

# Illegal Logging Cut It Out!

The UK's role in the trade in  
illegal timber and wood products

January 2007

Rachel Hembery, Anna Jenkins,  
George White and Beatrix Richards

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# Section 1: Executive summary

Illegal logging exists because enormous profits can be made. These profits are most easily realised in countries with endemic corruption, lax law enforcement and poor social conditions, where there is little incentive to change forestry practice. Many of the countries supplying timber and wood products to the UK have high levels of foreign debt, poor governance systems, high levels of poverty and unsustainable forest management, and are experiencing loss of some of the world's most biodiverse forests at an alarming rate. These factors – which by no means comprise an exhaustive list – contribute to the illegal and unsustainable trade in timber and wood products.

Arguably the problems associated with illegal activities are most acute in developing countries, those countries with emerging economies and in the transitional economies of Russia and eastern Europe. These are areas of the world where weak political institutions and weak regulatory enforcement in the forested regions are often the norm, and where corruption is common.

This report attempts to estimate the volume of illegal wood entering the UK and to identify which sectors of the UK market utilise this wood and fibre. It identifies various processes involving the UK government as a purchaser or specifier, as well as national and international governmental processes and market-based mechanisms that are in place to counter illegal logging. It identifies their effectiveness and weaknesses and makes a series of recommendations.

## Background

Illegal logging occurs when timber is harvested, transported, processed, bought or sold in violation or circumvention of national or sub-national laws. 'Illegal logging' therefore describes a variety of illegal practices, ranging from theft of standing timber and logs through to corrupt business practices, such as under-declaring volumes processed, or tax avoidance.

Illegal logging costs the global economy an estimated US\$10-15bn a year and undercuts legitimate business. In a significant number of countries, illegal logging is a major problem that poses a serious threat to forests, communities and wildlife. The negative impacts of illegal logging include:

- encouragement of corruption and bad practice;
- major loss of revenue for governments, with knock-on effects for social infrastructure and human well-being in the countries concerned;
- loss of long-term income and security for forest-based communities;
- degradation and clearing of forests and consequent loss of habitat for plant and animal species;
- increased vulnerability to natural disasters such as erosion, river silting, landslides, flooding and forest fires;
- loss of long-term supplies of timber, threatening both quality and quantity; and
- undercutting of and unfair competition with responsible, well-managed forestry, potentially leading otherwise committed managers from legal practices to illegal ones.

The UK plays a significant role in the global marketplace for forest products. It is a major importer for many sectors of the industry and is one of the main markets for six of the seven major forest product categories that are traded globally<sup>1</sup>. In 2005, according to Forestry Commission statistics<sup>2</sup>, the UK imported 20 million cubic metres (RWE – round wood equivalent) of sawn wood, 7.7 million cubic metres (RWE) of wood-based panels and 7.2 million cubic metres (RWE) of pulp and 17.6 million cubic metres (RWE) of paper. The total value of wood product imports in 2005 was £6bn, of which £3.9bn was pulp and paper. This represents approximately 0.9% of the UK's gross domestic product.

#### KEY FINDINGS

The report shows that the UK is the world's third-largest importer of illegally harvested or traded timber and wood products (3.2 million cubic metres RWE), after China (8.2 million cubic metres RWE) and Japan (5.3 million cubic metres RWE). It is Europe's largest importer. In terms of overall share of imports the UK has the second-highest illegal share – estimated at 7.2%, it is higher than Japan (6%) and second only to China (almost 10%).

These figures are conservative, using a limited number of countries (17) combined with some of the more moderate estimates of illegal harvesting and trade in the countries concerned. In reality, the UK imports significant volumes of forest products from in excess of 60 countries. Many of these countries have, as yet, undocumented or unreported incidences of illegal logging or illegal trade. The 'actual' figure may well be in the range of 3.5 to 5 million, though this figure is speculative.

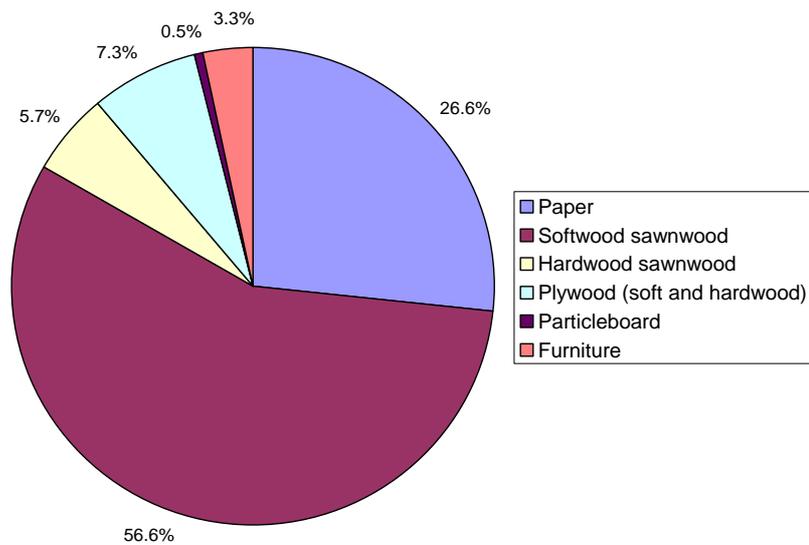
The majority of this illegal trade (around 2.8 million cubic metres) comes through – or originates from – Sweden, Finland, Russia, Estonia and Latvia. The tropical countries of Brazil, Indonesia, Malaysia and central and west Africa account for a significantly smaller volume: collectively around 370,000 cubic metres per year.

The UK spends an estimated £712 million (US\$1.4bn) on illegal timber and wood products per year – the equivalent of £11.76 per person in the UK. This equates to 7.2% of the total value of forest product imports (£9.9bn) in 2005.

The estimated breakdown of the illegal component within the different product sectors is as follows:

Sector	Illegal volume (cubic metres RWE)	Examples of end use
Paper	800,000	High grade paper for high quality printing, low grade paper for packaging
Softwood sawnwood	1,700,000	Rough sawn timber, construction, through to moulded timber such as tongue and groove board
Hardwood sawnwood	170,000	Rough sawn timber, tongue and groove board, furniture and flooring
Plywood (soft and hardwood)	220,000	Construction, furniture, temporary covering, flooring
Particleboard	15,000	Interior joinery products, furniture, construction
Furniture	100,000	Garden, interior, office

**Chart 1: Proportion of estimated illegal timber imports in each key product sector for the UK by volume (RWE)**



It is estimated that the most significant proportion of the illegal trade – more than 65% of all illegal imports – goes into the construction sector.<sup>3</sup>

Diagram 1: Trade flow of illegal timber entering the UK (cubic metres RWE)

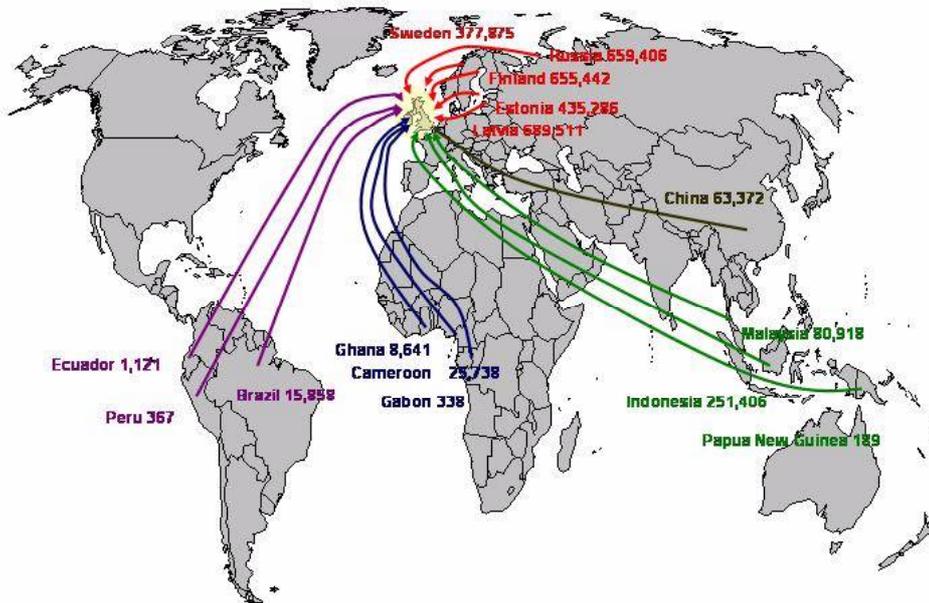
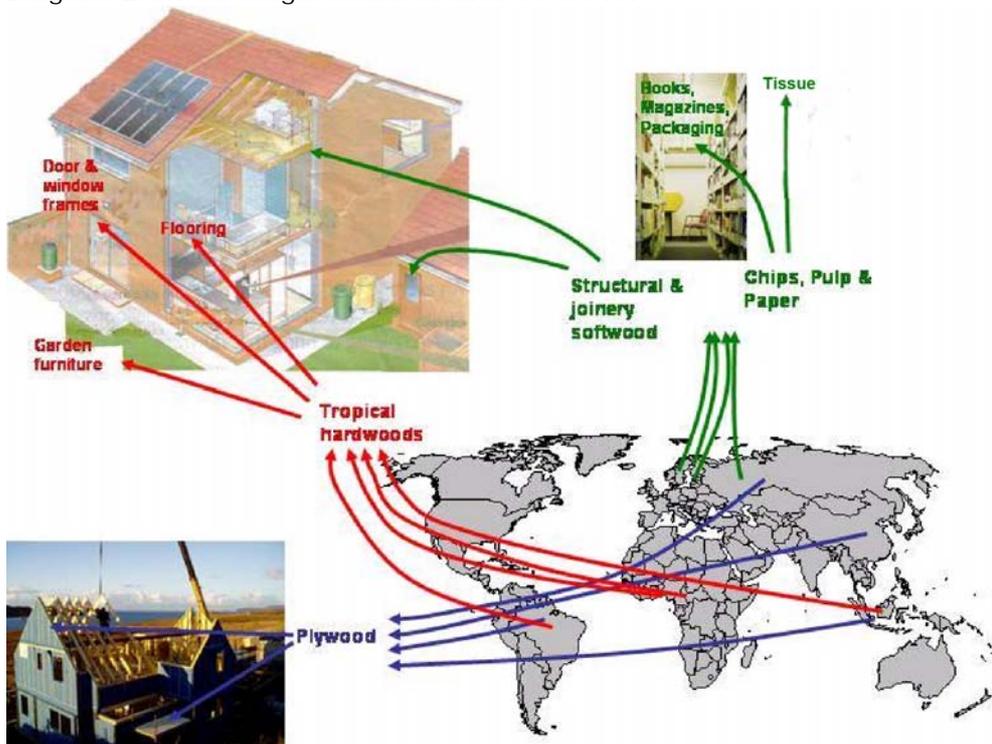
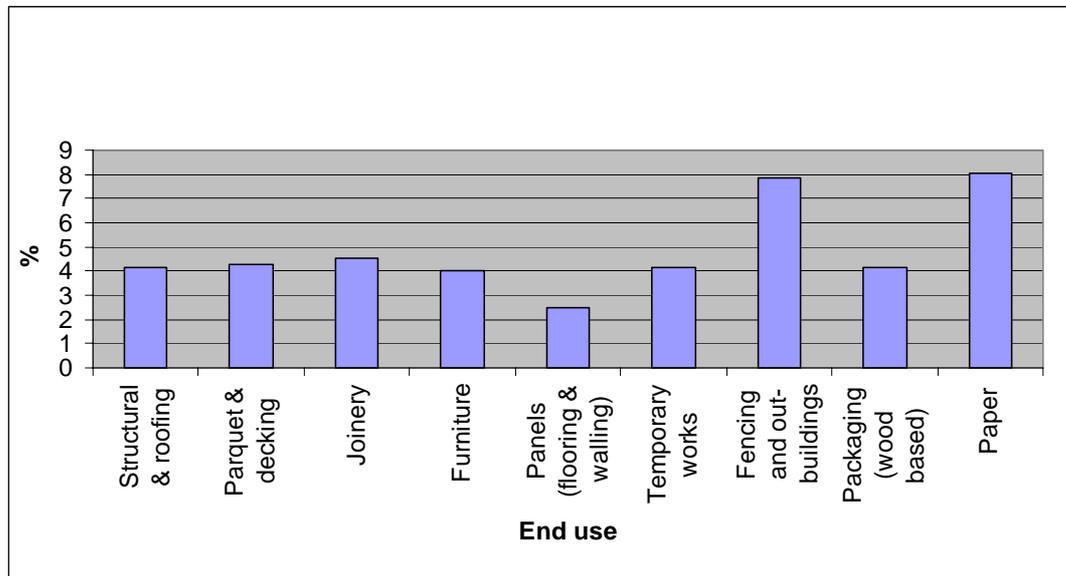


Diagram 2: Where illegal timber is used in the UK



**Chart 2: Approximate percentage of illegal timber in different end uses**



The report details a number of ongoing political, NGO and industry-led processes that attempt to deal with the trade in illegal and unsustainable timber and wood products in the UK. Strong concerns are raised with regards to critical gaps in key political processes such as the EU Action Plan on Forest Law Enforcement Governance and Trade (FLEGT) and the UK central government procurement policy. The report does reflect, however, on the positive elements of the FLEGT Action Plan and also on a number of voluntary, market-led initiatives that would appear to be having a positive impact:

#### **FLEGT**

The FLEGT Action Plan was adopted by the European Commission in May 2003. A key part of the Action Plan involves a series of voluntary but binding partnership agreements with wood-producing countries and regions that wish to eliminate illegal timber from their exports to the EU. Through these partnerships, the EU and partner countries will set up a licensing scheme to ensure that all timber exports from the partner countries to Europe are legal. Unlicensed consignments from partner countries would be denied access to the European market under the scheme. The partnerships will also encourage governance reforms in wood-producing countries, particularly to promote greater equity and transparency in association with forest harvesting operations. Currently the agreements cover only roundwood, sawnwood and plywood, less than 3% of the trade, although a producer country can opt to extend this list.

Other elements of the Action Plan include looking at the viability of existing Member State legislation to control the illegal trade in timber and wood products, as well as a commitment to consider 'additional options'. The consideration of legislation that makes it illegal to import illegal timber and wood products is one such of these additional options.

Although acknowledging the potential positive impact that voluntary partnership agreements (VPAs) can have, several large, international NGOs<sup>4</sup> as well as a significant number of timber industry companies have concerns about some of the potential pitfalls within VPAs, with regards to:

1. **Reach.** The VPA system will only have a significant impact on the level of illegal logging in partner countries if it is rolled out across the entire country, to include all exports and the domestic timber trade.
2. **Laundering.** If the partner country has no national legislation prohibiting the importation of illegally logged timber and timber products, then timber logged illegally in a non-partner country could enter Europe legally via the partner country, accompanied by a valid legality licence. Importation into Europe would be legal, despite the timber's illegal origins. The timber would, in effect, have been laundered.
3. **Circumvention.** VPAs will only cover direct trade between the VPA country and the EU Member States. Timber and wood products imported via a third-party country, such as China, are not addressed.
4. **Product coverage.** The current VPA proposal does not address the imports of pulp, paper and furniture.
5. **Undermining legitimate business.** The voluntary nature of these proposals means that timber and wood products that fall outside these VPAs can still enter the EU market unchecked. Companies operating legitimately will therefore continue to be undercut by other, less scrupulous operators.

#### **UK government initiatives**

With a purchasing budget of more than £13 billion a year, the UK government is a significant player in procurement. Central government is responsible for around 15% of all timber procurement in the UK, making the UK government the country's largest single consumer of timber. When local authorities (LAs) and private finance initiative projects are included, the figure rises to 40%.<sup>5</sup>

In recognition of its massive purchasing power, the UK government has had a timber purchasing policy in place for over six years. However, despite the setting up of the Central Point of Expertise On Timber (CPET), this policy is not being effectively implemented and does not include social criteria to protect the interests of local communities – an odd omission given the UK government's commitments to the Millennium Development Goals<sup>6</sup>. Adequate, systematic data is also not being collected on timber usage, spend or status. The UK government has no idea what volumes of illegal timber enter the country and has no mechanism in place to assess the effect of counter-measures. It remains impossible to get an accurate picture of how much timber by volume is procured by central government, or what proportion of this is illegal and/or unsustainable.

In addition, despite the substantial consumption of timber by local authorities, the level of awareness of procurement initiatives such as the CPET remains perilously low, as does awareness of the existence of positive policies in favour of certified product.

The UK government appears to have set only one target on public procurement in relation its response to the World Summit on Sustainable Development in 2002<sup>7</sup>. This was: “by November 2006, 50% of expenditure on timber by central government departments in England will be on products which can be independently verified as being from sustainable sources”<sup>8</sup>.

It is not possible to quantify whether this target has been achieved because, from 2004, government departments were no longer *required* to report on timber they procured. They are, however, able to do so, on a voluntary basis.

### **FSC**

The Forest Stewardship Council (FSC) certification scheme is a market-based initiative launched by the timber industry and environmental NGOs in 1993. A credible forest certification system such as the FSC inspects forests to check that the management is meeting environmental, social and economic principles and criteria, including legality. Critically, it also has a means of tracking timber and associated products from the certified forest through each step of the production, packaging and wholesale supply chain by means of a ‘chain of custody’. The validity of this chain of custody is confirmed at each step by an independent, third-party audit.

