compared to the volume of raw material needed to make each product. This is especially significant when you consider round wood equivalent (RWE) – a measure of the volume of logs (round wood) used in the manufacture of wood-based products. For charcoal, the UK Forestry Commission uses a conversion figure of 6 for charcoal, which would make the volume of timber needed to make the amount of charcoal imported into the EU over 3.28 billion tonnes.

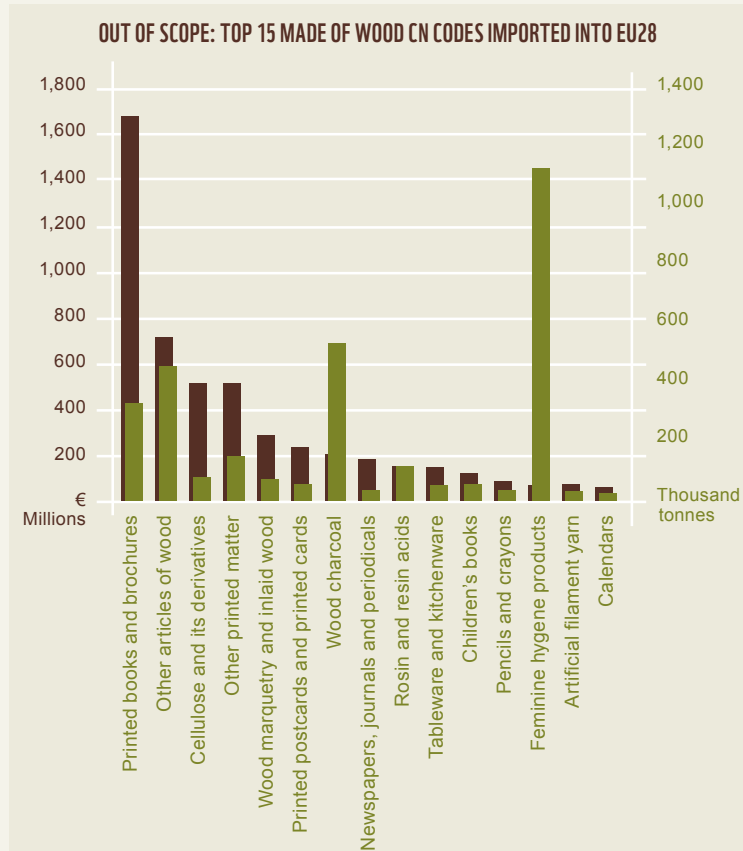


Figure 5. The import value (€ million) and volume (tonnes) of the 15 CN codes that account for 95% of the total import value of the 'made of wood' category.

From the 15 CN codes in this category, seven key product groups (shown opposite on page 39) can be identified – by value and volume – as significant (if all products within chapter 49 such as printed books, printed matter, newspapers, journals, transfers, postcards and printed cards, calendars, etc materials are grouped together).

These six codes and one chapter (i.e. chapter 49) are therefore materially significant. Serious consideration should be given to including them in any future revision of the EU Timber Regulation.

- PRINTED MATERIALS (CH 49)
- OTHER ARTICLES OF WOOD (4421)
- CELLULOSE (3912)
- WOOD MARQUETRY (4420)
- CHARCOAL (4402)
- TABLEWARE (4419)
- FEMININE HYGIENE PRODUCTS (9619-00)

Seating (CN code 9401) dominates the 'out of scope' category 'contains wood'

3.5.2. Further analysis of 'contains wood'

This category contains the next 'out of scope' group of products that, with a reasonably high level of certainty, contain wood components. These products, based on the title of the CN codes sub-headings, may not have an indication that a wood-based material was in the product. But they were identified via simple visible assessment or from product knowledge.

This 'out of scope' category contains 10 CN headings and 45 CN sub-headings, with a total EU28 import value of €4.4bn.

Further analysis of the import value data, presented in Appendix 2, highlights that of the 10 CN headings, five accounted for 99.1% of the total EU28 import value and 99.7% of the volume of the 'contains wood' category (see Figure 6).

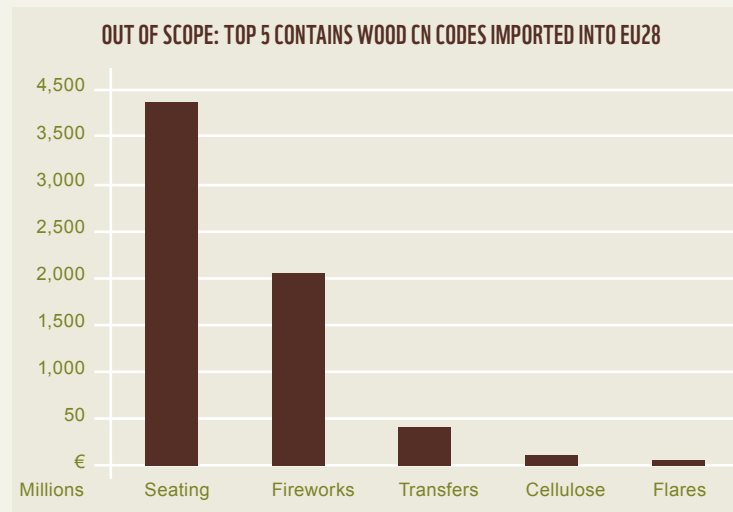


Figure 6. EU28 import value (€m) of the most significant CN codes in the prioritisation category 'contains wood'.

Clearly, seating (CN code 9401) dominates the 'out of scope' category 'contains wood'. This conclusion must be caveated with the possibility that not all seats contain wood-based elements, but that many are made entirely of wood. Unfortunately, there is not a clear set of sub-headings that the operator can choose from that would describe chairs that contain wood, so the government recommends the generic code 9401 to cover this group of products – including wood-framed dining chairs, office chairs, garden chairs and benches.

A caveat (to interpreting the import value of CN heading 9401 – seats) needs to be made. This heading included many sub-headings of products that contain non-wood-based products. There is no verified data available to establish the true value of timber imports within CN heading 9401 and its sub-headings. So trade statistics from the Furniture Industry Research Association (FIRA), for 2011 have been used which indicate the following.

This same methodology could be used for other product groups such as toys, musical instruments and tools.

Using these figures, the value of seating far outstrips any other CN heading, even when considering only the 77% of seats that contain wood.

Seating is a major 'out of scope' category of goods that contains wood.