The recent development and introduction of the FSC Controlled Wood Standards (at both forest management and chain of custody levels)<sup>9</sup> is set to have a positive impact with regard to reducing illegal and other ‘controversial’ timber entering supply chains. These standards were introduced to ensure that FSC-labelled products containing less than 100% FSC certified material would certainly not contain controversially sourced material such as illegally logged timber or that from high conservation value forests<sup>10</sup>. It is the only certification scheme currently that offers this additional guarantee.

Globally, more than 80 million hectares are now FSC certified and, encouragingly a significant number of companies are signed up to processes that should ultimately ensure the timber and wood products they trade are legal and come from responsibly managed forests.

### **WWF-UK Forest & Trade Network (UK FTN<sup>11</sup>)**

UK FTN members account for an estimated 31% of UK imports. Around 47% of all material traded by members in 2005 was FSC certified (approximately 12 million cubic metres). Members are committed to procuring their timber and wood products from legal and responsible sources and report their progress on an annual basis. WWF-UK FTN membership is focused, as far as possible, on companies trading within the most important biodiverse and threatened regions of the world, while at the same time supporting the efforts of the producers in these regions.

The UK FTN is part of the Global Forest & Trade Network, comprising both timber and wood product producers and buyers. Globally, nearly 500 companies are committed to procuring legal and sustainable timber. These companies manage more than 28 million hectares of forest in some of the world’s most biodiverse regions. They account for more than 2% of the world’s productive forests and purchase over 10% of the world’s production of timber.

### **Timber Trade Federation's (TTF) Responsible Purchasing Policy (RPP).**

There are currently 36 signatories to the TTF RPP who, according to the TTF, represent the key importing sectors in the UK. There are no companies that are members of both the UK FTN and the TTF. Unfortunately no data is available to show the impact of the UK TTF RPP, though given its focus, the key requirements for participation, and the scope of the TTF membership, it should in the longer term have a beneficial effect on a significant proportion of the remaining 69% of imports.

Recent estimates from the UK Timber Trade Federation<sup>12</sup> suggest that the volume of certified forest products are growing and as much as 50% of UK imports of softwood and panel products are certified under the major certification systems. This is encouraging but certification is still at a level where the market has room for illegal wood on a massive scale.

### **BREEAM**

BRE's Environmental Assessment Method (BREEAM) is used to assess the environmental performance of both new and existing buildings. It is regarded by the UK's construction and property sectors as the measure of best practice in environmental design and management. BREEAM assesses the performance of buildings across a range of areas including materials (such as responsible sourcing and environmental impacts – i.e. life cycle assessment). 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. On timber, BREEAM currently considers FSC as falling within its top tier, earning the maximum number of credits available. The Canadian and US forest certification schemes also fall within this top tier but are subject to needing to pass additional criteria on social issues as well as needing to be accompanied by a chain of custody in the case of the US scheme.

Feedback received from the Timber Trade Federation confirmed that the BREEAM is having a positive impact on the market for legal and sustainable timber and wood products, but it was not possible to confirm how significant this impact is.

### **CONCLUSIONS AND RECOMMENDATIONS**

The UK is one of the world's key market destinations for illegal wood. The UK government has demonstrated clear commitment to reduce the role it plays in this trade, using voluntary mechanisms, i.e. public procurement, encouraging the uptake of credible certification, and certifying the entire UK state forest under the FSC. National industry and NGO initiatives are similarly working on voluntary initiatives to limit access to illegal and unsustainable markets. However, the lack of any standardised methodology for assessing the levels of illegality, no agreed formula for calculating the degree or nature of illegality, and apparently no compulsory monitoring of the trade in legal and sustainable timber and wood products, makes it impossible to judge how effective these efforts are. If anything, there are clear signs currently that the impacts of these processes are limited. The UK government's CPET process, in particular, has still to demonstrate that it has had any impact on the trade at all.

It is becoming increasingly apparent that, given the nature of illegal logging and unsustainable forest management, leaving the procurement of legal and sustainable timber and wood products in the hands of voluntary, market-led mechanisms will only take us so far. Currently around 90% of the global timber market lies outside firm commitments on legality and sustainability. This is after around 15 years of voluntary effort by NGOs, industry and government alike; coupled to this are the increasing demands on global supplies by the emerging economies of China, India, Brazil and Russia. China's demand for wood, the scale of its through trade (estimated at around 80% of its total imports), and general lack of interest in the legality of wood imports in particular, will ensure that China will be a major source of illegal wood in the future.

This report argues that strategies to bring about further change and minimise the UK's timber footprint overseas would therefore be better targeted at a wider range of measures including: compulsory measures such as legislation to make it illegal to import illegal timber; coordinated government procurement policy, with greater transparency with regards to implementation as well as mandatory reporting of progress; and a combination of incentives and business-level decisions. Failure to do so will make it difficult for the UK government to live up to its intention of being a world leader in the sustainable procurement of timber and wood products.

The report concludes with a number of recommendations:

UK central government and local authorities

To tackle the importation of illegal and unsustainable timber and wood products effectively the UK government must:

- Call for EU legislation to make it illegal to import illegal timber and wood products into the EU.
- Set targets for the procurement of legal and sustainable timber within central government and ensure monitoring and evaluation of central government procurement of legal and sustainable timber and wood products, including on-site, random checks.
- Commission an audit into the effectiveness of CPET in promoting sustainable procurement of timber.
- Engage with local authorities to develop a time-bound strategy to ensure all local authorities have policies to procure legal and sustainable timber and wood products.
- Ensure that social criteria are included in the CPET evaluation process.

European Union/European Commission

Given the importance to UK timber markets of EU initiatives such as the public procurement directives and the FLEGT Action Plan, the EU must:

- Develop and implement, as a matter of urgency, legislation that prohibits the import of illegal timber and wood products into the EU, so that enterprises in importing and processing countries, and not just those in producer countries, will be held accountable for trade in illegal timber.
- Monitor and evaluate the Member State timber and wood product procurement policies for their impact on legal and sustainable forest management.

## Industry

Support the call for EU legislation to outlaw the import of illegal timber and wood products.

- Ensure better availability and harmonisation of information systems on the efforts of UK importers with respect to their commitments to responsible purchasing, especially those companies working under the Timber Trade Federation's (TTF) Responsible Purchasing Policy (RPP).
- **House builders and construction companies** should commit to sourcing legal and sustainable timber and wood products as a matter of priority.
- **European Trade Federations** should continue to work with members to encourage best practice with regard to responsible timber procurement.

## Financial institutions

**Banks and investment companies** should implement policies to ensure that finance is not provided to companies involved in commercial logging operations:

- in forests of high biodiversity that are not credibly certified;
- in forests that include any species listed on CITES, or that are not credibly certified or progressing to credible certification (in the case of Appendix II species);
- that are in violation of local or national laws in respect of illegal logging; or
- that ignore the rights of local communities.

## General public

The general public is advised to think before buying forest products and should choose products that are either credibly certified, under schemes such as the FSC, or recycled – or both. Expressing interest and a demand for an FSC or recycled product can help bring about change at company levels.

## Section 2: Defining illegal logging and illegal trade

Illegal logging occurs when timber is harvested, transported, processed, bought or sold in violation or circumvention of national or sub-national laws<sup>13</sup>.

‘Illegal logging’ is therefore a term that describes a variety of illegal practices, ranging from theft of standing timber and logs through to corrupt business practices, such as under-declaring volumes processed, or tax avoidance.

*For the purposes of this report, all references to illegal logging refer to the definition given above.*

The recent WWF Global Forest & Trade Network manual, *Keep It Legal*, further defines a number of terms used in the definition of both legal and illegal logging and trade:

Legal right to harvest means authorisation to harvest in the forest management unit:

- a) from the resource owner(s); and
- b) under a valid permit, licence, or similar instrument issued pursuant to the laws and regulations governing the management and harvesting of forest resources.

**Resource owner(s)** means the holder(s) of property and usufruct rights over the land and/or trees within a forest management unit, including legally-recognised rights held according to customary law.

**Legally harvested** means harvested:

- a) pursuant to a **legal right to harvest** timber in the forest management unit in which the timber was grown; and
- b) in compliance with national and sub-national laws governing the management and harvesting of forest resources.

**Harvesting charges** means the charges due to the resource owner or official body such as regional or national government, arising as a result of the harvesting of forest resources.

**Legally traded** means the timber, or product made from the timber, was:

- a) exported in compliance with exporting country laws governing the export of timber and timber products, including payment of any export taxes, duties or levies;
- b) imported in compliance with importing country laws governing the import of timber and timber products, including payment of any import taxes, duties or levies, or exporting country laws governing the export of timber and timber products, including payment of any export taxes, duties or levies; and/or
- c) traded in compliance with legislation related to the Convention on International Trade in Endangered Species (CITES), where applicable.

**Box 1: Other definitions of illegal logging**

Organisation	Definition
<b>American Forest &amp; Paper Association<sup>14</sup></b>	<p>Theft of timber or logs; cutting in parks, reserves or similar areas; and cutting where government approvals are obtained by corrupt practices.</p>
<b>European Commission<sup>15</sup></b>	<p>Harvesting timber in violation of national laws is illegal. Illegal harvesting may include not only using harvesting practices that contravene the regulations but also using corrupt means to gain harvesting rights, extraction without permissions or from protected areas, cutting protected species or extracting timber in excess of agreed limits. Beyond harvesting, illegal processing, and export, non-payment of taxes or charges, and mis-declaration to customs.</p>
<b>Greenpeace<sup>16</sup></b>	<p>Illegal logging takes place when timber is harvested, processed, transported, bought or sold in violation of national laws. Laws can be violated at many different stages of the supply chain and can include:</p> <ul style="list-style-type: none"> <li>• obtaining concessions illegally (for example, via corruption and bribery);</li> <li>• cutting protected tree species or extracting trees from a protected area;</li> <li>• taking out more trees and more undersized and oversized trees than is permitted or trees outside an agreed area;</li> <li>• illegal processing and export;</li> <li>• fraudulent declaration to customs of the amount of timber being exported;</li> <li>• non-payment or underpayment of taxes;</li> <li>• use of fraudulent documents to smuggle timber internationally.</li> </ul>
<b>Malaysian Timber Council<sup>17</sup></b>	<p>In Peninsular Malaysia, three categories are used to classify forest offences. Category 1 covers offences involving logging without licence, logging outside licensed area and unauthorised construction of infrastructure and forest roads. Category 2 covers encroachment of forest reserves for agricultural activities and settlement. Category 3 covers other forest offences that involve felling of unmarked trees, cutting trees below the cutting limit, unlicensed workers, contractors with no valid sub-licence, unregistered machinery plus other breaches of rules and regulations committed within and outside the forest reserve.</p>
<b>Supreme Court Decision in Russia<sup>18</sup></b>	<p>An illegal forest felling operation (cutting) is:</p> <ul style="list-style-type: none"> <li>• cutting of trees, bushes and lianas without a harvesting licence or authority;</li> <li>• cutting with a harvesting licence or authority issued with abuse of the existing cutting-practice rules;</li> <li>• cutting carried out at the wrong site, beyond a site's borders, or</li> <li>• exceeding the set quantities;</li> <li>• cutting of species or of trees, bushes and lianas that are not covered by the harvesting licence or authority;</li> <li>• cutting before and after logging period fixed in the harvesting licence or authority;</li> <li>• cutting trees, bushes and lianas that are forbidden by Resolution No. 155 of the Government of the Russian Federation June 1, 1998;</li> <li>• cutting after the announcement of a temporary prohibition, restriction or complete discontinuation of forest user activities or the right to use a forest area.</li> </ul>
<b>World Business Council on Sustainable Development<sup>19</sup></b>	<ul style="list-style-type: none"> <li>• Sourcing of illegal wood takes place when unprocessed wood is procured in the absence of the seller's legal right to sell or harvest.</li> <li>• Illegal logging takes place when timber is harvested in violation of relevant forestry and environmental laws and regulations.</li> <li>• Illegal forest products trade involves the procurement, processing, distribution and marketing of products made from wood that has been obtained by illegal sourcing or illegal harvesting and/or are not in compliance with relevant national and international trade laws.</li> </ul>

Other definitions of illegal logging are detailed in Box 1 above. The language in these definitions varies quite considerably, but fundamentally they are all similar. The narrower definitions tend to focus on activities in the forest; the wider definitions accept that trade plays a significant role. The widest definitions consider the way in which rights to harvest and trade were obtained. The definition used within this report (“*Illegal logging occurs when timber is harvested, transported, processed, bought or sold in violation or circumvention of national or sub-national laws*”) is therefore a ‘wide’ definition of illegality.

The source of illegal wood

By its very nature it is extremely difficult to measure quantities of illegal wood, although many attempts have been made to establish the scale of the problem in its many facets. Box 2, below, summarises the findings of a number of studies, which include many of the major exporting nations that supply wood to the UK forest products industry.

**Box 2: Potential sources of illegal wood**

Country	Estimate of illegal logging	Source of information	Types of alleged illegal activity in profiled countries
<b>Estonia</b>	50% of production 50% of production	Taiga Rescue Network 2005 <sup>20</sup> Estonian Green Movement 2004 <sup>21</sup>	<ul style="list-style-type: none"> <li>• Failure to pay royalties or taxes</li> <li>• Intentional misclassification or undervaluation of traded products</li> </ul>
<b>Latvia</b>	20% of production 15-20% of production	Taiga Rescue Network 2005 <sup>22</sup> WWF Latvia 2003 <sup>23</sup>	<ul style="list-style-type: none"> <li>• Failure to pay royalties or taxes</li> <li>• Intentional misclassification or undervaluation of traded products</li> </ul>
<b>Russia</b>	15-20% of production 15-30% of exports 25% of exports 25-50% of exports  30% of production (one-third) 20-60% of production	AF & PA <sup>24</sup> AF & PA World Bank 2005 <sup>25</sup> USDA Foreign Agricultural Service 2005 <sup>26</sup> House of Commons Environmental Audit Committee (UK) 2006 <sup>27</sup> IUCN 2005 <sup>28</sup>	<ul style="list-style-type: none"> <li>• Harvesting outside or in excess of concession limits</li> <li>• Failure to pay royalties or taxes</li> <li>• Intentional misclassification or undervaluation of traded products</li> <li>• Harvesting protected species</li> <li>• Corruption/bribery</li> </ul>
<b>Cameroon</b>	30% of production 50-65% of production	AF & PA World Bank/WWF Alliance 2002 <sup>29</sup>	<ul style="list-style-type: none"> <li>• Harvesting in parks or reserves</li> <li>• Harvesting outside or in excess of concession limits</li> <li>• Failure to pay royalties or taxes</li> </ul>
<b>Equatorial Guinea</b>	30% of production	AF & PA	<ul style="list-style-type: none"> <li>• Harvesting in parks or reserves</li> <li>• Harvesting outside or in excess of concession limits</li> <li>• Failure to pay royalties or taxes</li> <li>• Intentional misclassification or undervaluation of traded products</li> <li>• Violation of export bans or CITES requirements</li> <li>• Harvesting protected species</li> <li>• Corruption/bribery</li> </ul>
<b>Gabon</b>	30% of production	AF & PA	<ul style="list-style-type: none"> <li>• Harvesting in parks or reserves</li> <li>• Failure to pay royalties or taxes</li> <li>• Intentional misclassification or undervaluation of traded products</li> <li>• Violation of export bans or CITES requirements</li> <li>• Harvesting protected species</li> <li>• Corruption/bribery</li> </ul>

Country	Estimate of illegal logging	Source of information	Types of alleged illegal activity in profiled countries
<b>Ghana</b>	30% of production 50% of production	AF & PA The Forestry Commission of Ghana 2003 <sup>30</sup>	<ul style="list-style-type: none"> <li>• Harvesting in parks or reserves</li> <li>• Harvesting outside or in excess of concession limits</li> <li>• Failure to pay royalties or taxes</li> <li>• Intentional misclassification or undervaluation of traded products</li> <li>• Violation of export bans or CITES requirements</li> <li>• Harvesting protected species</li> <li>• Corruption/bribery</li> </ul>
<b>Liberia</b>	30% of production 100% of production	AF & PA National Transitional Government of Liberia (NTGL) 2005 <sup>31</sup>	<ul style="list-style-type: none"> <li>• Harvesting in parks or reserves</li> <li>• Harvesting outside or in excess of concession limits</li> <li>• Intentional misclassification or undervaluation of traded products</li> <li>• Violation of export bans or CITES requirements</li> <li>• Harvesting protected species</li> <li>• Corruption/bribery</li> </ul>
<b>China</b>	30% of production 30-32% of export products 50% of production	AF & PA AF & PA  USDA Foreign Agricultural Service 2005 <sup>32</sup>	<ul style="list-style-type: none"> <li>• Harvesting outside or in excess of concession limits</li> <li>• Intentional misclassification or undervaluation of traded products</li> <li>• Violation of export bans or CITES requirements</li> <li>• Corruption/bribery</li> <li>• Imports from illegal sources</li> </ul>
<b>Indonesia</b>	60% of production 55% of plywood exports 100% of log exports 80% of production 83% of production	AF & PA AF & PA AF & PA House of Commons Environmental Audit Committee (UK) 2006 CIFOR 2004 <sup>33</sup>	<ul style="list-style-type: none"> <li>• Harvesting in parks or reserves</li> <li>• Harvesting outside or in excess of concession limits</li> <li>• Failure to pay royalties or taxes</li> <li>• Intentional misclassification or undervaluation of traded products</li> <li>• Violation of export bans or CITES requirements</li> <li>• Harvesting protected species</li> <li>• Corruption/bribery</li> </ul>
<b>Malaysia</b>	5% of production 70% of log imports	AF & PA AF & PA	<ul style="list-style-type: none"> <li>• Harvesting in parks or reserves</li> <li>• Harvesting outside or in excess of concession limits</li> <li>• Failure to pay royalties or taxes</li> <li>• Violation of export bans or CITES requirements</li> <li>• Corruption/bribery</li> <li>• Imports from illegal sources</li> </ul>
<b>Papua New Guinea</b>	20% of production 65% of log exports	AF & PA Forest Trends 2006 <sup>34</sup>	<ul style="list-style-type: none"> <li>• Harvesting in parks or reserves</li> <li>• Harvesting outside or in excess of concession limits</li> <li>• Failure to pay royalties or taxes</li> <li>• Violation of export bans or CITES requirements</li> <li>• Corruption/bribery</li> <li>• Imports from illegal sources</li> </ul>
<b>Brazil</b>	15% of production 15% of export products 37% of production 74.1% of production in the Amazon	AF & PA AF & PA Imazon 2005 <sup>35</sup>	<ul style="list-style-type: none"> <li>• Harvesting in parks or reserves</li> <li>• Intentional misclassification or undervaluation of traded products</li> <li>• Violation of export bans or CITES requirements</li> <li>• Harvesting protected species</li> <li>• Corruption/bribery</li> </ul>
<b>Ecuador</b>	70% of production	Ecuador's Wood Industry Association 2005 <sup>36</sup>	<ul style="list-style-type: none"> <li>• Harvesting in parks or reserves</li> <li>• Intentional misclassification or undervaluation of traded products</li> <li>• Violation of export bans or CITES requirements</li> <li>• Harvesting protected species</li> <li>• Corruption/bribery</li> </ul>

Country	Estimate of illegal logging	Source of information	Types of alleged illegal activity in profiled countries
Peru	70-90% of production 80% of production  > 90% of exports (mahogany)	ITTO 2002 <sup>37</sup> The Peruvian Environmental Law Society, 2003 <sup>38</sup> ParksWatch 2005 <sup>39</sup>	<ul style="list-style-type: none"> <li>• Harvesting in parks or reserves</li> <li>• Intentional misclassification or undervaluation of traded products</li> <li>• Violation of export bans or CITES requirements</li> <li>• Harvesting protected species</li> <li>• Corruption/bribery</li> </ul>

The list above is not exhaustive and other countries almost certainly export illegal wood to the UK. The list has been restricted to those countries where the evidence of illegal logging and related activities is compelling and where estimates stand scrutiny. For the purposes of this report only the countries identified above have been considered in any estimates. Most of these countries export to the UK every year. In 2005, the only countries that did not export to the UK were Equatorial Guinea and Liberia.

#### Context of illegal logging

Illegal logging takes place in many countries on a small scale and has limited impact on the environment or society in general. However, in a significant number of countries, illegal logging is a major problem that poses a serious threat to forests, communities and wildlife. The negative impacts of illegal logging include:

- encouragement of corruption and bad practices;
- major revenue loss for governments;
- loss of long-term income and security for forest-based communities;
- degradation and clearing of forests and consequent loss of habitat for plant and animal species;
- increased vulnerability to natural disasters such as erosion, river silting, landslides, flooding, and forest fires;
- loss of long-term supplies of timber, threatening both quality and quantity;
- undercutting of and unfair competition with responsible, well-managed forestry, potentially leading otherwise committed managers from legal practices to illegal ones.

Illegal logging has a particularly devastating effect on biodiversity because the perpetrators often deliberately target remaining high-conservation-value forests, including protected areas, which contain the highly valuable species that have been overexploited elsewhere.

Forest crime also affects human communities through loss of natural forest resources and sometimes through intimidation and violence. The hundreds of millions of dollars of tax revenues that are lost as a result of forest crime also have a wider social impact.

Illegal logging is part of a larger problem that includes issues of forest governance and corruption. These extend far beyond some individuals violating resource-management laws. Poor governance and poor forest management can also lead to increased access to and unsustainable

use of forests as well as an increase in activities such as illegal mining, bushmeat hunting and unauthorised clearing for new settlements.

## Section 3: Estimations of illegal trade

### Global trade in forest products

International trade in wood products has increased in importance across most regions of the world over the last four decades. International trade within Europe and between Europe and the rest of the world has followed this pattern, as is demonstrated by the rates of growth in imports and exports in Europe over the last four decades. The global trade in forest products has been estimated at US\$354bn<sup>40</sup> – approximately 0.8% of global gross domestic product (GDP)<sup>41</sup>.

Western Europe has always accounted for the majority of imports into Europe, but Europe's relative importance as an importer of wood products has declined gradually over the last 40 years. This trend has occurred largely because imports into other regions, most notably east Asia (e.g. Japan, Korea and China), have grown much more rapidly than in Western Europe.

Globalisation has been a major driving force in recent years and has been supported by policies that have reduced barriers to the movement of goods, capital and technology across national boundaries. For the forest sector, the main effect of globalisation has been the reduction in transport costs that has led to increased exports of forest products and the creation of a truly global market for forest products.

Globalisation has also resulted in the emergence of 10 to 20 major global forest products companies. These companies can restructure their operations all over the world in response to changing market conditions. They are also in a stronger position to invest in research and development, innovation and marketing, which make it easier to develop new products and markets and increase the competitiveness of the sector. Globalisation has reduced the dependence of the forest processing sector on local supplies of raw materials. For example, companies can now utilise materials from different sources and manufacturing facilities in different locations all along the production chain from the forest to the consumer. Thus, the location and development of the forest-processing sector is now influenced less by the availability of forest resources and more by the prevailing investment climate and general economic conditions in a country.

While globalisation has undoubtedly brought widespread benefits (e.g. to consumers who have benefited from better access to good quality, lower priced goods and services), it may have also led to some negative effects. For instance, increased competition may have resulted in pressures to lower environmental and labour standards in some countries.

Ten consuming countries dominate the global trade in internationally traded forest products. The last decade has seen phenomenal growth in imports to China, which now accounts for almost 11% of the world's internationally-traded wood, and the forecast is for this to grow<sup>42</sup>. Since 2000, its contribution to global growth in terms of gross domestic product (GDP) has been almost double that of India, Brazil and Russia (the next three largest emerging economies) combined. China has experienced annual GDP growth of over 9% since 1990, and it is predicted that its economy will continue to expand by 6-8% a year. It is likely that imports will grow in line with this forecast. China plays a pivotal role in the market place, unlike many of the other large

consumer nations, given that its current demand is to a greater degree a result of its export business for finished products. As domestic demand rises, this will only further drive demand for imported forest products.

India, while way behind in the import stakes (US\$550bn in 2004<sup>43</sup>), appears to have the potential to become “another China”. The outlook for economic growth is in the range of 6-7% a year, leading to the likelihood of a significant increase in consumption. India may overtake China in growth status, as its workforce continues to expand, and it is estimated that its industrial log consumption will more than double by 2020<sup>44</sup>. The difference between available log supply from domestic forests and the volume required will undoubtedly be made up by more imports.

**Table 1: The main markets for imported forest products<sup>45</sup>**

<b>Importer</b>	<b>Value US\$ (billion)</b>	<b>%</b>
United States	24.5	15.35
China	17	10.65
Germany	13.2	8.27
Japan	11.1	6.95
<b>United Kingdom</b>	<b>9.7</b>	<b>6.08</b>
Italy	8.4	5.26
France	8.1	5.08
Spain	5.1	3.20
Netherlands	5.1	3.20
Belgium	4.7	2.94
Other	52.7	33.02
<b>Total</b>	<b>159.6</b>	<b>100</b>

The UK as a global player

The UK plays a significant role in the global market place for forest products. It features as a major importer for many sectors of the industry.

**Table 2: Major import markets<sup>46</sup> 2003**

<b>Sawnwood Imports</b>	<b>Volume (million cubic metres)</b>	<b>%</b>
United States	37.9	31.69
Japan	8.8	7.36
<b>United Kingdom</b>	<b>7.7</b>	<b>6.44</b>
Italy	7.6	6.35
China	7.1	5.94
Germany	4.7	3.93
Denmark	3.6	3.01
France	3.5	2.93
Spain	3.5	2.93
Netherlands	3.2	2.68
Others	32	26.76
<b>Total</b>	<b>119.6</b>	<b>100</b>

<b>Veneer and plywood imports</b>	<b>Volume (million cubic metres)</b>	<b>%</b>
United States	5.6	21.88
Japan	4.3	16.80
China	2.2	8.59
Rep Korea	1.8	7.03
<b>United Kingdom</b>	<b>1.3</b>	<b>5.08</b>
Germany	1.1	4.30
Italy	0.7	2.73
Canada	0.7	2.73
Belgium	0.6	2.34
Mexico	0.6	2.34
Others	6.7	26.17
<b>Total</b>	<b>25.7</b>	<b>100</b>

<b>Fibreboard Imports</b>	<b>Volume (million cubic metres)</b>	<b>%</b>
United States	12.3	28.34
China	3.6	8.29
Germany	2.7	6.22
<b>United Kingdom</b>	<b>2.2</b>	<b>5.07</b>
Spain	1.3	3.00
Rep Korea	1.3	3.00
Italy	1.2	2.76
France	1.2	2.76
Belgium	1.1	2.53
Japan	1.1	2.53
Others	15.4	35.48
<b>Total</b>	<b>43.3</b>	<b>100</b>

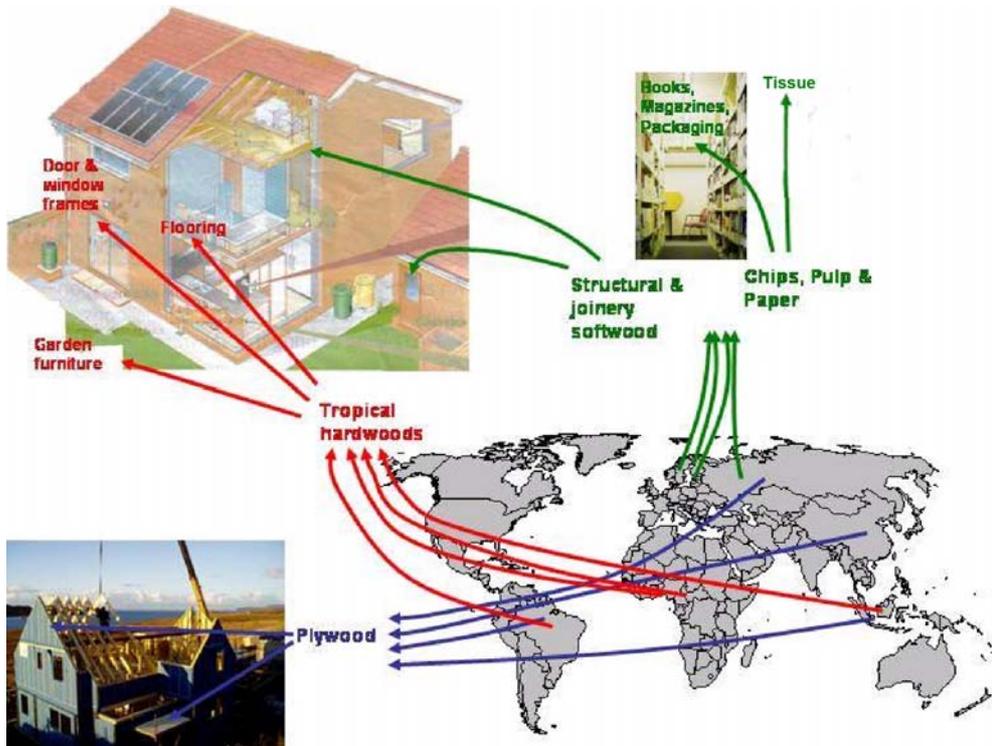
<b>Pulp (for paper) imports</b>	<b>m<sup>3</sup> (million)</b>	<b>%</b>
China	6.5	17.47
United States	6.1	16.40
Germany	4.2	11.29
Italy	3.4	9.14
Rep Korea	2.4	6.45
France	2.3	6.18
<b>United Kingdom</b>	<b>1.5</b>	<b>4.03</b>
Netherlands	1	2.69
Belgium	0.9	2.42
Others	8.9	23.92
<b>Total</b>	<b>37.2</b>	<b>100</b>

<b>Paper and paperboard imports</b>	<b>m<sup>3</sup> (million)</b>	<b>%</b>
United States	16.6	16.10
China	10.4	10.09
Germany	9.7	9.41
<b>United Kingdom</b>	<b>7.1</b>	<b>6.89</b>
France	6	5.82
Italy	4.6	4.46
Spain	4.6	4.46
Belgium	3.6	3.49
Netherlands	3.3	3.20
Canada	2.8	2.72
Other	34.4	33.37
<b>Total</b>	<b>102</b>	<b>100</b>

The UK is one of the main markets for six of the seven major forest product categories that are globally traded. The only major category of which the UK does not import globally significant volumes is industrial roundwood (logs). This does not mean that the UK does not have an indirect role to play in the industrial roundwood trade though: countries such as China, which are increasingly suppliers to the UK of finished products, are major importers of industrial roundwood from countries such as Russia. It should be noted that China re-exports 70% of its imports as finished products.<sup>47</sup>

In 2005, according to Forestry Commission statistics<sup>48</sup>, the UK imported 20 million cubic metres (RWE – round wood equivalent) of sawn wood, 7.7 million cubic metres (RWE) of wood-based panels and 7.2 million cubic metres (RWE) of pulp and 17.6 million cubic metres (RWE) of paper. The total value of wood product imports in 2005 was £6bn, of which £3.9bn was pulp and paper. This represents approximately 0.9% of the UK's gross domestic product.

Diagram 3: Map of legal and illegal timber flows into the UK



#### UK's imports and illegal logging

##### Data sources

The base data used for all analyses in this report is the EUROSTAT trade data for 2003.<sup>49</sup> This data set has been chosen as it is the only global set of trade data that covers all assessed countries and allows comparison to other key consuming countries. Data for 2003 has been used where 2005 data is not available and is used for the purposes of comparisons where a global data set is required. The source of this information is the FAOSTAT online database. Data from sources other than EUROSTAT and FAO, such as estimates and later data on consumption, are individually referenced.

All data has been converted from the volume recorded by EUROSTAT and FAO, usually in the form of cubic metres or metric tonnes, to round wood equivalent (RWE). RWE equates to an estimation of the volume of wood harvested (logs).

##### UK imports of illegal wood

Data to estimate the UK's illegal logging footprint is by nature hard to obtain and verify for accuracy. Table 3 (below) provides a useful source of information on the estimated levels of production for 17 countries.

**Table 3: Estimate of the UK's consumption of imported illegal wood**

<b>Country</b>	<b>RWE volume (cubic metres)</b>
Latvia	689,511
Russia	659,406
Finland	655,442
Estonia	435,286
Sweden	377,875
Indonesia	251,406
Malaysia	80,918
China	63,372
Cameroon	25,738
Brazil	15,858
Ghana	8,641
Ecuador	1,121
Peru	367
Gabon	338
Papua New Guinea	189
Equatorial Guinea	No imports recorded in 2005
Liberia	No imports recorded in 2005
<b>Total</b>	<b>3,265,469</b>

The estimate of illegal timber entering the UK is reached by assessing the imports of a limited number of well-documented countries. The WWF-UK *Failing the Forests* report<sup>50</sup> used a broader range of countries to provide the estimate and, in turn, used less conservative estimates of the percentage of illegal logging and trade in this broader range of countries.

Using methodology similar to that used in the *Failing the Forests* report, the American Forest & Paper Association<sup>51</sup> study of 2004 and the Forest Industries Intelligence report of 2005<sup>52</sup> has allowed a new assessment of the UK's footprint with respect to these 17 countries.

The tables on the following pages give a breakdown of the UK's imports from the 17 countries identified as having well-documented problems with illegal logging and trade. The UK only *directly* imported from a number of them in the year under consideration.

Sweden and Finland both import large quantities of materials from the Baltic States and north-west Russia to supplement their own domestically grown timber. Imports for these two countries amounted to almost 19 million cubic metres in 2003.

These imports include material from Russia, Latvia and Estonia, three of the countries recognised as significant players with respect to illegal logging. It is therefore estimated by the authors that over 3% of Swedish and over 7% of Finnish exports contain illegal wood (see Tables 4 and 5).