3.5.3. Further analysis of ‘may be made of wood’

This ‘out of scope’ category contains groups where there is some likelihood that products could be wholly or predominantly made of wood, or of other materials depending on their design specification – but where no mention of ‘wood’ appears in the CN codes sub-heading title.

This ‘out of scope’ category contains 16 CN headings and 59 CN sub-headings, with a total EU28 import value of €2.5bn. Fifteen codes equated to 99.8% of the value (see Appendix 3). The value for each of these 15 codes is presented in Figure 7.

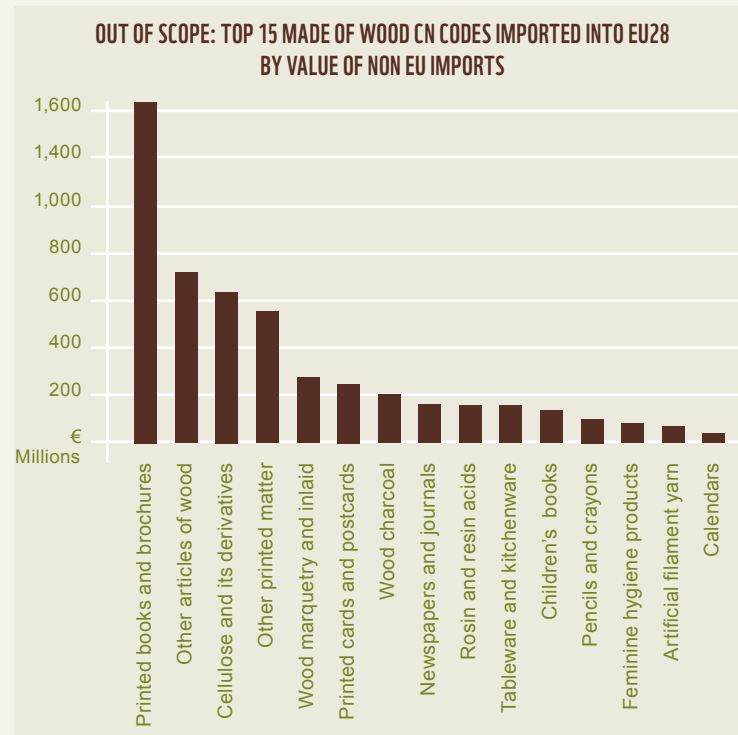


Figure 7. The EU28 value (€m) of the top 15 codes in the priority category ‘may be made of wood’.

Within this category, the use of non-wood-based materials such as metal, plastics and fabrics starts to become more of a consideration in the products’ specification. Product groups such as brooms and brushes, toys and puzzles were once ‘made of wood’. But now plastics dominate the choice of material, with wood or card often being used as secondary materials. Nonetheless, all the above products may be made of wood. But there is a greatly reduced certainty that any one product does contain wood. When the percentage of wood within a product decreases, or the chance that wood as a raw material may be present in a product decreases, the use of the CN codes in the ‘may be made of wood’ category becomes a less precise method for identifying ‘in scope’ products.

CHAIRS IMPORTED INTO THE UK IN 2013



32%
ARE UPHOLSTERED SEATS THAT HAVE A WOOD COMPONENT



77%
OF ALL SEATS IMPORTED INTO THE UK CONTAIN WOOD



45%
ARE NON-UPHOLSTERED WOODEN SEATS PLUS PARTS

3.5.4. Further analysis of 'may contain wood'

This 'out of scope' category contains groups where there is some likelihood that products could contain wood, but they could be made of other materials. And 'wood' does not appear in the CN codes sub-heading title.

This prioritisation category contains 39 CN headings and 274 CN sub-headings, with a total EU28 import value of €19.1bn. It is the largest 'out of scope' category, but the most difficult to evaluate the exact amount of wood within these codes.

Using the EU28 import values of the top 15 headings in this category (see Appendix 4), one code particularly stands out: 'ships, boats and barges' (8901). This code presents a significant probability that it contains a wood-based material – which may range from being used in the base structure, to being a material used for decorative purposes.

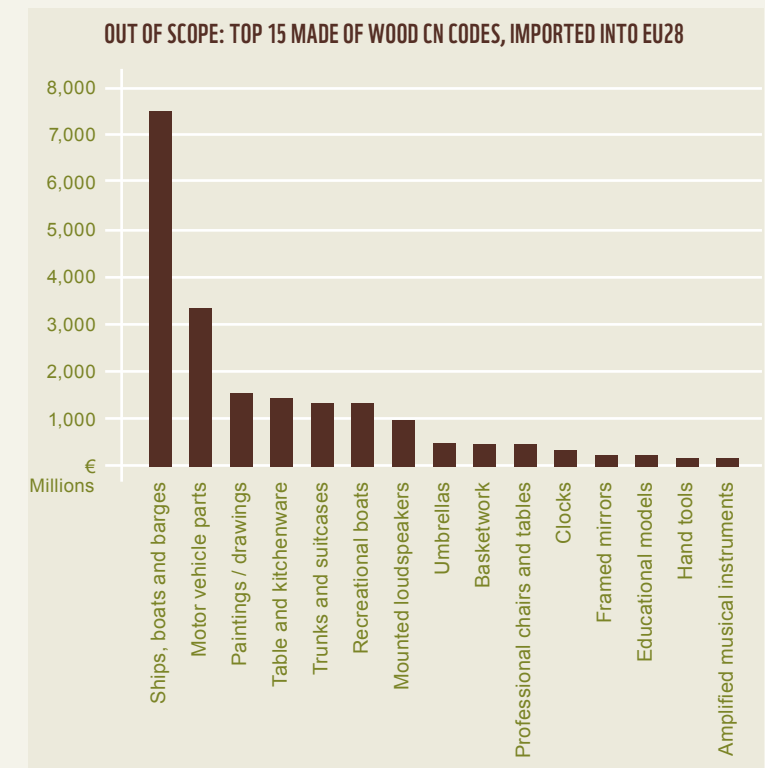


Figure 8 – The EU28 value (€m) of the top 15 codes in the priority category 'may contain wood'.

3.6 SUMMARY OF THE CATEGORIES

The analysis of all CN codes that are wood-based identified that 481 CN codes, or 51%, currently sit outside the scope of the EUTR. The scale of the ‘out of scope’ codes is highly significant – with a value of €31.7bn.

51%
481 CN CODES, OR
51%, CURRENTLY SIT
OUTSIDE THE SCOPE
OF THE EUTR

Further analysis of ‘made of wood’.

Organising these ‘out of scope’ CN codes into four categories revealed which CN codes were of the highest priority for inclusion into a revised EUTR. A summary of the data generated to develop the priority list is presented in Figure 9.