**Table 4: Estimate of Finland's imports of illegal timber**

	RWE volume (m <sup>3</sup> )	Estimated as illegal	
Domestic production	50,000,000		Source: Finnish Forest Industries Federation website, 2006
Imports - Estonia	1,187,156	593,578	Source: EUROSTAT data
Imports - Latvia	1,175,984	235,197	Source: EUROSTAT data
Imports - Russia	16,188,187	4,047,047	Source: EUROSTAT data
<b>Total</b>	<b>68,551,327</b>	<b>4,875,822</b>	
<b>Estimated illegal proportion (%)</b>		<b>7.1</b>	

**Table 5: Estimate of Sweden's imports of illegal timber**

	RWE volume (m <sup>3</sup> )	Estimated as illegal	
Domestic production	70,400,000		Source: Swedish Forest Industries Federation website, 2006
Imports - Estonia	1,429,872	714,936	Source: EUROSTAT data
Imports - Latvia	4,769,188	953,838	Source: EUROSTAT data
Imports - Russia	3,061,963	765,491	Source: EUROSTAT data
<b>Total</b>	<b>79,661,023</b>	<b>2,434,265</b>	
<b>Estimated illegal proportion (%)</b>		<b>3.1</b>	

Finland and Sweden are key source countries for a number of UK manufacturing industries. The estimated illegal imports are particularly significant for the paper sectors and softwood timber sectors.

**Table 6: Estimate of illegal wood by material type in the UK trade<sup>53</sup>**

**Estimate of illegal wood in UK trade**

Material	RWE volume (m <sup>3</sup> )
Imports - wood	20,000,000
Imports - pulp	7,200,000
Imports - panels	7,700,000
Imports - paper	17,600,000
UK production	8,600,000
Exports	16,500,000
Apparent consumption	44,600,000
<b>Estimated illegal volume imported</b>	<b>3,265,000</b>
<b>Estimated illegal share of consumption</b>	<b>7.3%</b>

It is estimated that the UK imports more than 3.2 million cubic metres of illegally harvested or traded wood per annum. This assessment only covers the 18 surveyed countries for which there is significant data regarding the proportion of trade affected by illegal activities.

Around 2.8 million cubic metres of the total originates from the Nordic countries and the surrounding states that supply them with additional raw materials.

The tropical countries of Brazil, Indonesia, Malaysia and central and west Africa account for a significantly smaller volume: collectively around 370,000 cubic metres per year.

What does 3.2 million cubic metres mean in context? In 2005, Cameroon, Gabon and Ghana's combined exports of tropical sawnwood amounted to approximately 2.7 million cubic metres RWE. Ghana's total forest product exports in 2005 in RWE terms were 1.8 million cubic metres RWE – less than half the estimated volume of illegal wood entering the UK. Cameroon's total forest products exports in 2005 were approximately 1.5 million cubic metres RWE. The UK therefore imports more illegal wood than the combined<sup>54</sup> annual Ghana and Cameroon export per year, legal or otherwise (3.5 compared to 3.3 million cubic metres RWE).

In value terms, 7.2% of the £9.9bn of forest products imported into the UK in 2005, or around £712 million (US\$1.4bn), is spent each year on illegal wood – the equivalent of £11.76 per person in the UK.<sup>55</sup>

The UK in the international context

The UK is, by value, the fifth-largest market for forest products. In terms of illegally harvested or traded wood, its position is somewhat different. Using the same methodology that was used in previous sections to estimate the volumes of illegal timber imported, it has been possible to estimate the volume of illegal forest products entering the major consuming countries.

The UK is the world's third-largest importer of illegal timber, and Europe's largest importer. Following China (8.2 million cubic metres RWE) and Japan (5.3 million cubic metres RWE), the UK is estimated to import 3.2 million cubic metres RWE. The UK has the second-highest share of imports that are estimated as illegal – at 7.3%, it is higher than Japan (6%) and second only to China (almost 10%). The UK is estimated to import a similar volume of illegal wood to Germany, Italy, France and Spain combined and around three and a half times more illegal wood than Spain and Italy. These two together have over one and half times the volume of imports of the UK (57 + 24 = 81 million cubic metres RWE – compared to 52.5 million cubic metres RWE for the UK).

**Table 7: Estimate of illegal imports for the leading importer countries**

All values in cubic metre round wood equivalent (RWE)

Importing country	Imports from the rest of the world m <sup>3</sup> RWE (excluding countries assessed for illegal logging)	Imports from 18 countries assessed in this report for illegal logging m <sup>3</sup> RWE	Total imports m <sup>3</sup> RWE	Estimated total illegal imports m <sup>3</sup> RWE	Estimated illegal share of all imports %	Share of illegal imports for these major importer countries %
United States	182,045,868	19,088,290	201,134,158	1,394,206	0.7	6.1
China	36,671,058	46,866,980	83,538,038	8,250,225	9.9	36.0
Germany	40,502,402	31,044,314	71,546,715	1,000,934	1.4	4.4
Japan	46,494,702	42,752,634	89,247,337	5,328,463	6	23.2
<b>UK</b>	<b>20,636,312</b>	<b>31,863,687</b>	<b>52,500,000</b>	<b>3,265,468</b>	<b>7.2</b>	<b>14.4</b>
Italy	45,175,474	11,935,197	57,110,671	992,270	1.7	4.3
France	31,796,446	14,502,396	46,298,841	1,176,900	2.5	5.1
Spain	16,275,085	8,024,582	24,299,667	175,487	0.7	0.8
Netherlands	18,220,739	13,556,731	31,777,470	765,637	2.4	3.3
Belgium	19,207,308	7,442,061	26,649,370	334,323	1.3	1.5
<b>Estimated total illegal wood imported m<sup>3</sup> RWE</b>				<b>22,683,913</b>		

Note: All import data for 2003, except UK, 2005.

The ‘actual’ volume of illegal wood imported into the UK at any one time can never be accurately measured and the estimation will remain exactly that – an estimate only. This report’s assessment of illegal imports from a relatively modest number of countries has resulted in a figure as high as 3.5 million cubic metres. However, approximately 100 countries export forest products in excess of 1,000 cubic metres per annum and the UK imports forest products from in excess of 60 of these countries in significant volume. Many of these countries have, as yet, undocumented or unreported incidences of illegal logging or illegal trade. The actual figure may be in the range of 3.5 to 5 million, though this figure is speculative.

The UK government clearly has no idea what volumes of illegal timber enter the country and has no mechanism in place to measure the effect of countermeasures. When asked what percentage of tropical timber imported into the United Kingdom comes from legally-felled sources; what methods they use to verify this; and what the total value of the imports is, the Minister of State wrote in response that: *“Both the percentage of legally-felled timber entering UK ports and its value are unknown because there is no verification at port of entry.”*<sup>56</sup> Clearly estimates of legality are as inexact as those of illegality.

It must also be noted that these figures take no account of any efforts by UK importers or other actors to ensure the legality of their sources. No data exists to allow any of these estimates to be offset in any meaningful way. The role of the trade and various voluntary measures will be discussed in later sections. These efforts will have in some way mitigated (reduced) the amount of illegal timber entering the UK. Therefore the estimates presented represent the worst-case scenario – what the UK would be importing if it did nothing and sought no assurances as to legality or certification.

The value of industry and government efforts to reduce the volume of illegal wood, weighed against the difficulty of estimating imports from countries such as China, certainly introduces variables that have an effect on any estimate of illegal wood entering the UK. It is unlikely that these two factors, which theoretically pull in different directions, perfectly balance each other.

The value of global forest products traded internationally is estimated by the World Bank to be in the order of US\$270bn, of which developing and transitional countries account for 20%. A significant proportion of this is illegal timber and is estimated to be worth US\$10-15bn per year<sup>57</sup>. This is only a rough estimate because, as a recent UN Forest and Agriculture Organisation (FAO) report acknowledged: “*an unknown proportion of the world’s timber is illegally felled, processed and traded*”.<sup>58</sup>

The illegal timber trade is estimated to depress world prices by between 7% and 16%<sup>59</sup>. It also represents a significant loss of government revenue, often in poorer countries where it is needed the most. It is estimated, for example, that Indonesia’s government suffers \$1bn loss of revenue a year as a result of illegal logging.<sup>60</sup>

The three main international markets for timber and timber products are the EU, US and Japan. In addition, China and India are playing a significantly increased role in importing timber from producer countries, particularly in Asia and Africa, and exporting processed goods to the main markets.

Within the context of the international timber trade it should be noted that the FAO estimates that 50% of all timber illegally felled is for domestic consumption. The adverse impacts of this are equal to those of the international trade, although the remedies will be very different to those proposed for international trade. As an economic and governance issue it must be resolved at country level – for which countries such as the UK should offer all assistance possible in the form of capacity building and aid where required. Addressing the issue of domestic illegal consumption of timber is as important from a development and environmental perspective as is the need to tackle the international illegal timber trade.

This report’s estimations of illegal logging in the context of other reports  
There have been numerous attempts to calculate the volume of illegal timber entering the UK in recent years. Each attempt has used similar methodology but has used widely varying assumptions and variables when making the calculations.

As in this report, typically each attempt has assessed the overall levels of imports and the estimate for illegal logging in the exporter country, and produced an estimate of the proportion that is believed to be illegal; i.e. Imports to the UK (using FAO data) from a given country for a given material, converted to RWE; multiplied by the estimate of illegal logging or trade for the given country. For example: imports of 1,000 cubic metres RWE of plywood per year from a country with an estimated illegal logging rate of 50% = 1,000 x 0.5 = 500 cubic metres RWE estimate of illegally imported plywood from this country in this year.

Similar reports have looked at the impact of illegal logging on the markets of other countries, the most notable recent addition being the American Forest and Paper Association/Seneca Creek study of 2004.<sup>61</sup> Following the publication of the WWF-UK report *Failing the Forests*<sup>62</sup> in 2005, there were concerns raised at the estimates for illegal wood entering the EU, and the UK in particular<sup>63 64</sup>.

Unsurprisingly the headline estimates vary quite considerably, though they were prepared in good faith using widely varying estimates and data sets.

The range of estimates in recent years are summarised in Table 8, below.

**Table 8: range of estimates of illegal timber imported in recent years**

<b>Report</b>	<b>Estimate of illegal imports/ exports</b>	<b>Estimated volume</b>
WWF <i>Failing the Forests</i> 2005 (Measuring imports from four timber producing regions plus Russia and Indonesia)	<b>Imports</b> 26% UK 28% EU 25 <sup>65</sup> member countries	2.2 million m <sup>3</sup> 13 million m <sup>3</sup>
Forest Industries Intelligence 2005	<b>Imports</b> 9% EU 25 member countries from all sources 20% EU from regions covered in WWF <i>Failing the Forests</i> report	9.66 million m <sup>3</sup> RWE
American Forest and Paper Association 2004	<b>Imports to EU 15 members</b> <sup>66</sup> 1.3% softwood roundwood 7.1% softwood sawnwood 8.5% softwood plywood 6.6% hardwood roundwood 6.0% hardwood sawnwood 24.9% hardwood plywood	3.4 million m <sup>3</sup>
<b>This report (based on estimated imports from 18 countries)</b>	<b>Imports</b> At least 7.2% UK 21.7% softwood roundwood 13.4% softwood sawnwood 28.2% plywood 15.6% hardwood roundwood 28.3% hardwood sawnwood	3.2 million m <sup>3</sup> RWE

Previous WWF-UK estimates differ to the figures in this report, though the overall volumes (2005: 2.2 million cubic metres; 2006: 3.5 million cubic metres) are similar. The main reason for the disparity is almost certainly the more limited scope of assessment in this report. The 2005 figures were based on a wider assessment of illegal logging and included estimates for countries not considered within this report. This report deliberately uses the more conservative estimates of illegal timber and wood product exports by listing only those countries where the evidence of illegal logging and related activities is compelling and where estimates stand scrutiny. This

emphasises the fact that however you look at the illegal logging rates, the figures are still unacceptably high. A variable that accounts for differences in volumes is the choice of conversion factors to calculate round wood equivalent. Where possible, similar conversion factors have been used to previous reports (see Table 9 for conversion factors used in this report).

From the data alone it is impossible to provide any insight into the effects of any UK-based activities trying to counter the import of illegal wood. The import data simply reflects imports, and the only variable that can change is that of the estimate for illegal logging or trade in the producer country. Therefore this form of analysis can only provide a limited insight into the nature and scale of the problem if nothing is done to begin to remedy it.

The impacts of the UK's efforts are best measured in others terms, such as the activities of purchasers and the government's role, and the effect on the ground in countries where the UK has influence through the market and through Government and Aid Agencies (GAA) donor activity.

#### Focus on China

To assess just how urgently the illegal trade needs to be tackled, the impacts of China have to be considered. The data used for estimation and analysis in this report does not reflect accurately the recent growth in imports from China, especially for the plywood trade.

Reports such as that issued by Greenpeace in 2002, *Partners in Crime: Malaysian loggers, timber markets and the politics of self-interest in Papua New Guinea*<sup>67</sup>, set out the findings of their investigation into the use of illegal timber from Malaysia and Papua New Guinea in making plywood in China. This plywood is then exported to major consuming countries including the UK. The Greenpeace report highlights that one in two illegally felled tropical timber logs are currently exported to China and that imports of Chinese plywood into the UK have increased by 155% in a very short period of time.

The UK Timber Trade Federation (TTF) has stated: "Chinese plywood has increased its share of the UK market significantly over the last year to around 30% and is probably in the region of 100,000 cubic metres and that as only the veneer on the plywood is tropical hardwood, of that 100,000 cubic metres of timber, 95% of it comes from this plantation-grown poplar with 5% from this questionable source in Papua New Guinea about which we now have serious concerns as a supplier country and which two years ago was not supplying the UK."<sup>68</sup> [sic].

For some mills in China the example given by TTF would be correct. For many others this is not so: many are importing Russian pine and spruce logs for peeling to make the core material for plywood. These logs are highly suspect and will certainly contribute in varying degrees to the illegal content of Chinese plywood. Those mills that routinely use Chinese harvested plantation poplar do not check documentation, and there are suspicions that some of this material is illegal in the sense that many of the required licences and transport permits are absent, or on occasion forged. A great deal of Chinese plywood production is exported in the form of flooring (laminated board using a plywood base with paper, laminate or wood veneer overlays). This use of plywood is hidden in all trade statistics but cannot be discounted as another source of illegal wood.<sup>69</sup>

China's demand for wood looks set to continue growing in line with economic growth of about 10% a year. Various reports from 2004<sup>70</sup> suggest that China will need to import an additional 60 to 125 million cubic metres RWE to meet its demand in 2010. This wood is likely to come from the existing sources, with Russia being a major contributor.

Any future estimation of illegal imports will need to thoroughly assess the Chinese plywood and flooring sectors.

Where illegal forest products are used in the UK

**Table 9: Estimate of illegal wood by material type**

Conversion factor	Material	Import volume 2005	RWE volume 2005	Estimated illegal imports from 18 countries	Estimated illegal imports as a share of total imports for this material (%)	Estimated share of all illegal imports (all materials) (%)
1	Chips and particles	192,315	192,315	39,632	20.61	1.21
2.35	Fibreboard	942,422	2,214,692	178	0.01	0.01
1.25	Industrial roundwood coniferous	560,771	700,964	36,745	5.24	1.13
1.25	Industrial roundwood non-coniferous	93,024	116,280	2,533	2.18	0.08
1.25	Industrial roundwood tropical	23,462	29,328	1,578	5.38	0.05
4.3	Paper and board	7,265,181	31,240,278	766,183	2.45	23.46
1.62	Particleboard	1,138,408	1,844,221	15,167	0.82	0.46
3.67	Plywood and veneer	1,449,975	5,321,408	222,920	4.19	6.83
2.13	Sawnwood coniferous	7,559,000	16,100,670	1,677,514	10.42	51.37
2.09	Sawnwood non-coniferous	859,617	1,796,600	175,638	9.78	5.38
3.7	Pulp	1,571,110	5,813,107	64,511	1.11	1.98
3.64	Furniture		0	133,292		
2.09	Packaging and pallet	839,681	1,754,933	1,818	0.10	0.06
				Total	3,135,892	
				<b>Total (incl. other small volume materials)</b>	<b>3,265,469</b>	

#### Paper sector

The paper sector, in its various guises, accounts for over 800,000 cubic metres (RWE) of the UK's estimated imports of illegal wood. The vast majority of this total, 760,000 cubic metres, enters the paper and board using sectors. Typical uses in this sector vary from high-grade papers used for high quality printing to low-grade papers used for packaging.

The smallest paper sector import was of pulp, at just over 60,000 cubic metres per annum. The UK's 70 plus paper mills produce a wide range of industrial and consumer products, from hygiene papers to magazine paper and stationery.

A total of 25.4% of all illegal imports are used within the paper sector.

Construction, joinery, furniture and flooring sector

An estimated illegal volume of almost 1.7 million cubic metres of coniferous sawnwood enters the UK per annum. 'Coniferous sawnwood' describes a wide range of softwood products, ranging from rough sawn timber through to moulded timber, such as tongue and groove board.

More than 170,000 cubic metres of non-coniferous sawnwood enters the UK per annum. 'Non-coniferous sawnwood' describes a wide range of hardwood products, ranging from rough sawn timber through to moulded timber, such as tongue and groove board, furniture and flooring.

An estimated illegal volume of over 220,000 cubic metres of plywood enters the UK per annum. This includes both softwood and hardwood plywood. Plywood is widely used in the construction sector, furniture sector and in a host of smaller sectors with speciality use, such as temporary coverings and flooring.

Particleboards account for over 15,000 cubic metres of illegal imports per annum. Particleboard ('chipboard') is primarily used in interior joinery products, such as kitchens, and in furniture. Oriented Strand Board (OSB), also a form of particleboard, is primarily used in construction.

More than 100,000 cubic metres of illegal wood enters in the form of furniture, with over 80% of this volume entering in products sourced from China.

In total, 20.1% of all illegal imports are used within the construction, joinery, furniture and flooring sectors and related sectors, such as temporary coverings.

Roundwood and sawnwood

In 2005 there were 228 sawmills in the UK, of which 55 processed hardwood as well as softwood. Of the UK production from these mills in 2005, 37% of softwood sawnwood production was used for fencing, 34% for construction, 28% for packaging and pallets and the remaining 2% went to other markets.<sup>71</sup> In the absence of other information, it is assumed that the illegal timber followed similar paths to market following conversion in UK sawmills. Other products (excluding sawnwood) from softwood amounted to 2.44 million tonnes. Around two thirds of these other products were sold to wood processing industries in the form of chips, 7% were sold to wood processing industries as bark, and 16% were sold to these industries in other formats (e.g. sawdust). A further 5% of other products were sold to other industries and 5% were sold for bio-energy. Therefore, mills using imported logs as well as home grown logs have a wide variety of markets not just for sawnwood but also for co-products.

Imported logs used in the UK sawmilling industry primarily end up used in the construction, packaging and pallet markets. It is interesting to note that the considerable waste from these mills, with an illegal component, enters other manufacturing processes such as fibreboard and particleboard production and even as bio-energy.

An estimated 0.5% of the illegal wood entering the UK is used within the UK sawmilling sector.

**Table 10: Illegal wood in UK sawnwood production**

UK softwood saw log production (RWE m <sup>3</sup> )	4,994,000
United Kingdom imports (RWE m <sup>3</sup> )	130,381
Estimated illegal imports (RWE m <sup>3</sup> ) from 18 countries	28,328
Total volume of softwood saw logs processed in UK (m <sup>3</sup> )	5,124,381
<b>Estimated illegal share of UK softwood sawnwood production (%)</b>	<b>0.55</b>
UK hardwood saw log production RWE m <sup>3</sup>	65,000
United Kingdom imports (RWE m <sup>3</sup> )	122,250
Estimated illegal imports (RWE m <sup>3</sup> ) from 18 countries	4,111
Total volume of hardwood saw logs processed in UK (m <sup>3</sup> )	187,250
<b>Estimated illegal share of UK hardwood sawnwood production (%)</b>	<b>2.20</b>

An estimated 0.5% of the illegal wood entering the UK is used within the UK softwood sawmilling sector and 2.2% in the hardwood sawmilling sector, including a small volume of tropical logs.

**Table 11: Estimate of end use for UK imports of sawnwood and panels**

Source <sup>72</sup> end use	% share	End use product	% share
Housing – new (traditional)	10	Structural and roofing	20
Housing – new (timber frame)	5	Parquet and decking	5
Housing – other	20	Other joinery	10
Housing – furniture & flooring	20	Furniture	25
Other buildings – new projects	5	Panels (flooring and walling)	10
Other buildings – other	5	Temporary works	10
Other buildings – furniture and flooring	10	Fencing and out-buildings	5
Civil engineering	10	Transport and packaging	5
Temporary works	10	Other	10
Transport and packaging	5		

Further overviews of illegal wood use and imports in the UK

**Table 12: Estimate of content of illegal wood for each major end use**

End use	Likelihood of significant illegal wood content	Type of material used
Structural and roofing	<b>High</b>	Plywood, particleboard, softwood timber
Parquet and decking	<b>Medium</b>	Softwood timber, hardwood timber
Other joinery	<b>Medium</b>	Softwood timber, hardwood timber
Furniture	<b>Medium</b>	Softwood timber, hardwood timber, plywood, particleboard, fibreboard
Panels (flooring and walling)	<b>Medium</b>	plywood, particleboard, fibreboard
Temporary works	<b>High</b>	plywood, particleboard, fibreboard
Fencing and out-buildings	<b>High</b>	Softwood timber
Transport and packaging	<b>Medium</b>	Softwood timber, hardwood timber, plywood, particleboard, fibreboard
Paper	<b>High</b>	<b>Paper and board</b>

In Table 12, the likelihood is based on the types and variety of materials used for the end use and the proportion of that material estimated to be illegal for each material type. The table is indicative only.

**Table 13: The probability of finding illegal wood in a given end use**

End use	Chips and particles	Fibre board	Industrial roundwood coniferous	Industrial round-wood non-coniferous	Industrial roundwood tropical	News print	Paper and board	Particle board	Plywood	Sawnwood coniferous	Sawnwood non-coniferous	Pulp	Mean % (assuming all materials used equally)
Structural & roofing		0.01	5.24					0.82	4.19	10.42			4.14
Parquet & decking				2.18	5.38				4.19		9.78		4.30
Joinery		0.01		2.18	5.38				4.19	10.42	9.78		4.56
Furniture		0.01	5.24	2.18	5.38			0.82	4.19	10.42			4.03
Panels (flooring and walling)								0.82	4.19				2.51
Temporary works		0.01	5.24					0.82	4.19	10.42			4.14
Fencing and out-buildings			5.24							10.42			7.83
Packaging (wood based)		0.01	5.24					0.82	4.19	10.42			4.14
Paper	20.6						2.45					1.11	8.05

Note: The numbers given are an estimated percentage of illegal wood entering each material type using a combination of the percentages in the tables above.

Table 13 above examines the probability of finding illegal wood in a given end use. Based on the major sectoral uses of wood and panel products, it compares the estimated volume of illegal wood in each major product category that typically enters each end use. Assuming that each sector uses each material equally (which is unlikely, but producing an average figure provides a helpful indicator), it allows the average imported illegal wood content to be estimated. Table 12 clearly illustrates that the end use sectors that have the highest likelihood of using illegal wood are:

- fencing and outbuildings sectors (low value softwoods);

- paper sector;
- structural and roofing sector; and
- temporary works.

The table also shows that beyond the two sectors identified above, the use of illegal wood is fairly well distributed across all major sectors, and illegal wood can be encountered by purchasers in almost all sectors.

The table does not take into account the volume of illegal wood, but illustrates the likelihood of trading in illegal wood in each end use.

In terms of volume, the construction and joinery sectors, mainly using imported softwood from the Baltic States, Russia and via Finland and Sweden, are the likeliest to use illegal wood in the UK (see Table 12).

**Table 14: Estimates of illegal wood imported to the UK in 2005 from 17 countries**

	BRAZIL	CAMEROON	CHINA	ECUADOR	ESTONIA	FINLAND	GABON	GHANA	EQUATORIAL GUINEA	INDONESIA	LIBERIA	LATVIA	MALAYSIA	PERU	PAPUA NEW GUINEA	RUSSIA	SWEDEN
SITC Code and product																	
246 - Wood in chips or particle/wood waste					24,428	4,474		73				6,105				3,490	1,062
24730 - Wood in the rough			1									18,713					422
24740 - Wood, of coniferous species			6		175	2,552						7,162				6,557	1,157
24751 - Wood of tropical species		1,219						50		178			131				
24752 - Wood of other non-coniferous species.			4		1,286	154	7		13			671				396	2
24820 - Wood of coniferous species			3		314,071	160,640						567,425				456,650	153,260
24830 - Wood of coniferous species			225		14,181	6,617						463				207	3,772
24840 - Wood of non-coniferous species	2,310	24,491	333	59	46,762	1,134	94	5,789		3,551		54,173	9,835	303	189	1,823	589
24850 - Wood of non-coniferous species	701		2,403		61	3		65		18,875		53	1,994			28	18
251 - Pulp and waste paper			93			19,254										17,884	27,279
63411 - Plywood Coniferous			17		94			30				1,599					
63412 - Plywood Non-coniferous			56	1		35	35	483					7			714	0
63421 - Densified wood			26							103							114
63422 - Particle board and similar substances			2		9	14,882						24					39
63423 - Particle board and similar substances			2			122						11					77
63431 - Particle board and similar substances		28	10,878		5,250	7,005		876		89,437		15,355	38,787			26,255	276
63441 - Particle board and similar substances			301			333				2,160		141				154	4
63449 - Plywood, veneered panels			80			4,961				129		13					122
63451 - ....of a density exceeding 0.80 g/cm <sup>3</sup>	3,257		7		10,520	3,851				36		1,449				213	625
63452 - ....of a density exceeding 0.80g/cm <sup>3</sup>			8			32						187	44				21
63453 - ....of a density exceeding 0.50g/cm <sup>3</sup>			1			13											111
63459 - Fibreboard of wood						170											8
63511 - Packing cases, boxes, crates			34		1,164	2											5
63512 - Pallets, box pallets			5			5						442					161
63520 - Casks, barrels, vats			28														
63531 - Windows, french-windows and frames			38			5				394		11					190
63532 - Doors and their frames and thresholds			601		1,016	18	193	59		55,108		50	4,016				158
63533 - Shingles and shakes																	
63539 - Other builders' joinery			2,019		918	1,209				6,814		10,742	792			258	1,533
63541 - Wooden frames for paintings			868							618		98					0
63542 - Tableware and kitchenware of wood			1,038					2		245		113	1			0	13
63549 - Wood marquetry			872	1	27			144		3,552		12	19	6		440	9
63591 - Tools, tool bodies, tool handles			27											47			2
63599 - Other articles of wood			4,455	1,060	4,599	17	10	21		3,389		5,143	682			4,685	311
641 - Paper and paperboard			3,355		2,152	420,624						273				138,080	177,326
642 - Paper and paperboard			9,760		7,233	6,664						2				19	6,444
82116 - Seats, with wooden frames	282		10,955		175	3		3		7,044		76	4,592			385	61
82159 - ....other wooden furniture	9,307		13,411		1,158	663		1,046		52,580		821	18,043	10		1,165	2,692
82179 - Furniture of other materials including bamboo			1,462		7					7,181			160			0	10
<b>Estimated total imports 2005 (m<sup>3</sup> RWE)</b>	<b>15,858</b>	<b>25,738</b>	<b>63,372</b>	<b>1,121</b>	<b>435,286</b>	<b>655,442</b>	<b>338</b>	<b>8,641</b>	<b>0</b>	<b>251,406</b>	<b>0</b>	<b>689,511</b>	<b>80,918</b>	<b>367</b>	<b>189</b>	<b>659,406</b>	<b>377,875</b>

Illegal logging and related issues

Illegal logging and illegal forest activity are symptoms of corruption and lax enforcement and poor social conditions. Many of the countries supplying wood and wood products to the UK have high levels of foreign debt, poor governance, high levels of poverty, unsustainable forest management, and have experienced loss of high conservation value forests. These factors, among others, contribute to illegal and unsustainable trade.

Arguably the problems associated with illegal activities are most acute in developing countries and in the transitional economies of Russia and Eastern Europe, Brazil, Malaysia and China. Many of these countries are characterised by high levels of corruption; by weak political institutions, and weak regulatory enforcement in the forested regions. Typically these areas are poor and remote and there are few opportunities to earn sufficient income. Black markets, whether in forest products or other valued commodities, are relatively and compellingly easy to enter. Those charged with the responsibility of enforcing legality in the forest sector in many of the countries with illegal logging and trade problems are often poorly paid and the temptation to become corrupted by the illegal loggers or traders proves overwhelming.

It would be extremely ambitious to draw direct correlations between conservation values, poverty and corruption or similar variables that all have a bearing on illegal logging. Indirectly these factors can all be seen to have some relevance to each other: rural poverty, general corruption and a culture of forest clearance provide a suitable framework for illegal logging to operate. When these conditions exist in places where the forests have high conservation values we face a social and environmental disaster.

The countries assessed in this report all exhibit similar characteristics with respect to:

- *Deforestation*: Generally high levels in terms of percentage change over a decade, and high levels in absolute terms.
- *Corruption*: Low scores representing societies that are typified by moderate to high levels of corruption.
- *Globally important forest ecoregions*: Present in all countries, including Indonesia, Brazil and China which have the highest numbers of ecoregions of this type.
- *Rural poverty*: Moderate to high levels of rural poverty in almost all countries considered.

While it is not possible within the scope of this report to draw firm conclusions or conduct further analysis, there is a strong likelihood that illegal logging is both a symptom and cause of deforestation, corruption and rural poverty and is linked to loss of forest biodiversity in some of the world's most biodiverse forests.

**Table 15: The potential links between illegal logging, deforestation, corruption, conservation values and poverty**

Country	Deforestation rate (percentage decrease between 1990 and 2000)	Deforestation total (Hectares 1990-2000)	Corruption Index score	Globally significant forest eco-regions	Percentage of rural population below the poverty line	
Belgium	0.2		1	7.1	0	
Brazil	0.4	2309		4	8	51.4
Cameroon	0.9	222		2.2	4	49.9
China				3.5	7	4.6
Ecuador	1.2	137		2.2	5	14.7
Equatorial Guinea	0.6	11		4.5	3	47
Estonia				5.6	0	
Finland				9.7	0	
France				6.3	2	
Gabon	0.8	10		4.5	3	
Germany				7.3	1	
Ghana	1.7	120		3.9	2	49.9
Indonesia	1.2	1312		1.9	11	27.1
Italy				5.2	2	
Japan				7.1	1	
Liberia	2	76		4.5	1	
Malaysia	1.2	237		4.9	4	15.5
Netherlands				9	0	
Papua New Guinea	0.4	113		4.5	4	41.3
Peru	0.4	269		4	7	67
Russia				2.7	4	30.9
Spain				7.1	2	
Sweden				9.3	0	
United Kingdom				8.7	0	
United States				7.7	7	

**Note on Corruption Index score:**

10 represents no reported/measurable corruption. The global average is 4.5.

In terms of corruption, the UK scores extremely highly as being among the least corrupt nations (with Finland and Sweden at the top of the Index). The data suggests that the UK forest products industry acts in an uncorrupted environment in the UK marketplace, though it is clearly linked to illegal logging and associated corruption in many of the countries where it sources its forest products.

Illegal logging and the associated trade are inexorably linked to corruption, poverty and the loss of forests and the associated biodiversity. It is not within the scope of this report to explore these relationships more fully. Scrutiny of Table 15 above would at least allow a conclusion that the UK trades with a number of countries that have high levels of rural poverty, above average

corruption, and forests of ecological and conservation significance, with high levels of deforestation and as we have seen, high levels of illegal logging. With or without a proven link between these variables, the UK's imports of illegal wood would appear to contribute to this global problem in a significant way.

Illegal logging and the associated trade have a direct impact in many countries in relation to biodiversity loss<sup>73 74</sup>. It is beyond the scope of this report to fully explore this topic, except to state that there is a clearly established link between illegal logging and biodiversity loss and loss of ecological functions.

## Section 4: Review of current solutions

Demonstrating legality: how exporting countries distinguish between legal and illegal

The vast majority of timber producing countries have paper or electronic systems, based on the relevant legislation, that describe a process starting at harvesting and ending with processing or export. Typically such a process contains the following elements:

- concession or lease agreement (and assumed compliance with any tendering or similar process used to acquire such agreement);
- form of harvesting schedule or suitably approved management plan;
- harvesting permit or licence;
- tree/log information form identifying stump and log;
- transport permit which relates to the log/stump;
- processing records;
- export permits; and
- CITES registration documents if relevant to the species.

The requirements for a number of major exporting countries are included in Appendix J. These have been reproduced from the WWF publication *Keep It Legal*.<sup>75</sup>

Despite best efforts and intentions many of these processes are often not completed, or are avoided. Fraudulent documentation can be substituted and corrupt officials are prepared to issue documents on request or not check certain shipments or truck-loads. The use and checking of existing systems has merits, but even where implemented on paper, the reality is that illegal wood still passes through fully documented supply chains.

Voluntary approaches to the illegal logging issue

Third-party verification of legality

Third-party legal verification is a fast-growing area for auditors. At least four major international auditing companies have already established programmes to conduct audits of forest products legality.<sup>76</sup>

A full legal compliance demonstrates:

- timber was legally harvested;
- charges were paid;
- timber was legally traded (including compliance with CITES requirements);
- third party audit of legal compliance was conducted and chain of custody verified; and
- the equivalent of compliance with Forest Stewardship Council (FSC) Principles 1.1 and 1.2, as well as the legality of importing and exporting being checked.

Third-party legal verification is a market-driven mechanism that is extremely complementary to other related efforts, such as the stepwise approach to certification.

### Credible forest certification

Forest certification is a system of forest inspection and a means of tracking timber and associated products, such as paper, through a 'chain of custody' (although some forest certification systems lack the chain of custody element).

The FSC chain of custody system is described in the following way:

“Chain of custody certification provides a guarantee about the production of FSC-certified products. Chain of custody is the path taken by raw materials from the forest to the consumer, including all successive stages of processing, transformation, manufacturing and distribution.

“From a customer perspective, the FSC label represents a promise that is being made to them. Chain of custody standards are the mechanism FSC has to ensure that that 'promise' is delivered. Operations that have been independently verified for FSC chain of custody certification are eligible to label their products with the FSC logo.”<sup>77</sup>

The key to improving the way forests are managed through forest certification is the credibility and quality of a certification system. In the last decade, however, an increase in the number of certification systems of dubious quality is making it difficult for companies and consumers to judge the effectiveness of these tools.

Credible forest certification systems inspect forests to check that the management is meeting environmental, social and economic principles and criteria (see Appendix D for FSC's Principles for Forest Stewardship). A credible system must include chain of custody audits; chain of custody ensures that products which are claimed to have originated in certified forests really have done so. A chain of custody must cover each step within the production, packaging and wholesale process.