Out of scope category	Number of CN headings	Number of sub-headings	% of total out of scope headings /sub-headings	EU28 value (€bn)
Made of wood	32	103	11	5.6
Contains wood	10	45	5	4.5
May be made of wood	16	59	6	2.6
May contain wood	39	274	29	19.1

Figure 9. Summary of data for each of the four ‘out of scope’ categories.

There is a strong case to include *all* the CN codes in the second-largest ‘out of scope’ category ‘made of wood’ in the scope of the regulation. There’s a very high likelihood that products which fall into this category are made of wood and that the content of wood is high. Within this category, the top CN codes (by value and volume) are printed materials (Ch 49); other articles of wood (4421); cellulose (3912); wood marquetry (4420); charcoal (4402); tableware (4419); and feminine hygiene products (9619-00).

The largest of the ‘out of scope’ categories is ‘may contain wood’. Many of the CN codes in this category relate to product groups that aren’t usually associated with wood-based materials, or where wood is rarely used as the primary material – such as ‘ships, boats and barges’ (8901). An operator would need to establish, with a high degree of certainty, that the products contain wood. This would require a risk assessment if they are included within a revised EU Timber Regulation. This suggests that the use of the CN codes alone does not solve the challenge of identifying whether the product does or doesn’t contain wood.

Of the remaining two categories – ‘containing wood’ and ‘may be made of wood’ – the most dominant CN codes are seating (9401) and Christmas articles (9505).

3.7 KEY IMPORT COUNTRIES FOR OUT OF SCOPE CODES

We identified the key import countries for two of the four priority categories that are currently out of scope – ‘made of wood’ and ‘contains wood’. A summary of our findings is presented in Figure 10.

2
JUST TWO COUNTRIES DOMINATE THE TRADE TO EUROPE: CHINA AND THE US

It is clear that just two countries dominate the trade to Europe: China and the US. Looking at the specific CN codes that China supplies to the EU, it is also clear that the vast majority are processed or finished products, and not raw materials. Many very good studies have already been carried out on the impact of Chinese imports, and the risks they pose for the operator. So this study hasn't sought to replicate this work – except to confirm that as China is clearly the largest single exporter to the EU, risk has been identified and well documented. Yet many products exported from China to the EU fall outside of the scope of the EUTR.

Based on the Seneca Creek study⁶ and the Global Forest Registry⁷, the US as a producing country is assessed to be reasonably free of illegal logging activities. In this respect, imports from the US could be assessed as negligible risk, as long as all other details such as supply chain evidence and supporting documentation is available to make a full assessment.

Moving down the list of exporting countries, Switzerland, Bosnia, Turkey and Hong Kong all feature highly. None of these countries has vast forest reserves, so they act as importers of raw materials and exporters of finished products to the EU.

The key message is the risk presented by high import values of 'out of scope' codes from China.

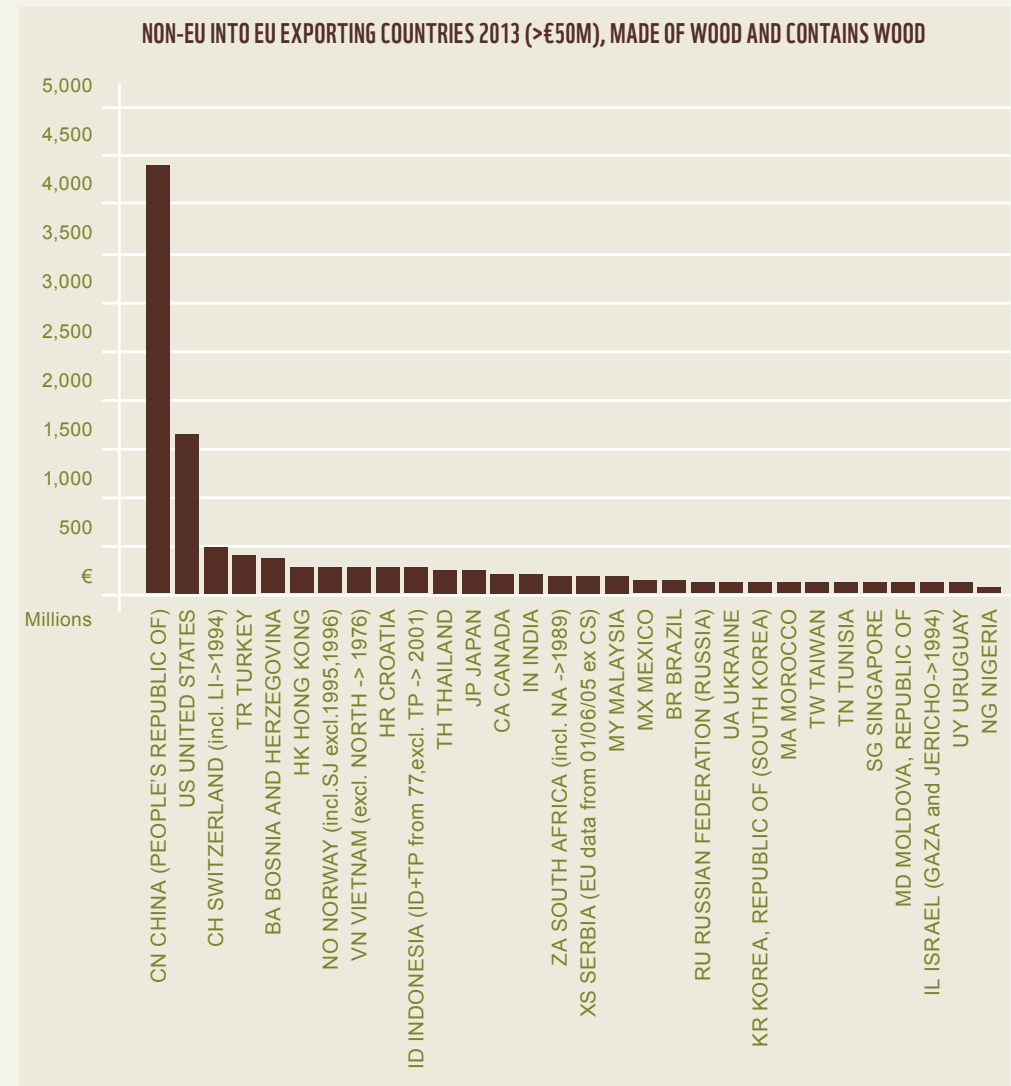


Figure 10: Non-EU into EU exporting countries 2013 (>€50m), based on 'made of wood' and 'contains wood' categories.