The WWF/World Bank Alliance has agreed basic requirements for a credible forest certification system; these are detailed in Appendix F.

Using these above criteria, WWF and the World Bank have developed a tool called the Forest Certification Assessment Guide (FCAG)<sup>78</sup>, which will continue to be used to assess a range of schemes and to define an appropriate threshold of acceptability. Within the multi-scheme environment that exists today, WWF and the WWF Global Forest & Trade Network (GFTN) will support all schemes that pass a threshold of credibility as defined by the Guide. This work continues jointly with the World Bank. As results start to become available they will be communicated publicly.

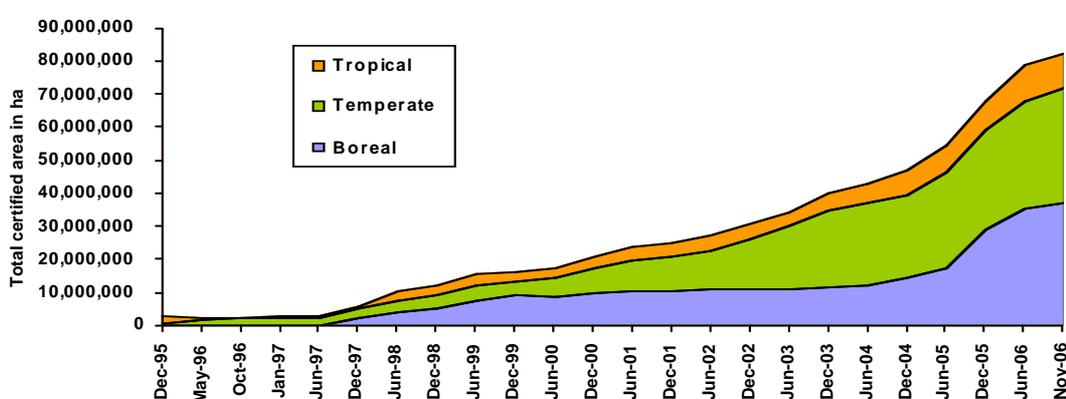
Currently WWF considers the FSC certification system to be the only credible system to ensure environmentally responsible, socially beneficial and economically viable management of forests. WWF therefore recommends the FSC system to consumers, forest managers, policy makers, businesses and the public.

FSC enjoys the support of most national and international environmental NGOs, unions, social groups and indigenous peoples as well as private, communal and state forest owners, timber industries, scientists and numerous individuals in more than 70 countries worldwide,

with 876 certificates issued<sup>79</sup>. No other system currently has this level of acceptance among all the key stakeholders (environmental, social and economic).

FSC and its estimated impact on illegal and unsustainable trade  
 FSC certification has grown steadily since its inception in 1993, particularly within the temperate and boreal forests; this is illustrated in Graph 1 below.

**Graph 1: Growth in FSC certified area since 1993<sup>80</sup>**



More than 80 million ha are now FSC certified.<sup>81</sup> However, data on the amount of certified material traded is not readily available. FSC expects to have better trade and certification impact data in a year's time, specifically:

- forest data – volume of FSC timber sold at forest level per certificate;
- trade data – volume traded at each Chain of Custody; and
- impact measures via 10 indicators: for example, pre- and post-certification data on pesticide use and accidents.<sup>82</sup>

FSC-accredited certification bodies are now beginning to collect data and test the new database system.

The Co-operative Bank produces an annual Ethical Consumerism Report; it includes estimates of the value of FSC products purchased in the UK retail market. Table 16 outlines the Co-op Bank's figures.

**Table 16: Value of the UK retail market in FSC products<sup>83</sup>**

<b>Year</b>	<b>Estimated retail sales (£ million)</b>
1999	351
2000	629
2001	568
2002	596
2003	704
2004	728

If consistent, reliable historical data on the illegal timber trade were available it would be useful to see to what extent the growth in the FSC system has impacted upon illegal trade. Given that these figures do not exist, the authors of this report can only speculate on the impact of FSC with regard to illegal logging.

More FSC certifications have occurred in the better-managed forest areas of the world, simply because FSC standards are easier to achieve from such a starting point. The FSC standards include requirements to control illegal logging in forest concession areas;<sup>84</sup> this usually necessitates that forest managers address some of the root causes of local illegal trade, such as resource use and access rights for local communities and/or indigenous people. Equally, FSC certification requires that local taxes are paid and that other legal requirements are abided by.<sup>85</sup> With regard to local level illegal trade, FSC is likely therefore to have had a positive impact.

It is less likely that the FSC system has had much impact on larger-scale illegal logging operations; such operations have not been encouraged to become FSC certified. As markets have become more discerning about the origins of their timber, large-scale illegal logging operations are most likely to simply start selling elsewhere into less discerning markets. The existence of FSC, its mainstream specification in the UK, Europe and North America, and its promotion to timber buyers by many NGO advocates and initiatives, has resulted in the European and North American timber markets becoming much more sensitive to the issue of timber origin. It is therefore likely that, since 1993, there is less illegally logged timber in the UK market simply because more traders are asking pertinent questions of their suppliers. It can, however, be seen from this research and other indicators such as the continued regularity of Greenpeace 'Forest Crime Scene' direct action that the problem of illegal timber entering the UK is far from removed.

The recent development and introduction of the FSC Controlled Wood Standards (at both forest management and chain of custody levels)<sup>86</sup> is set to have a positive impact with regard to reducing illegal and other 'controversial' timber entering supply chains. These standards were introduced to ensure that FSC labelled products containing less than 100% FSC certified material would certainly not contain controversially sourced material such as illegally logged timber or that from high conservation value forests<sup>87</sup>.

It should therefore have an immediate effect with regard to FSC certified products; mandatory implementation of the standards is from January 2007 (they have been available for voluntary implementation for over a year). Prior to the introduction of the Controlled Wood Standards, which require a third-party audit, the FSC policy was for companies to self declare the origin

of the uncertified material that was mixed with FSC material. It is therefore anticipated that the Controlled Wood Standards will bring about real improvement; the forthcoming FSC database will also include impact measures that relate to the Controlled Wood Standards.<sup>88</sup>

More significant may be whether or not companies will use the Controlled Wood Standards on their own before achieving full FSC certification. It is anticipated that this will be possible in the near future, when FSC has developed its ‘Modular Approach’ system – a certification system for stepwise approaches. The Controlled Wood Standards will form the first step in the Modular Approach system.<sup>89</sup> Such a development could have a major impact on the flow of illegal and other controversial timber into the markets that are concerned about these issues. Like full FSC certification it will, however, have little impact on the domestic timber markets within developing countries and the emerging economies until these markets start to demand such verification.

With regard to unsustainable trade, speculation may be somewhat easier. Almost all FSC certifications involve the issuing of Corrective Action Requests (CARs)<sup>90</sup>. These represent the areas that need improvement either before an FSC certificate is issued (major CARs) or by a specific deadline during the certificate’s five-year period (minor CARs). The vast majority of FSC certificates will represent an improvement in forest practice and therefore the 80 million hectares of FSC certified forest will have replaced less sustainable forest practices.

FSC has recently established a group that will look at better aligning FSC systems with other initiatives that seek to tackle the illegal and unsustainable timber trade, such as public procurement policies and the Forest Law Enforcement Governance & Trade (FLEGT) process. This should bring further positive developments in the future.

#### Certification and legality

Practically all forest certification standards require independent verifiers to confirm that the forest management and supply chain are legal. If purchasers can buy certified timber with a complete Chain of Custody, the risk of trading in illegal timber will be minimal, or at least greatly reduced. Table 17, below, summarises the various schemes and their ability to verify legality.

**Table 17: Certification schemes and verification of legal compliance<sup>91</sup>**

Certification scheme	Checks legal right to harvest	Achieves traceability through a chain of custody system	Allows percentage claims	Requires exclusion of uncertified material (from potentially illegal or unwanted sources)	Verification of system for controlling uncertified material	Value as a form of legal verification
Forest Stewardship Council (FSC)	Yes	Yes	Yes	Yes	Yes – Controlled Wood Standard	High – no extra legality related checks required
Programme for the Endorsement of Forest Certification Schemes (PEFC)—General	Yes	Yes	Yes	Varies	No	High for 100% certified – no extra legality-related checks required  Verification needed for non-
PEFC-United Kingdom	Yes	Yes	Yes	Yes	No	
PEFC-Germany	Yes	Yes	Yes	Yes	No	
PEFC-Sweden	Yes	Yes	Yes	Yes	No	
PEFC-Finland	Yes	Yes	Yes	No	No	

Certification scheme	Checks legal right to harvest	Achieves traceability through a chain of custody system	Allows percentage claims	Requires exclusion of uncertified material (from potentially illegal or unwanted sources)	Verification of system for controlling uncertified material	Value as a form of legal verification
Canadian Standards Association (CSA)	Yes	Yes	Yes	Yes	No	
Malaysian Timber Certification Council (MTCC)	Yes	No/under review	Yes	No	No	
Cerflor (Brazil)	Yes	Yes	Yes	No	No	
Sustainable Forestry Initiative (SFI)	Yes	No	Yes	Yes	No	Chain of custody system required
Lembaga Ecolabel Indonesia (LEI)	Yes	No	Yes	No	No	
Certfor (Chile)	Yes	No	Yes	Yes	No	
Pan-African Forest Certification Scheme (PAFC)	Yes	No	No	No	No	

All forest management certification schemes require compliance with relevant forest legislation at the harvesting stage. Some also provide a relatively high degree of assurance that the material covered by their chain of custody system is legal. The situation is made more complex, however, by ‘percentage claims’. These are permitted when it is accepted that it is impractical to demand that 100% of a product be certified. This is commonly the case for products in which wood raw materials from many forest sources are mixed during manufacture or processing (e.g., paper, plywood or sawn timber). In such cases, authorities responsible for governance of the various sustainable management standards acknowledge that some mixing with non-certified material is inevitable. Percentages are normally set, with some material coming from certified sources and the remainder coming from non-certified sources.

Though many of the certification programmes specify that illegal timber must be excluded from that non-certified portion, only the FSC requires that the non-certified portion be audited against their Controlled Wood Standard. This standard provides a framework by which non-FSC-certified timber (which will be mixed with FSC-certified timber when making mixed sources labelled products) can be assessed for legality.

In November 2006 the UK Timber Trade Federation published an attempt to quantify the volume of certified forests products being traded in the UK<sup>92</sup>. The analysis of a selection of timber importing and trading companies estimated that 55.8%, or more than 6.4 million cubic metres of imported timber and sheet materials were certified (either under the *PEFC*, *FSC*, *SFI*, *CSA* and *MTCC*) in 2005. By accreditation scheme, the share of imported material for FSC certified products was 27% in 2005; PEFC share was 28% and other schemes accounted for under 1%. The information supplied for the TTF report is based on feedback from the companies surveyed and has not been qualified by any of the certification schemes covered. It is unsure if the TTF report includes material which has a chain of custody certificate or if the respondents have been encouraged to report material as certified in the absence of such a qualification.

Using the TTF report is possible to re-calculate, to a degree, the estimate of illegal forest products entering the UK. The table below assumes the following:

1. All material reported as certified under PEFC, CSA, FSC, MTCC & SFI have full chain of custody that covers 100% of the material.
2. All imports from the relevant countries are carry chain of custody
3. Therefore the certified component of all imports in the relevant sector can be regarded as “legal” and removed from estimates in Table 9 of this report.

<b>Material</b>	<b>Estimated Illegal Imports from 18 countries</b>	<b>TTF Estimate of certified share (%)</b>	<b>Estimated illegal volume subtracting share estimated by TTF data</b>	<b>Note</b>
Chips & Particles	0		0	
Fibreboard	0		0	
Industrial Round Wood Coniferous	36,745		36,745	
Industrial Round Wood Non Coniferous Hardwood	2,533		2,533	
Industrial Round Wood Tropical	1,578		1,578	
Paper & Board	766,183		766,183	
Particleboard	15,167	87.4	1,916	average for Particleboard, OSB & MDF)
Plywood & Veneer	222,920	35.2	144,563	average for softwood and hardwood
Sawnwood Coniferous	1,677,514	58.0	704,555	
Sawnwood Non Coniferous	175,638		175,638	
Pulp	64,511		64,511	
Furniture	133,292		133,292	
Packaging & Pallet	1,818		1,818	
<b>Total</b>	<b>3,096,082</b>		<b>2,031,517</b>	
<b>Total (incl. other small volume materials)</b>	<b>3,265,469</b>			

The table above shows that the increase in certified products in the softwood and panel products sectors may have had a major impact on the overall estimate of illegal wood imported in the UK, potentially reducing the overall figure from 3.2 to 2 million cubic metres RWE. This is an encouraging sign, though by no means is the analysis definitive or entirely accurate. In the absence of information regarding the level of chain of custody or the degree of verification of the data submitted by companies to the TTF it would be premature to assume that the impact of increased certification has yet removed the spectre of illegal wood from the UK. The remaining 44% of UK imports of softwood and panel products are still likely to contain illegal wood as suggested in the table above.

Stepwise and responsible purchasing policy approaches

The UK’s forest products private sector has long operated in what is among the most environmentally sensitised marketplaces in the world and, since the early 1990s, it has been active in trying to find practical solutions to meet consumer demands for more sustainable forest products.

The formation of the Timber Trade Federation’s ‘Forests Forever’ in 1990 and the WWF-UK 1995 Group in the following year<sup>93</sup> are two examples of how the UK private sector recognised

the issues surrounding the sourcing of forest products and the need to take action to try and demonstrate responsibility.

Today these initiatives have evolved and a number of other organisations have developed mechanisms to allow private sector companies to demonstrate their responsibility as either purchaser or producer. Increasingly, these programmes have begun to link purchaser and producer in common and aligned programmes. Market forces are used to provide clear incentives for more responsible forest management, with legality forming a key stepping stone towards sustainability.

Within the UK marketplace today there are three key initiatives that involve a large proportion of the value chain, namely:

- WWF-UK Forest & Trade Network (FTN), part of the WWF Global Forest & Trade Network (GFTN);
- Tropical Forest Trust (TFT); and
- the Timber Trade Federation Responsible Purchasing Policy initiative.

All three initiatives seek to engage with UK-based purchasers in an effort to improve the environmental status of the supply chain through a 'stepwise approach'. This approach relies on traceability and assessment of each forest source. The assessment places the source within categories typically across the following range: unknown; legal or licensed; progressing towards some form of certification; and certified or recycled.

The WWF-UK FTN and TFT both operate within programmes that have direct links to forest management operations in producer countries with an ultimate goal of introducing credible certification. Both organisations seek to work with large elements of the supply chain, or whole supply chains starting in the forest through to the final point of sale to the consumer. A recent entrant to the stepwise approach to FSC certification is the Rainforest Alliance's SmartStep Programme, which follows a similar approach and methodology.

The early years of forest certification, especially for the FSC, were typified by a rapid increase in demand from markets, such as the UK, for certified products. This demand was one of the main drivers for the increase in certified forests around the world. Arguably, initiatives such as the UK FTN and GFTN have been the main drivers for the growth in the area of FSC certified forests<sup>94</sup>.

The demand for FSC in the 1990s was clearly successful in many ways and the result today is that over 82 million hectares of forest have been certified by FSC.<sup>95</sup> It became apparent over time that many producers, especially those operating in difficult environments, usually in the developing world, found it difficult to respond to the demand for FSC. Lack of technical expertise, experience, funding, and market patience while certification was achieved meant that certification across large areas of Africa, Asia and Latin America was sparse.

Many of these deficiencies are now being addressed through a variety of stepwise approaches to forest certification and responsible purchasing, such as the work of the WWF GFTN, Tropical Forest Trust and SmartStep. These approaches require every company engaged in the process to commit to responsible sourcing or production depending on circumstances. This entails every forest management unit ensuring as a starting point that they can

demonstrate the legal right to harvest and, through a process of evaluation and target setting, they can in future achieve the standards required to achieve FSC certification.

For a full breakdown by country of stepwise approaches to purchasing and certification, see Appendix G.

Globally nearly 500 companies are engaged in stepwise approaches to forest products purchasing and forest management certification. These companies manage over 28 million hectares in some of the most biodiverse forests. They account for more than 2% of the world's productive forests and purchase over 2% of the world's production of timber.

**Table 18: Status of the WWF-UK Forest and Trade Network<sup>96</sup>**

	<b>2004</b>	<b>2005</b>
Total volume of forest products reported as traded by FTN members (million cubic metres RWE)	<b>20.8</b>	<b>25.0</b>
Total volume of forest products recorded by FTN members as imported material (million cubic metres RWE)	<b>13.40</b>	<b>16.34</b>
Estimated FTN share of UK consumption of imported forest products	<b>26%</b>	<b>31%</b>
Total volume of forest products reported as coming from legal sources (million cubic metres RWE)	<b>13.62</b>	<b>16.17</b>
Total volume of forest products reported as coming from sources progressing to credible certification (using WWF recognised stepwise approach) (million cubic metres RWE)	<b>0.14</b>	<b>0.23</b>
Total volume of forest products reported as being credibly certified (FSC)	<b>9.35</b>	<b>11.79</b>

It is important to note that the UK FTN accounts for an estimated 31% of UK imports. UK FTN participants are committed to responsible purchasing, and a key component to this is that they are explicitly committed to purchasing legal wood on the way to achieving their goal of only purchasing credibly certified forest products. The UK FTN, like all FTNs is increasingly choosing its participants strategically. This ensures that buyers are purchasing from ecoregions that WWF considers to be most important, while supporting the efforts of the producers in these countries.

Unfortunately, no data is available to show the impact of the UK Timber Trade Federation (TTF) Responsible Purchasing Policy (RPP), though given its focus and key requirements for participation, and scope of the TTF membership, it should in the longer term have a similar effect on a significant proportion of the remaining 69% of imports. There are currently 36 signatories to the RPP who, according to the TTF, represent the key importing sectors in the UK. There are no companies that are members of both the UK FTN and the TTF.

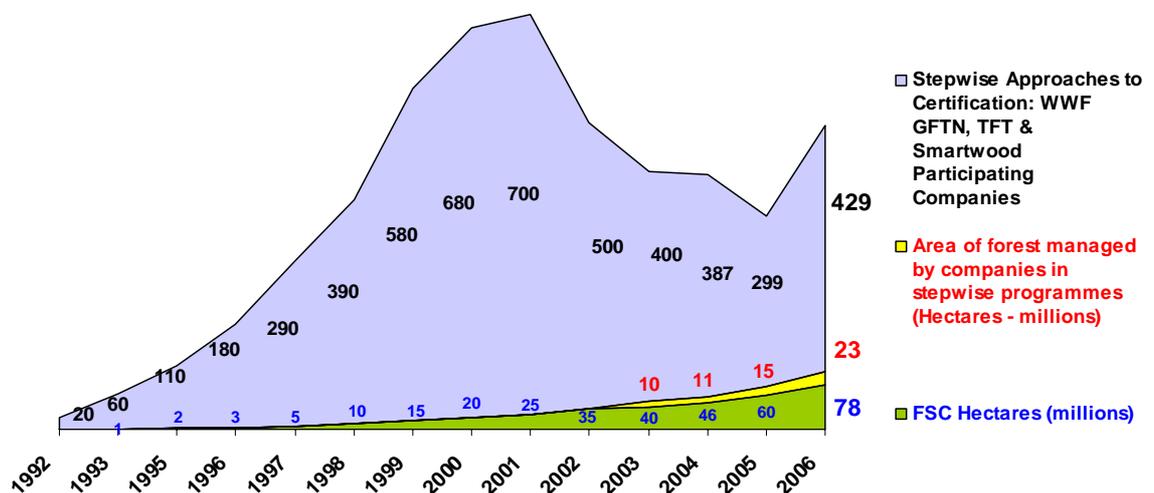
TTF members all agree to the TTF code of conduct that commits them to legal sourcing. The RPP, unlike the code of conduct, commits members to taking meaningful action towards more responsible purchasing and to producing an annual report on progress, which will be externally audited.

The House of Commons Environmental Audit Committee had this to say of TTF efforts in 2005: “Whilst the establishment of the Responsible Purchasing Policy by TTF is encouraging, the low uptake at its launch is definitely not. It also raises the question as to why it was needed given that all its members are supposedly already complying with the Code of Conduct and therefore sourcing their timber and timber products from legal and well-managed forests. We have since been told by the TTF that all its members will be signing up to the RPP and that they will be investigating ways of auditing their supply chains with the aim of improving their purchasing policies. This is all very welcome and we hope to see this resulting in meaningful changes in how the UK timber trade operates and the implementation of proper chains of custody for all the timber products they supply,”<sup>97</sup>

Clearly there is evidence of the UK forest products industry (and industry more globally) beginning to have an effect in terms of accepting responsibility for the issue of illegal logging through a variety of mechanisms. This is demonstrated through policy commitments and engagement with the TTF RPP and the WWF-UK FTN.

Graph 2 shows how the combined market demand of, at one time, more than 700 companies globally led to the expansion of FSC certification over a decade. The recent development of stepwise approaches to certification is clearly growing to further meet the demand of the market and enable those companies unable to step easily into credible certification to make progress in the right direction.

**Graph 2: Expansion of FSC certification**



**Timber Trade Action Plan (TTAP)**

The Timber Trade Action Plan is a five-year, EC-funded project managed by the European Timber Trade Federations. The TFT is responsible for its executive management. TTAP operates in five producer countries (Indonesia, Malaysia, Cameroon, Gabon and Congo Brazzaville) and three consumer countries (Belgium, Netherlands and the UK). The project will be extended in the beginning of 2007 to Brazil, Bolivia, Guyana and China.

TTAP aims to provide guidance for implementing shared membership criteria committing all partner Timber Trade Federation (TTF) members throughout Europe to source only verified legal timber as a baseline purchasing requirement and to develop harmonised purchasing practices shared by other European TTFs. It aims to develop national guides to legality and standards for chain of custody auditing, and to verify the legality of at least 20% of the timber bought by members of the UK, Dutch and Belgian Timber Trade Federations from the participating producer countries by 2009.

TTAP plans to produce guides, tools and research over its five years of operation. These will be developed and field-tested by project partners. Publications will include an analysis of the factors driving the European timber industry to procure legal timber rather than potentially illegal timber of unknown origin, a guide to chain of custody service providers, a risk assessment tool, an assessment of the impacts of legality compliance, a market preference study, a chain of custody system, and a guide to legality.<sup>98</sup>

#### BREEAM

BRE's Environmental Assessment Method (BREEAM) is used to assess the environmental performance of both new and existing buildings. It is regarded by the UK's construction and property sectors as the measure of best practice in environmental design and management. BREEAM assesses the performance of buildings across a range of areas including materials (such as responsible sourcing and environmental impacts – i.e. life cycle assessment). 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. On timber, BREEAM currently considers FSC as falling within its top tier, earning the maximum number of credits available. The Canadian and US forest certification schemes also fall within this top tier but are subject to needing to pass additional criteria on social issues as well as needing to be accompanied by a chain of custody in the case of the US scheme.

Feedback received from the Timber Trade Federation confirmed that the BREEAM is having a positive impact on the market for legal and sustainable timber and wood products, but it was not possible to confirm how significant this impact is.

#### Status of certification programmes

The United Nations Economic Commission for Europe (UNECE) and the UN's Food and Agriculture Organisation (FAO) recently published its Annual Market Review, 2005-2006<sup>99</sup>. The publication states that approximately 7% of the world's forests (270 million hectares) are covered by third-party certification schemes. This is a major achievement, since FSC implemented the first third-party forest certification in 1993. Today, FSC accounts for the largest certified area, with 28% of the certified area globally. It is followed by CSA with 26% and PEFC with 23% of the certified area.

The report notes that while the original driver for certification might have been uncontrolled deforestation in the tropics, its adoption has been far more successful in the northern hemisphere, in the temperate and boreal regions, than in the tropical zone; and in the developed rather than the developing world.

Again, FSC is spearheading the development: PEFC-certified forests lie almost exclusively in EU/EFTA countries and North America (96%). Its share in the tropics is less than 1%. FSC is spread more evenly geographically, with more than one third of its certified area outside EU/EFTA countries and North America. In all newly certified tropical and sub-tropical forest areas, FSC has issued the first certificates. Over the last year Guyana, Laos, Cameroon, Mozambique, the Republic of Korea and Vietnam have joined the groups of countries with FSC certified forest areas<sup>100</sup>.

Certification, in its many forms, has been a tremendous growth area that has now begun to affect forest management across all continents to some extent. Almost 15 years of market pressure, NGO and aid agency support has led to around 7% of the world's forests being certified and in turn led to a level of legal assurance. However, the rate of certification growth and the limited uptake in some regions compared to the scale and urgency of the problem means that other factors beyond simple market-driven certification are required. This leaves a huge responsibility to governments to address the issues of illegal logging in addition to efforts of responsible purchasers and producers who see certification as the way forward.

The future trend in voluntary approaches

Since 1993 the area of certified forest across all international schemes has grown from 0 to 270 million hectares. Levels of certification are high across many countries, with the largest gaps in Russia and the southern hemisphere. It is likely that certification will most probably continue to grow in these countries, while in the northern hemisphere, with the exception of Russia, growth will be significantly less beyond existing uptake.

**Table 19: Prediction for growth in certification**

Scheme/approach	Estimate for growth (5 years)	Notes
Stepwise approach to FSC (GFTN, TFT, SmartStep) – current	28 million hectares <sup>101</sup>	Assumes existing commitment will be realised as FSC forest management certificates.
Stepwise approach to FSC (GFTN, TFT, SmartStep) – predicted growth	50 million hectares	<p>Interest in certification in Russia is growing rapidly. It is likely that Russia alone will contribute 25 million hectares.</p> <p>Certification in central Africa is now an established concept and commitments already stand at 4.3 million hectares. If this is successfully converted to certified forest it is likely to have a halo effect of at least another 5 million hectares.</p> <p>Certification in Indonesia is now an established concept and commitments already stand at 2 million hectares. If this is successfully converted to certified forest it is likely to have a halo effect of at least another 2 million hectares.</p>

Growth in PEFC	30 million hectares	Figure estimated through growth in PEFC umbrella schemes <sup>102</sup>
<b>Totals</b>	<b>In excess of 80 million hectares</b>	

This table does not include potential future certification beyond known commitments made in stepwise programmes. It is likely that there will be further growth in FSC certification outside developing and transitional countries, though this is hard to assess as private companies often do not announce their intentions until after the fact and certification has been achieved.

The UK government's approach to the illegal logging problem and the implementation of its timber procurement policy

In 1999, the Foreign and Commonwealth office held a launch for the book published by the University of Cambridge entitled *Our Forests, Our Future*<sup>103</sup>, which highlighted the fact that the world's forests "were being cut and burnt at such a rapid rate that if action is not taken soon, we risk undermining their vital function in maintaining a habitable planet". The book concluded: "We must urgently choose a path that respects the ecological values of forests while recognising their role in social and economic development."

It was therefore welcomed when, on 28 July 2000, Michael Meacher, Environment Minister at the time, committed the UK government to change its current voluntary guidelines on timber procurement to become binding – to buy timber from 'legal and sustainable' sources. At this time, the government recognised that "illegal logging damages both the environment and society, reduces government revenues, destroys the basis of poor people's livelihoods and in some cases even fuels armed conflict", and also that "it is counter productive to help enforce laws abroad without striving to ensure that illegally-produced timber is not consumed at home".<sup>104</sup>

In clarifying the government's commitment to this report, Defra confirmed: "Our policy is not legally binding on central departments. Supplying legal and sustainable timber becomes a legally binding contractual obligation if a contractor has promised to supply it. Central departments have a duty to adopt government policy and in that context they are effectively mandated to do so by virtue of Michael Meacher's statement but there is no regulation as such; it is a self imposed voluntary commitment."<sup>105</sup>

At the same time, a committee of 'Green Ministers' was established to assist departments and agencies in working with timber suppliers and producers; to give guidance on best purchasing practice; to set progressive overall targets for government timber purchases from assured sustainable and legal sources; and to agree appropriate targets for individual departments and agencies.<sup>106</sup>

Despite the high priority given to this issue, no targets have been set yet by the UK government with regard to improving the source of timber procured, except as part of its delivery plan in response to the World Summit on Sustainable Development (WSSD) in 2002<sup>107</sup>. The target was that: "by November 2006, 50% of expenditure on timber by Central Government Departments in England will be on products which can be independently verified as being from sustainable sources".<sup>108</sup>

It is not possible to quantify whether this target has been achieved because, from 2004, government departments were no longer *required* to report on timber they procured. They are, however, able to do so on a voluntary basis.

The government has been criticised by the Environmental Audit Committee (EAC) on several occasions regarding the lack of data collected on timber products procured and nonexistent targets. The first criticism was in July 2002, two years after the announcement of its policy. It clearly recommended that, by the end of 2003, the government “ensures that every department has effective data capture and reporting mechanisms in place and a means by which inadequate reporting can be dealt with swiftly and efficiently. It is totally unsatisfactory for departments to be let off the hook for failing to report adequately and in a timely manner”.<sup>109</sup>

The government responded to the 2002 EAC report and its recommendations over a year later, in July 2003, stating that it is “committed to introducing progressive targets to take it to a position where all timber and timber products are obtained from sources independently validated as legal and sustainably managed... the priority is to get proper data collecting systems in place”.<sup>110</sup>

No such systems or targets have yet been set by central government.

The Framework for Sustainable Development on the Government Estate provides a structured approach for government departments to identify and report the key sustainable development impacts of the management of their estates. It has established common targets (mainly environmentally focused) across government in key operational areas. These targets are intended to be challenging and departments are required to deliver against them. They are also required to identify all their significant Sustainable Development (SD) impacts so that they can allocate resources accordingly.<sup>111</sup> The current targets, launched by the Prime Minister in June 2006, do not have any timber-specific targets.<sup>112</sup>

The Sustainable Development Commission (SDC) is an independent body and has a formal role as the UK government’s sustainable development ‘watchdog’. It reports to the Prime Minister. According to the report from the SDC, *Leading by Example? Not Exactly*<sup>113</sup>, “the Government recognises that it is important that it is *seen to follow* [emphasis added] the action which it advocates to and sometimes requires of, the private sector and the general public. Clearly, the Government is better placed to ask business to report more fully on its environmental and social impacts, procure legally certified timber or reduce its carbon emission if it does so itself.”<sup>114</sup>

Recognising that the sheer scale of the area of the government estate is significant, the SDC report stated that “the Government has the potential to make a huge, positive impact on society, public expenditure and the environment whilst simultaneously helping to deliver on its own SD objectives.”<sup>115</sup>

Scoring the government on its performance regarding procurement, the SDC report stated that:

“All Departments are currently developing Sustainable Procurement Strategies to oversee the environmental impacts of their contracts

All departments, bar two, have either developed or are developing environmental clauses for at least some contracts BUT [SDC emphasis] – no department has training programmes in place for all staff with purchasing roles”.<sup>116</sup>

In 2002, the government set up a Central Point of Expertise on Timber (CPET) which is operated by the external consultancy Proforest.

The CPET offers public sector buyers and their suppliers a number of services, including a website, a helpline and training workshops. CPET also assesses evidence to determine whether forest sources qualify as legal and sustainable as defined by Defra.

Criteria used to define forest certification systems and their potential to deliver legal and sustainable timber

The criteria defined by CPET in order to assess certification systems have been developed during the last six years following several stakeholder consultations (including industry, NGOs and government representatives). Social issues such as the rights of indigenous people, tenure and use rights and responsibilities and community relations and worker’s rights are not included in the criteria. The UK government has stated that it is not able to consider social elements within the criteria it uses to assess forest certification systems as this is not permitted under the European Public Procurement directives, although the interpretation of this is open to question and several other countries have chosen to interpret this differently.

The impact of this is that most certification systems have been recognised as meeting the government’s requirements to ensure timber is from “legal and sustainable” sources when it is argued that true sustainability cannot be achieved without ensuring social elements are taken into consideration.

In November 2004, the government announced that of the five forest certification schemes assessed against government contract requirements only two, the Canadian Standards Association (CSA) and FSC gave assurance of legal and sustainable timber sources. The other three – MTCC, PEFC and SFI passed the test for assuring legal sources. PEFC and SFI made changes to their scheme standards and were subsequently reassessed as passing the CPET assurance test for sustainable forest management as well as legality, on a provisional basis.

In December 2006, following a review of forest certification systems, the UK government announced that timber certified under the CSA, FSC, PEFC and SFI certification systems met the government’s requirements to ensure legal and sustainable timber has been met. MTCC met the government’s legal requirements only.

PEFC has made some improvements in terms of standard setting in recent months, although several schemes under the PEFC umbrella still allow large-scale, unsustainable logging in high biodiversity areas and inadequate tracking of timber from the forest to the point of sale. Environmental organisations are particularly concerned about a recent ruling in Tasmania. The Federal Court found that Forestry Tasmania has illegally failed to protect endangered species within logging operations certified as legal and sustainable by the Australian Forest Standard (AFS) and PEFC.

Research undertaken by at least two legal experts suggests that including criteria that reflect social elements can be taken into account when specifying timber. See Appendix E for further details.

In its *Sustainable Timber* report, published in January 2006,<sup>117</sup> the EAC supported this and stated: “Sustainable development has three equal strands: social, environmental and economic. It is therefore of great concern to us that the Government’s current interpretation of the EU rules governing procurement do not allow social considerations to be taken into account when awarding a procurement contract. This means that the assessment of the various forestry certification schemes did not include an assessment of how social issues, such as the rights of indigenous people, are dealt with. The FSC is currently the only certification scheme that does this comprehensively. Many environmental groups and members of the timber industry, such as Timbmet, argue that a forest cannot be said to be sustainably managed if it does not protect the rights, health and livelihoods of people who live in or adjacent to forests and are dependent on them. We would agree.”

The report further detailed the following points:<sup>118</sup>

“Social considerations are integral to whether or not timber can be considered to be sustainably logged. Defra must seek clarification on the EU position on these social considerations as soon as possible and work towards removing any restrictions on taking them into account as a matter of urgency.”

“Every effort must be made to assisting producer countries to be in a position to enter into Voluntary Partnership Agreements (VPAs) [An explanation of VPAs can be found in Appendix I] in sufficient numbers so as to create a significant presence in the EU timber market. Likewise, the EU and UK Government must endeavour to harmonise timber public procurement policy across Europe to ensure a significant market exists for sustainably felled timber and timber products from VPA countries.”