3.8 TROPICAL AND ILLEGAL TIMBER

Using internet searches of NGO websites and publically available documents such as the Chatham House *Illegal Logging and associated trade 2010* report,

these countries have been identified as origins of illegal timber:

BRAZIL
CAMEROON
GHANA
INDONESIA
MALAYSIA
RUSSIA
GABON
CONGO
DEMOCRATIC REPUBLIC OF THE CONGO
MADAGASCAR

What's clear from the above is that nine out of the 10 countries are tropical countries. If the search is widened to a further 10 countries, the same ratio is identified: 18 of those 20 countries that produce illegal timber are in the tropics. This study also compared the volume of illegal timber moving from producer countries to processors and on to consumer countries. But as all data sets were generally very broad percentages (i.e. 30-60%), no information was found to confirm whether the high number of tropical producer countries also supplied the highest volumes, or whether the volumes of temperate hardwoods and coniferous softwoods were also materially significant. It should be noted that some of these countries are developing Voluntary Partnership Agreements (VPAs) with the EU to reduce the risk of exporting illegal timber.

The goal of the EU Timber Regulation is to prohibit the placing of illegal timber on the EU market. So, for it to be effective it needs to focus on tropical and temperate hardwood timber either directly

The illegal trade in wood-based products differs from other forms of trafficking in illicit goods, as consumers remain largely unaware of the goods' illegal origins

from the producing countries or via the key exporting countries that import raw material and process it into finished products for export to the EU.

From the review of CN codes, hardwood (especially tropical hardwood timber in its raw form) has been effectively covered by the codes that are 'in scope'. But, for processed or manufactured products, there is no way of identifying whether tropical or temperate hardwood timber is present by the use of just the CN code – which makes it extremely difficult or impossible for an operator to determine this. Where such information does exist in the CN codes description, it shows that three of the CN codes in the 'out of scope' list specifically mention tropical timber. So we can at least be clear that full coverage has yet to be achieved.

The illegal trade in wood-based products differs significantly from some other forms of trafficking in illicit goods, as consumers remain largely unaware of the illegal origins of what they buy. The illicit trade in wood-based products from east Asia and the Pacific (EAP) to the world is worth approximately US\$17bn a year, second only to counterfeit goods and ahead of heroin and methamphetamines.

In high risk countries, timber primarily moves through the formal trade via corrupt and fraudulent documentation (wood-based products are rarely moved in an entirely clandestine way). Illegal timber mostly enters the formal trade within the country of origin before it's formally exported⁹.



China imports large quantities of both legal and illegal timber

China imports large quantities of both legal and illegal timber, a key point being that the legal trade might contain illegal wood-based products. In other words, the illegal trade is embedded within the legal trade – making it much harder to detect. China is the largest importer of wood-based raw materials and biggest exporter (as identified in 3.5.1) of wood-based products from the region. Since it is considered a high risk country, it is highly likely that its exports could have been contaminated by illegal timber that originated from another country before it was imported and processed as finished goods.

This demonstrates that the use of CN codes to define 'in scope' products is not adequate in the case of those finished products that contain hardwood timber which poses a high risk of being illegally sourced.

3.9 TROPICAL AND ILLEGAL TIMBER IMPORTED TO THE UK

This report has identified that the current scope of the EU Timber Regulation isn't comprehensive enough to be effective at prohibiting illegal timber from being placed on the EU market

Tropical timber directly imported into the UK, and movements from the EU to the UK.

So far, this report has identified that the current scope of the EU Timber Regulation isn't comprehensive enough

to be effective at prohibiting illegal timber from being placed on the EU market. To compound the problem, the value of tropical timber imported into the EU and moved between member states demonstrates just how critical it is that all EU member states enforce the EU Timber Regulation effectively.

Using UK data, an analysis of the key countries it imports its tropical timber from indicates that only 58% of the 'in scope' material it imports falls under the EUTR either through the due diligence of UK operators or operators in other EU countries that enforce the regulation (see Figure 11). The remainder is imported from other European countries that have only draft legislation, hence might have taken some action but still require a lot of improvement (11%) or countries that have shown no implementation to date with regard to EUTR enforcement (31%).

Using tropical timber as a proxy, the investigation could demonstrate that none of this raw material originated in the EU28, so it would have been imported. There is no evidence to confirm that the 31%/€23 million (and these were conservative figures) of tropical timber entering the UK via this route from EU countries with no current enforcement mechanisms, has undergone appropriate due diligence. But it's fair to say that no due diligence was required by the operators to import and then trade this timber with the UK.

So we can't assume that trade within Europe presents a negligible risk while a number of EU countries are yet to enforce the regulation. The full extent to which tropical timber exists in the currently 'out of scope' CN codes is unknown. But product groups such as musical instruments, musical boxes and ornaments, inlay work, garden chairs, parasols and chopping boards are examples of products that use tropical timber but are 'out of scope'.

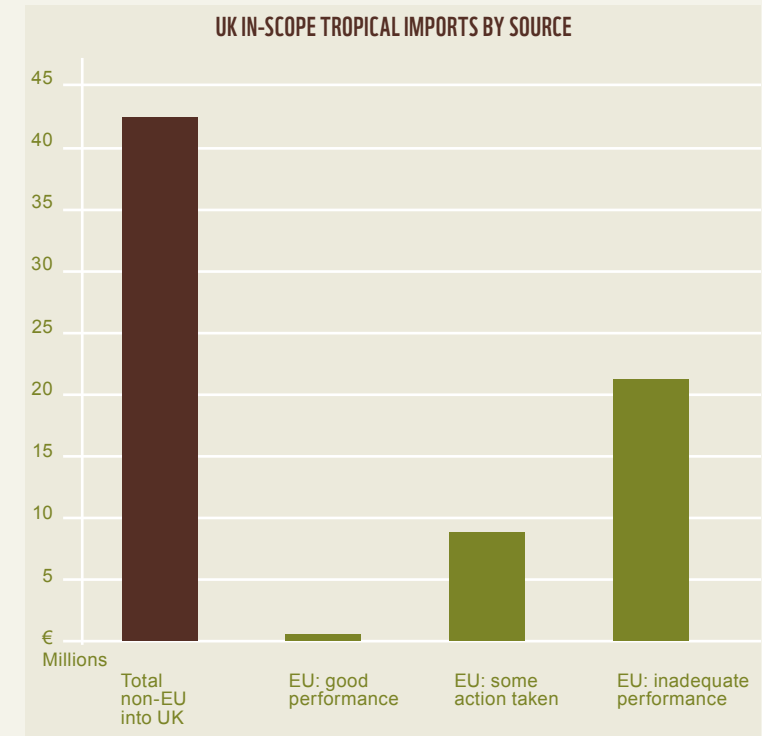


Figure 11. The value of tropical timber imported into the UK in 2013, both from outside the EU (column 1, €43 million) and from within the EU to the UK (columns 2-4).

3.10 INTERVIEWS WITH KEY STAKEHOLDERS

Although specific comments or findings can't be attributed to any individual or business/organisation, the following general comments or observations were repeatedly made – which helped in this report's discussion section.

All stakeholders agreed that a lack of implementation of the EUTR within Europe undermined not only the regulation but also the businesses conducting robust due diligence

- Nobody interviewed had any idea of the extent of the number of CN codes that contain wood-based products not covered by the EUTR.
- All stakeholders agreed that a lack of implementation of the EUTR within Europe undermined not only the regulation but also businesses conducting robust due diligence.
- Besides the lobbying against printed materials being included within the EUTR, no stakeholder understood the rationale as to why many of the products listed in 3.5.1¹⁰ weren't included when they were clearly made of or contained wood.
- Retailers who imported finished goods into the EU generally liked the clarity that the CN codes presented in defining what was in or out of scope. But they all agreed that determining a specific product's code was time-consuming and required staff members not accustomed to the CN codes to obtain a high level of understanding of system.
- Retailers and manufacturers fell into three very broad camps when asked about the extent of the EUTR's future scope:

All businesses that had been previously managing voluntary wood-based reporting and supply chain transparency systems agreed that widening the EUTR to an 'all inclusive scope' made sense. It reduced the work needed in identifying, for example, whether a complex multi-component product was in or out of scope – especially as they were already voluntarily carrying out some due diligence on all imported products.

Businesses that hadn't previously discussed their supply chain information to third parties were generally against expanding the scope of the regulation any further. But all agreed that the omission of products, especially in 3.5.1, should be addressed to ensure a level playing field.

Businesses that sold products to leading retailers were quite used to having to provide a high level of product information about their products (whether or not they were classified as 'operators' under the EUTR), as they had to meet their customers' requirements – often as a contractual minimum requirement to supply.



4. CONCLUSIONS

CONCLUSIONS

1. Using value as a proxy, the EUTR currently misses a significant number of wood-based products.

The current scope of the EUTR is not wide enough to ensure that the EUTR meets its primary objective of prohibiting illegal timber from being placed on the EU market. This analysis establishes that of the total (934) number of CN codes, 41% of the value was 'in scope' with 59% of the value being currently 'out of scope'. The EUTR currently misses a significant number of wood-based CN codes which represent a significant number of product groups.

2. The EUTR's current scope isn't comprehensive enough to be effective in prohibiting illegal timber from being placed on the EU market. As it stands, 51% of the total wood-based codes are missing from the EUTR – which split into 11% of codes that definitely are 'made of wood', further 11% that either 'contain' or 'may be made of wood' and 29% that 'may contain wood'.

The analysis of all 934 wood-based CN codes highlights that 481 currently sit outside the scope of the EUTR.

481
ANALYSIS OF
ALL 934 WOOD-
BASED CN CODES
HIGHLIGHTS THAT
481 CURRENTLY SIT
OUTSIDE OF THE
SCOPE OF THE EUTR

Organising these 'out of scope' CN codes into four categories reveals the CN codes that would be of the highest priority to include in a revised EUTR, based on the likelihood of their wood content and their import value and volume into the 28 EU member states.

This analysis reveals that the following codes are the most significant in terms of value (and/or volume where applicable) within the 'made of wood' and 'containing wood' categories:

SEATS (9401)

PRINTED MATERIALS (CH 49)

OTHER ARTICLES OF WOOD (4421)

CELLULOSE (3912)

WOOD MARQUETRY (4420)

CHARCOAL (4402)

TABLEWARE (4419)

FEMININE HYGIENE PRODUCTS (9619-00)

But it could also be argued that all of the CN codes included in Newleaf's 'made of wood' category are of high significance.

3. The use of the CN codes to identify wood-based products has its limitations with respect to covering products that contain or may contain wood – such as seats.

The use of the CN codes to identify products made solely of wood to be included within the scope of the regulation is clear and unambiguous. This is the case for raw wood products, pulp and paper, printed materials, charcoal, wood marquetry, etc. The challenge comes when the wood-based raw material undergoes further processing or has other non-wood based components added to it. In such circumstances the use of the CN codes starts to become less clear with respect to the decisions taken by the operator.

For example, seating (CN code 9401) dominates the ‘out of scope’ category ‘contains wood’, and this report highlights that 77% of seats imported into the UK contain wood. However, while many items will be entirely wood, others won’t contain wood-based elements at all.

Unfortunately, there isn’t a clear set of sub-headings that the operator can choose from that would describe chairs which contain wood: the generic code 9401 recommended by the UK government to cover this group of products includes wood-framed dining chairs, office chairs, garden chairs and benches. Leaving out products such as seats reduces the efficacy of the EUTR, and inhibits its ability to deliver on its objective.

At the same time, it would bring in extra requirements to establish whether a product is made of or contains wood before an appropriate CN code can be assigned to the product. If the question were as simple as ‘is it made of or does it contain wood?’ then making products such as these ‘in scope’ may simplify the initial assessment – and could be a requirement of the risk assessment of the due diligence process.

4. A significant volume of CN codes that are currently ‘in scope’ aren’t subject to due diligence even when traded within Europe.

We explored the effects of varying levels of adoption and implementation of the EUTR across Europe, in order to understand the current efficacy of the EUTR.

The study finds, for example, that only 63% of the ‘in scope’ tropical timber that the UK imports falls under the EUTR, through the due diligence of UK operators or operators in other EU countries that enforce the regulation. The remainder that the UK imports is from other European countries that have either draft legislation or have taken no action to enforce the EUTR to date.

So we can’t assume that trade within Europe presents a negligible risk while a number of EU countries don’t enforce the regulation. Ensuring that the EUTR is implemented in all member states will mean that a greater volume of currently ‘in scope’ timber will be subjected to the due diligence process. This is a starting point to reap the full benefits of any increase in the scope of the EUTR.

The full extent to which valuable hardwoods including tropical timber exist in the currently ‘out of scope’ CN codes is unknown. But product groups such as musical instruments, musical boxes and ornaments, inlay work, garden chairs, parasols and chopping boards are examples of currently ‘out of scope’ products that contain significant amounts of this wood.

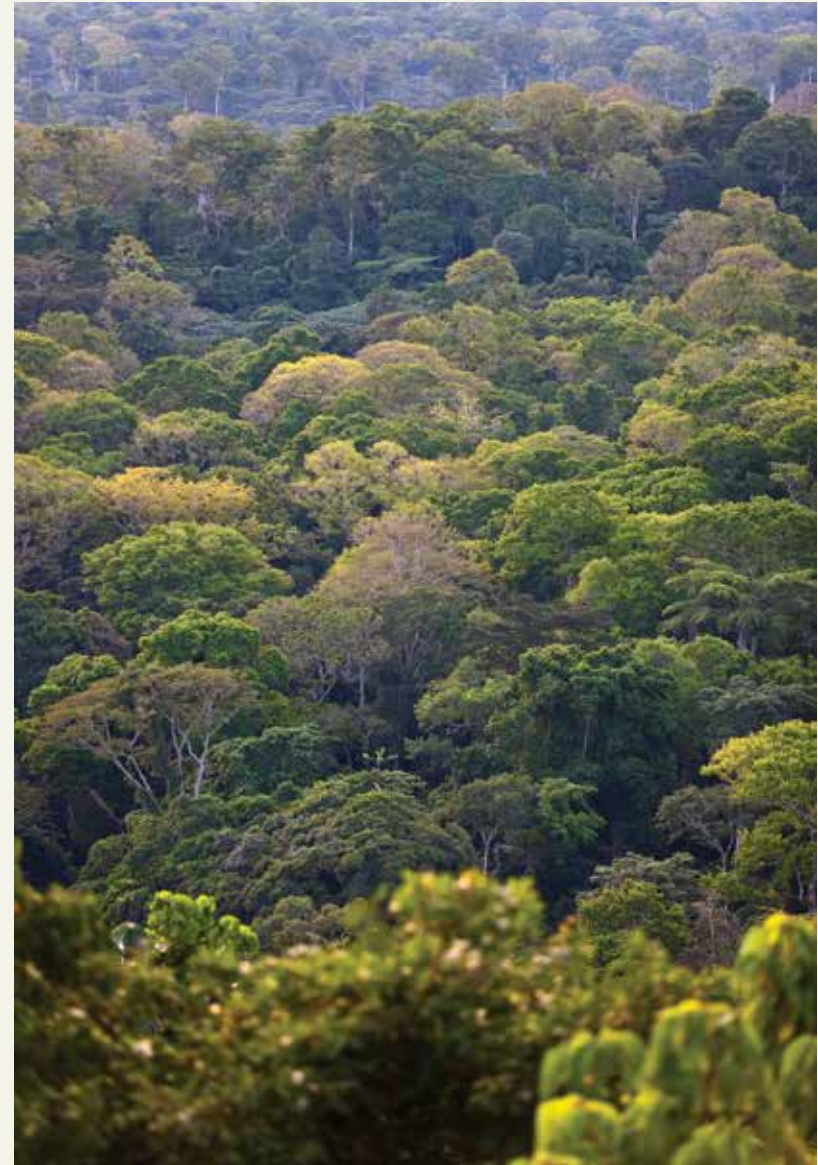
5. The use of CN codes to determine certain ‘in scope’ products can limit the efficacy of the regulation when it comes to ensuring coverage of hardwood timber.



Hardwoods, especially tropical timber, are at the highest risk of being illegal

Our CN code analysis reveals that hardwoods, especially tropical timber, are at the highest risk of being illegal – based on the countries of origin. In their raw form, hardwoods are already ‘in scope’. But we discovered that hardwood timber could be in the ‘out of scope’ CN codes of processed or manufactured goods, and that there was currently no way for an operator to know this. And where we do know this, they are not all ‘in scope’. This is the case of three of the currently ‘out of scope’ CN codes that specifically mention tropical timber.

The current problems associated with valuable hardwood timber are likely to be compounded by the fact that China was identified as one of the two key countries that Europe imports its finished products from. Illegal timber, which will include hardwood timber, is widely known to contaminate the legal timber trade in China, making it even more important to address hardwood timber content in all wood-based CN codes.



© BRENT STIROTN / GETTY IMAGES / WWF-UK

5. DISCUSSION



DISCUSSION

This study shows that by using value as a proxy, only 41% of the wood-based products imported into the EU are within scope of the EUTR.

There are two clear approaches that could be taken to address the omissions found in the study

By using CN codes coverage as a proxy, only 49% of the codes identified in section 3 of this study are within the scope of the EUTR. Looking within the 51% that are currently ‘out of scope’, there are eight CN codes and one chapter that are materially significant in their omission. It can be concluded that while these omissions remain, the scope of the EU Timber Regulation isn’t comprehensive enough to allow the regulation to play its primary role of prohibiting the placing of illegally harvested timber on the EU market.

But there are two clear approaches that could be taken to address the omissions found in this study.

One would be to bring all the codes that are currently ‘out of scope’ into the scope of the EUTR – making the EUTR a more ‘all-inclusive’ regulation. This approach aligns itself with existing international mechanisms such as the requirements of the Lacey Act in the US.

The Lacey Act of 1907, amended on 22 May 2008, makes it illegal to import, export, transport, sell, receive, acquire or purchase in interstate or foreign commerce any plant, with some limited exceptions, taken or traded in violation of the laws of the US, a US State, or relevant foreign law. Although the Lacey Act concentrates on the plant as being the focus of the illegality, the act also covers the further conversion, trade and transport of that plant into other raw, semi-processed or finished goods. This method wouldn’t require any system to define what is in scope, and it would provide clarity to businesses affected by the EUTR.

During interviews with industry stakeholders, many already demonstrate a high level of due diligence and operate a EUTR ‘full product coverage’ wood-sourcing policy.

Many industry stakeholders already demonstrate a high level of due diligence and operate a EUTR ‘full product coverage’ wood-sourcing policy

This reduces the decision-making process of what is in or out of scope, and allows them to communicate clearly down their supply chain what is required. This also reduces the complexity when, for example, importing garden furniture – where some articles (tables) were included and others (parasols and chairs) were not.

The option of an ‘all-inclusive’ scope does have its challenges – such as addressing a minimum threshold or cut-off point below which the product (or the total volume of products imported) contains a level of wood that is insignificant.

This is where the application of the *de minimis* rule could be considered. In risk assessment terms, it refers to a level of risk that is too small to be concerned with. Some refer to this as a ‘virtually safe’ level. In the case of the EUTR, rather than the minimum level being defined or written down, it is settled case by case within the legal system. This would mean that it could be left to legal precedent to determine whether the scale of the crime merits a prosecution.

This would allow any business importing products affected by the EUTR to continue to carry out their due diligence and make assessments – including asking whether the wood was a materially significant element of the product being imported. As the need to identify ‘volume’ is already part of the basic information required to commence due diligence, this practice would not add any further change to what is, in effect, already being conducted.

This first option, by being all-inclusive, ensures a level playing field not only within the EU but also to all businesses wishing to trade within the EU.

An alternative approach would be to prioritise the codes that are likely to have the biggest impacts on reducing the importation of illegal timber, based on the risks they present with respect to value of imports, their origin and where applicable the volume (tonnes).

This study has indicated one CN chapter (49) and eight CN headings that are materially significant. Their inclusion within a redefined scope would make the EU Timber Regulation more effective in its core purpose.

The downside of this approach is that some industries, such as musical instruments, which use high-value tropical timber and are currently completely unregulated, might still be left out of scope, as the volume of trade is small in comparison to other sectors and the custom codes don't discriminate between valuable hardwoods including tropical timber or other origins.

Whichever option is taken, widening the CN code list or making it all-inclusive would bring a number of non-timber industries, such as the fashion industry (through the use of cellulose-derived yarns and fabrics), into scope and make it a more level playing field – not only within the EU but for all businesses wishing to trade with the EU.

Following any change, widening the scope wouldn't affect any business placing domestically-grown or imported timber on the EU market, as this is currently already in scope. But any increase would impact on businesses that import finished goods – such as manufacturers, retailers and importers.

During the interviews with stakeholders, all agreed that they would rather see a more effective timber regulation, not only in its scope to address some or all of the clear omissions but also in its implementation within the EU.

REFERENCES

- 1 <https://www.gov.uk/eu-timber-regulation-guidance-for-business-and-industry>
- 2 <http://epp.eurostat.ec.europa.eu/>
- 3 http://epp.eurostat.ec.europa.eu/newxtweb/getquery.do?queryID=100676239&queryName=/AnonymQuery_1400765177762&datasetID=DS-045409&keepsessionkey=true
- 4 http://barometer.wwf.org.uk/what_we_do/government_barometer/
- 5 http://ec.europa.eu/environment/forests/timber_regulation.htm
- 6 “Assessment of Lawful Harvesting and Sustainability of U.S. Hardwood Exports”. Seneca Creek Associates,
- 7 <http://www.globalforestregistry.org/map>
- 8 Illegal Logging and Related Trade. 2010. S. Lawson and L MacFaul. Chatham House ISBN 978186203235 4. www.illegal-logging.info/sites/.../CHillegalloggingpaperwebready1.pdf
- 9 UNODC, Transnational Organised Crime in East Asia and the Pacific, April 2013.
- 10 <https://www.gov.uk/eu-timber-regulation-guidance-for-business-and-industry>

APPENDIX 1

An extract from the master list of CN codes, showing the top 15 CN codes sorted by

MADE OF WOOD

CN Code	Description	Examples	Value (€) of non-EU imports (2013)	Non-EU imports as % of total imports	Volume (Tonnes) of non-EU imports (2013)	Key Non-EU exporting countries (by €m, 2013)
4901	Printed books and brochures	Printed books, brochures, leaflets	1,682,798,831	35	302,860	USA (652), China (482) Hong Kong (176), Switzerland (78), Canada
4221	Other articles of wood	Animal housing, fencing panels, ladders, clothes airers	789,059,206	40	481,969	China (520), Russia (34), Indonesia (29), Vietnam (27), Bosnia & Herzegovina
3912	Cellulose and its derivatives	Cellulose film	597,470,969	38	165,197	USA (293), China (71), Japan (56)
4911	Other printed matter	Printed pictures and photographs	575,074,121	17	78,986	USA (183), China (119), Switzerland (106), Canada (50), India (24), Japan (13)
4420	Wood marquetry and inlaid wood	Wooden statues and sculptures, jewellery boxes and cases	285,432,739	74	65,635	China (204), Indonesia (18),
4909-00-00	Printed postcards and printed cards	Postcards, Christmas cards, invitations	230,276,341	71	47,701	China (188), Switzerland (12), Hong Kong (12), USA
4402	Wood charcoal	Charcoal, briquettes, lumpwood, compressed charcoal dust	201,166,069	58	547,423	Ukraine (32), Nigeria (31), Paraguay (26), Cuba (17), Argentina (17)
4902	Newspapers, journals and periodicals	Newspapers, weeklies, journals, magazines	189,932,953	10	27,748	USA (116), Switzerland (19), Norway (18), Indonesia (10), Russia (6)
3806-10-00	Rosin and resin acids	Rosin	159,592,402	55	120,654	China (69), Brazil (48), Indonesia (26), Russia (6)
4419	Tableware and kitchenware	Chopping boards, wine racks, coasters, knives	158,554,457	59	51,025	China (121), Thailand (10) Vietnam (7)
4903-00-00	Children's books	Children's books, drawing or colouring books	139,050,753	53	41,158	China (98), Hong Kong (18), India (6), Malaysia (4)
9609-10	Pencils and crayons	Pencils, drawing charcoals	95,479,744	43	18,246	China (74), Indonesia (7), Switzerland (3)
9619-00	Feminine hygiene products	Sanitary items, towels, tampons, liners	72,767,186	5	1,157,386	USA (32), Canada (11), China (7), Switzerland (5)
4910-00-00	Calendars	Calendars, desk blocks	53,037,436	41	17,291	China (31), South Korea (4), Hong Kong (3), Switzerland (3), USA (2)
9504-40-00	Playing cards	Playing cards	49,653,674	24	7,647	USA (23), China (22), Singapore (1)

APPENDIX 2

An extract from the master list of CN codes, showing the top 5 CN codes sorted by

CONTAINS WOOD

CN Code	Description	Examples	Value (€) of non-EU imports (2013)	Non-EU imports as % of total imports	Volume (Tonnes) of non-EU imports (2013)	Key Non-EU exporting countries (by €m, 2013)
9401/	Seating	Office chairs, upholstered chairs, garden chairs	4,145,662,269	27	909,694	China (1,996), Bosnia & Herzegovina (292), Turkey (270), USA (229), Norway (159), Vietnam (157), South Africa (113)
3604-10	Fireworks	Fireworks	207,600,571	84	96,616	China (199)
4908	Transfers (decalcomanias)	Transfers	43,305,215	24	2,575	China (15), USA (10), Japan (4), South Korea (3), Turkey (2)
3920-71	Cellulose film	Cellulose sheets, film, foil	9,232,305	17	1,862	China (3), South Korea (2), USA (2)
3604-90	Flares	Signalling flares, rain rockets, fog signals	8,888,508	22	1,508	USA (4), China (3)

APPENDIX 3

An extract from the master list of CN codes, showing the top 15 CN codes sorted by

MAY BE MADE OF WOOD

CN Code	Description	Examples	Value (€) of non-EU imports (2013)	Non-EU imports as % of total imports	Volume (Tonnes) of non-EU imports (2013)	Key Non-EU exporting countries (by €m, 2013)
9505-10-90	Christmas articles	Crackers, decorations	517,502,186	73	98,141	China (478), Thailand (13), India (7), Hong Kong (5)
9405-	Electric lamps 20-91 & 99	Desk, bedside or floor lamps	454,568,589	66	98,395	China (402), India (24), Hong Kong (5), Taiwan (3)
9703-00-00	Sculptures and statuary	Objects 'art	374,367,191	77	1,987	USA (193), Switzerland (108), Australia (23), New Zealand (8), China (5)
9603-10 & 90	Brooms and brushes	Brooms and brushes	308,467,763	43	82,033	China (250), Taiwan (11), USA (9)
9603-30 & 40	Paintbrushes decorators' brushes	Artists' brushes	262,559,129	51	35,645	China (227), USA (7), Mauritius (6) Japan (4)
9202	String musical instruments	Guitars, violins, harps	137,957,993	63	6,454	China (77), USA (34), Indonesia (14)
9603-29	Personal brushes (exc. toothbrushes)	Shaving brushes, hairbrushes	102,576,198	61	13,616	China (84), South Korea (6), USA (3)
9503/	Toys and puzzles	Jigsaw puzzles, wooden toys, construction sets, board games	93,826,441	68	15,998	China (72), Taiwan (5)
9201	Pianos	Pianos	93,784,672	60	9,486	Japan (43), Indonesia (26), China (19)
9702-00-00	Original engravings and prints	Wooden frames	73,982,308	91	255	USA (54), Switzerland (11), Japan (3)
6603-20 & 90	Parts for umbrellas etc	Handles	33,819,527	52	31,469	China (29), Switzerland (2)
6602	Walking sticks	Walking sticks	30,248,312	49	3,100	China (21), Taiwan (7)
9506-40	Table tennis equipment	Bats, tables	30,097,853	39	5,900	China (26), India (2), Japan (1)
9504-20	Billiards equipment	Cues, tables	23,183,797	28	7,720	China (18), USA (2)
9506-99-10	Cricket and polo equipment	Bats, mallets	7,230,816	82	912	India (4)

APPENDIX 4

An extract from the master list of CN codes, showing the top 15 CN codes sorted by

MAY CONTAIN WOOD

CN Code	Description	Examples	Value (€) of non-EU imports (2013)	Non-EU imports as % of total imports	Key Non-EU exporting countries (by €m, 2013)
8901	Ships, boats and barges	Wooden boats, decking	7,425,481,080	80	South Korea (2,849), China (1,850), Norway (857), Bahamas (309), Panama (296), Liberia (251), Singapore (243), Hong Kong (163)
8708-99	Motor vehicle parts	Wooden coachwork	3,235,565,643	10	Turkey (692), Japan (586), China (423)
9701	Paintings	Frames	1,520,404,434	81	USA (905), Switzerland (387), Japan (41), China (31), Hong Kong (24), Russia (15)
3924	Plastic tableware and kitchenware	Wood components	1,396,875,725	36	China (907), Turkey (87), Switzerland (71), USA (63), Taiwan (61)
4202	Trunks and suitcases	Trunks, suitcases, briefcases	1,237,381,038	54	China (991), Vietnam (78), USA (27)
8903	Recreational boats	Sailboats, yachts, rowing boats	1,179,738,259	53	Cayman Islands (406), British Virgin Islands (195), USA (143), Norway (75), Turkey (57), Canada (45)
8518-21 & 22	Mounted loudspeakers	Wooden casings	947,213,087	46	China (695), Mexico (63), USA (38), Malaysia (38), Hong Kong (35), Indonesia (31),
6601	Umbrellas	Umbrellas, parasols, garden umbrellas	318,165,712	45	China (298)
4602	Basketwork	Bases and frames	305,138,901	79	China (213), Vietnam (42), Indonesia (26), Madagascar (4), Morocco (2)
9402-10 & 90	Professional chairs and tables	Dentists' chairs, barbers' chairs, medical tables	248,097,386	33	China (97), USA (74), Taiwan (14), Japan (11)
9105	Clocks	Alarm clocks, wall clocks	211,850,187	72	China (178), Switzerland (15), Hong Kong (9), Taiwan (4)
7009-92	Framed mirrors	Frames	187,457,246	69	China (162), Taiwan (6), India (5)
9023	Educational models	Models, demonstration apparatus	183,169,979	48	USA (60), China (35), Norway (20), Switzerland (11), Malaysia (8), Japan (7)
8201	Hand tools	Spades, shovels, shears, axes	181,358,528	39	China (112), Taiwan (35), India (11)
9207-90	Amplified musical instruments	Electric guitars	150,636,258	50	USA (64), China (44), Indonesia (22), Japan (9), South Korea (7)



© GREG ARMFIELD / WWF-UK

WWF -UK
The Living Planet Centre
Rufford House
Brewery Road
Woking
Surrey GU21 4LL

Author:
Charles Drewe, Newleaf
for WWF-UK

A WWF-UK publication

Production:
Jacqueline Dragon, Loraiza Davies,
Beatrix Richards

Editor:
Guy Jowett

Design:
Zana Clarke
zana@careyclarke.com

Timber in numbers

100%
RECYCLED



TABLES BUT NOT CHAIRS

It isn't clear why the EUTR doesn't cover a range of products, including chairs, which make up 13% of the import values

59%

Proportion of wood-based products imported into the EU that are out of scope of the EUTR



2015

The year that the EUTR will be reviewed

€54.1BN

Total value of wood-based imports coming into the EU annually



Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

wwf.org.uk