The EAC concluded: “We therefore question whether it is possible for the Government to state that it has a sustainable timber policy – legal, yes – if the social implications of how and where it purchases timber are not a consideration. As it stands sustainable timber procurement is a misnomer.”<sup>119</sup>

According to the CPET website, there are plans to undertake a monitoring programme of UK government timber procurement to determine whether contract requirements for legality are being met in practice.<sup>120</sup> Confirming this with Defra when writing this report, the situation is that “monitoring by CPET is being actively considered”, but there are “no finalised plans for the CPET monitoring programme and there is still some internal government consultation to do on the proposal”<sup>121</sup>. The government is still considering how best to address reporting on its timber purchases in the context of the recommendations on data collection following the Sustainable Task Force report.<sup>122</sup>

The EAC *Sustainable Timber* report<sup>123</sup> also stated: “It is gratifying to find in this follow-up inquiry that there has been some very significant progress on the issue of timber since the EAC’s predecessor Committee’s Report in 2002. Concerns about illegal logging and deforestation have risen rapidly up the agenda both in the UK and within the EU in the last three and a half years. However, a great deal still remains to be achieved if forests worldwide

are to have their long-term survival assured. With this in mind it is clear to us that there are several areas that it is vital are taken forward as a matter of urgency.”<sup>124</sup>

In its 2005 Sustainable Development Strategy,<sup>125</sup> the UK government stated its ambitious goal to be among the leaders in the EU on sustainable procurement by 2009. It recognised that current initiatives alone would not deliver that. To this end the Sustainable Procurement Task Force (SPTF), jointly funded by Defra and HM Treasury, was set up under the direction of Sir Neville Simms, Chairman of International Power plc and a leading private sector proponent of sustainability.

The SPTF’s *Sustainable Procurement National Action Plan: Procuring the Future* delivered its findings and recommendations in June 2006.<sup>126</sup> One of the conclusions from this was that “Whilst government says that minimum standards such as ‘BREEAM’<sup>127</sup> are mandatory, they are not enforced or monitored. There is no sanction for not applying them; last year only 17% of new public sector buildings rated as ‘BREEAM Excellent’ while OGC’s Achieving Excellence in Construction Guide 11: Sustainability states: ‘Government Policy requires that all building projects should carry out an environmental assessment using BREEAM (or an equivalent). New build projects should achieve an ‘excellent’ rating and refurbishment projects should achieve at least a ‘very good’ rating.’”<sup>128</sup>

The first recommendation of the Sustainable Procurement National Action Plan contained a call for the following action: “Government must include clear and measurable targets on sustainable procurement in the revised framework for sustainable development on the government estate.”

To date, no timber-related targets have been set, despite well-informed recommendations to do so by both the SPTF and the EAC.

The government has not met its target to source 50% of all timber procured from certified sources (according to its own current definition). This is because without adequate data collection systems in place within the government, this target cannot be accurately measured. Confusion around what constitutes a sustainable source will also not help deliver credible results.

Earlier in this report we have seen that despite being urged to do so by the EAC and NGOs for a number of years, the UK government is not convinced that it is cost effective to gather detailed data on timber procured by individual departments.

It is clear that despite the UK government’s massive purchasing power, and its timber purchasing policy being in place for over six years, it is not being fully implemented, does not appear to be having the required impact, and adequate, systematic data is not being collected on timber usage, spend or status. Without having such systems in place, the government will find it difficult to live up to its intention of being a world leader in sustainable procurement. Having a clear idea of what timber is being purchased, what is high risk and therefore what needs to be improved (or eventually phased out of the supply chain), is a vital first step in any organisation’s wishing to behave in a genuinely responsible manner.

It is interesting to note that on the 19 January 2006, the Minister for International Development, Gareth Thomas, announced that the UK government would allocate £24

million over the next five years to help tackle the problem of illegal logging. It appears that none of this funding will be allocated to CPET.

Communicating, implementing and monitoring the UK government's own timber procurement policy properly and continuing to engage with other countries on this issue would have a massive impact on the amount of certified timber traded in the UK.

Assessing the volume of timber procured by central government  
With a purchasing budget of more than £13bn per year,<sup>129</sup> the UK government is a significant player in procurement. According to the EAC, central government is responsible for 15% of all timber procurement in the UK, making it the country's largest single consumer of timber. Including local authorities and private finance initiative projects, the figure rises to 40%.<sup>130</sup> For reasons stated above, it is difficult to get an accurate picture of how much timber by volume is procured by central government.

Official figures on timber procured by the UK government were given in 2003 in the *Sustainable Development in Government – Third Annual Report*.<sup>131</sup> The report included details about the financial value of timber expenditure from government departments and stated: "Overall, £19 million was spent on timber from a recognised certified source and just under a further £10 million was spent on timber with evidence of sustainable and legal sourcing but not certified. Together this accounted for 99.4 per cent of the total timber purchased by the Government."

In January 2006, the EAC published *Sustainable Timber*.<sup>132</sup> Commenting on the government timber procurement figures published in the *Sustainable Development in Government Third Annual Report*<sup>133</sup>, the EAC wrote: "both ourselves and the National Audit Office have questioned the robustness of the data provided by departments on procurement in the past. Indeed the problems with this data have been acknowledged by the Minister". Michael Meacher, the Minister at that time, said: "there are some issues that we need to address in relation to how individual departments collect a range of data, not just on timber, and how it is made available both to the Government and indeed to the EAC. I think we have some work to do on that."<sup>134</sup>

The EAC report continued: "this is extremely disappointing particularly as it is an issue that was raised by our predecessor Committee three years ago, and acknowledged by the Government in its response two years ago when it stated: The Government recognises that it is crucial that proper systems for collecting timber spend data are established if the Government is effectively to monitor performance and report on progress. The Government also set out the need for a comprehensive system of recording and reporting timber spend to a central point where the information would be used to inform resource requirements, determine appropriate targets and shape future policy developments. With this in mind, whilst we welcome the news the Government intends to commission ProForest, an independent consultancy that runs CPET for Defra, to audit a sample of departments to assess the quality of the information on which the reporting on timber purchasing in the Sustainable Development in Government is based, this seems far too little far too late.

"It seems incredible to us that the complete lack of reliable data, clearly identified as a fundamental hurdle to improving sustainable timber procurement at least four years ago and recognised as such by the Government has yet to be properly addressed."

In its May 2006 response to this EAC report<sup>135</sup>, the government stated: “reliable data on timber purchases is clearly necessary to produce an accurate performance indicator that is based on quantitative measures. However, the cost of collecting data has to be weighed against the value of the information provided.”

Local authorities and timber procurement

Local authorities have a very important role to play regarding responsible timber procurement, yet the vast majority do not have policies or procedures in place to ensure they are buying legal and sustainable timber.

WWF-UK has worked with local authorities (LAs) on the issue of responsible forest product procurement for almost a decade. It has provided free advice, technical support and training to help councils develop and implement policies.

Despite this awareness raising and the importance of operating a responsible timber purchasing policy, most LAs do not have any credible way of ensuring they are not contributing to purchasing illegal and unsustainable timber.

In 1997, WWF-UK undertook a study of LAs to see whether they were addressing their responsibilities regarding responsible timber procurement. The responses showed that 58% of UK LAs had no policy in place, 26% had a policy, and 10% of policies specifically mentioned the FSC; 6% did not reply.

When the study was repeated in 2001, 40% had no policy in place, 19% had a policy, 12% either didn't know or were in the process of writing one and 29% did not reply. It is fair to say that policies were not being implemented or monitored, meaning that local authorities have much work to do in this area.

The WWF report *Capital Offence – Is London failing the forests?* published in March 2006<sup>136</sup> stated that more than half of the local authorities (14) in London still do not take responsibility for ensuring that they have a responsible approach to timber purchasing.

A sample study of LAs' procurement policies was undertaken again during the writing of this report (November 2006), the response rate of which was 11.5%. Of these responses, 64% did not have any type of timber procurement policy, 16% had a policy (of which only one authority said it was monitoring in full), 12% did not know if they had a policy and 8% stated that they were about to write a policy.

In its report on sustainable timber,<sup>137</sup> the EAC stated: “We are disappointed that there appears to be little appetite within Government to oblige LAs to purchase their timber sustainably. We do not see why this should be the case. If Voluntary Partnership Agreements are to succeed – there is a need for a large and clearly defined market for certified products. There needs to be an obligation on the part of LAs to buy sustainable timber and the Government should enter into discussions with the Local Government Association and other bodies to help expand the market for sustainable timber.”

Central government responded to this by stating that it plans to work with the CPET Reference Board to devise a new promotion strategy aimed at stimulating interest through peer pressure. Specifically, this means identifying and persuading two or three local

authorities to champion responsible timber procurement and then promote them as case studies of good practice in the UK<sup>138</sup>.

It is clear that this is not enough to ensure that the procurement power of LAs is used to deliver on international commitments with regards to sustainable forest management. At the Earth Summit, held in Rio de Janeiro in 1992, more than 150 nation states agreed to an international plan of action for sustainable development. This committed local councils throughout the world to work with their communities to develop their own 'Local Agenda 21' strategies. In 2002, the next Earth Summit was held in Johannesburg and these aims and pledges were re-stated.

It is therefore both surprising and desperately disappointing that these commitments taken on board by LAs have been in place for 14 years and still the majority do not have policies in place to purchase timber responsibly. They do not appear to recognise the important role they should have with regard to protecting the world's forests. If policies and systems are not in place within their authority, committing them to procure legal and sustainable timber, they have no way of knowing that the timber they buy is either.

The importance of the UK taking action both domestically and internationally and the potential scale of its influence

The UK is viewed as a leader in the responsible timber procurement arena. It was the first government in the world to have a binding policy and is watched globally on the progress it makes. With this in mind, the UK has a potentially huge role to play in influencing other governments.

Central government timber procurement and local government following its lead

The EAC urged central government to extend the standards set for its own timber procurement policy to other public bodies (including local authorities).<sup>139</sup> According to Defra, this is still "in planning".<sup>140</sup>

The Timber Trade Federation is involved with central government's (CPET initiative) "local authority promotion project". The plan is to persuade actors in north-east England and north Yorkshire to collaborate on identifying and persuading two or three local authorities in that region to champion responsible timber procurement and then promote them as case studies of good practice to the whole of the UK. The project will kick off with some basic supply chain research to identify the candidates and the extent to which they are purchasing timber products and from whom.<sup>141</sup>

The general public

What impact are consumers having on the market?

Frequently there is a focus on consumer demand (at the level of the general public) for sustainable timber when the issue of illegal and unsustainable logging is discussed. In particular the issue of the need to increase consumer demand is often raised as a key requisite to driving the market for legal and sustainable timber and thus bringing about change at a forestry level.

There are various estimates of consumer recognition of the FSC logo in the UK. All are considered relatively low in comparison to some other similar brands such as the Fairtrade label. Recent research in DIY stores in two UK counties has suggested that FSC brand recognition is 17% (25% at highest) while Fairtrade is 85%.<sup>142</sup> Globally, FSC recognition (at a

general public level) is almost certainly highest in the Netherlands where for several years there has been sustained promotion of FSC to the general public through DIY stores and television adverts. The last consumer survey in the Netherlands in 2005 found 33% of consumers recognised the label unprompted.<sup>143</sup>

The 2000 Co-operative Bank report, *Who are the ethical consumers?*, outlined five consumer groups in terms of their potential to purchase ethically. The ‘hard core’ ethical consumers (‘Global Watchdogs’) formed only 5% of the consumer population, with a further 6% (‘Brand Generation’) potentially joining this group in the future. While members of other identified groups would either ‘Do What I Can’ (49%) or would act as ‘Conscientious Consumers’ (18%), neither of these groups would ever act particularly proactively.<sup>144</sup> It may therefore be the case that only a maximum of 10% or so of consumers will ever choose to drive ethical consuming by actively choosing what they buy on an ethical basis. In which case, trying to raise public recognition may not be the best strategy to take to bring about change. Brand recognition of an ‘ethical label’ may not necessarily be best the indicator of whether consumers will choose to buy the product carrying it. Other factors such as price, quality, overall product brand and which consumer group the purchaser is a member of will all play a part.

The recent report by the Sustainable Consumption Roundtable,<sup>145</sup> *I will if you will*, succinctly puts the case for the level of influence public level consumers can have:

“Don’t put the burden solely on green consumers. Government and business must focus fairly and squarely on mainstream consumers, rather than expecting the heroic minority of green shoppers to shop society’s way out of unsustainability. Choice editing by manufacturers, retailers and regulators already has a track record in getting high-impact products off the shelves and low-impact products onto them – so bring out the responsible consumer in everyone by making sustainable products the norm.”<sup>146</sup>

The concept of ‘choice editing’ is an important one. It means that consumers are not given a choice between an ethical and a similar non-ethical product. Instead, the choice in favour of an ethical product is made at a retail or manufacturing level.

This strategy has certainly driven the timber sector rather than general public level ethical consumers. The WWF-UK FTN (and its previous incarnations as the 1995 Group and the 95+ Group) has played a major role in encouraging corporate-led ethical change.

The Co-operative Bank noted in 2000 that the “most significant factor, however, will be the extent to which companies adopt ethical policies for their mainstream products. For example, the surge of wood from sustainably managed forests is due largely to the decision of retailers, led by B&Q, to follow this path. The corporate decision, following pressure from NGOs, has led to consumers being presented with a fait accompli. In many cases it is not a question of choosing between sustainable and unsustainable wood – the choice has been made by the retailer.”<sup>147</sup>

Relying on general public consumers as a means of driving demand for legal and sustainable timber does not appear to be the best way to achieve increased legal and sustainable timber procurement. While consumers clearly have a role to play, the market has not changed in the way it has to date because of consumer demand or pressure. Raising consumer awareness is a

costly investment and resources would probably be better spent elsewhere. Strategies to bring about further change would therefore be better targeted at a combination of government procurement policy, incentives and business level decisions.

#### Current political processes

There are a number of political processes under way to discourage the importation and use of illegal timber into the UK. The key processes are FLEGT (and the Voluntary Partnership Agreements within it), the International Tropical Timber Agreement (ITTA), the G8, GLOBE, the Ministerial Conference on the Protection of Forests in Europe (MCPFE), the World Summit on Sustainable Development (WSSD), The Lacey Act, and CITES. With the exception of CITES and the FLEGT processes, opinions on the impact of these processes suggest that little is actually being done to help stop the import of illegal timber into the UK.

#### FLEGT

The Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan was adopted by the European Commission in May 2003 as part of the EU's response to the call for action at the 2002 World Summit on Sustainable Development. The Action Plan sets out a new and innovative approach to tackling illegal logging, linking good governance in developing countries with the legal trade instruments and leverage offered by the EU's internal market.

A key part of the Action Plan involves a series of voluntary but binding partnership agreements with wood-producing countries and regions that wish to eliminate illegal timber from their exports to the EU. Through these partnerships, the EU and partner countries will set up a licensing scheme to ensure that all timber exports from the partner countries to Europe are legal. Unlicensed consignments from partner countries would be denied access to the European market under the scheme. The partnerships will also encourage governance reforms in wood-producing countries, particularly to promote greater equity and transparency in association with forest harvesting operations. Currently the agreements cover only roundwood, sawnwood and plywood, less than 3% of the trade, although a producer country can opt to extend this list.

Other elements of the Action Plan include looking at the viability of existing Member State legislation to control the illegal trade in timber and wood products, as well as a commitment to consider 'additional options'. The consideration of legislation that makes it illegal to import illegal timber and wood products is one such of these additional options.

Although acknowledging the potential positive impact that VPAs can have, several large, international NGO's<sup>148</sup> as well as a significant number of timber industry companies have concerns about some of the potential pitfalls within VPAs, with regards to:

1. **Reach.** The VPA system will only have a significant impact on the level of illegal logging in partner countries if it is rolled out across the entire country, to include all exports and the domestic timber trade.
2. **Laundering.** If the partner country has no national legislation prohibiting the importation of illegally logged timber and timber products, then timber logged illegally in a non-partner country could enter Europe legally via the partner country, accompanied by a valid legality licence. Importation into Europe would be legal, despite the timber's illegal origins. The timber would, in effect, have been laundered.

3. **Circumvention.** VPAs will only cover direct trade between the VPA country and the EU Member States. Timber and wood products imported via a third-party country, such as China, are not addressed.
4. **Product coverage.** The current VPA proposal does not address the imports of pulp, paper and furniture.
5. **Undermining legitimate business.** The voluntary nature of these proposals means that timber and wood products that fall outside these VPA agreements can still enter the EU market unchecked. Companies operating legitimately will therefore continue to be undercut by other, less scrupulous operators.

By their very nature, political processes take time before their effectiveness can be measured, and the fact that most of these are multilateral processes compounds the feeling of inertia. As previously noted, illegal logging is a complex process to measure; therefore the success of all political and business efforts to stop or reduce illegal logging is difficult to measure, as benchmarks are hard to develop.

Short descriptions of these other processes are listed in Appendix I.

## Section 5: Conclusions and recommendations

The scale of the international effort

There is a huge effort under way around the world to recognise and regulate the trade in forest products. Several major international processes that consider legality principally or as a part of a wider process are at varying stages of development.

More than 400 companies, estimated to be trading around 10% of the world's timber harvest are engaged in responsible purchasing of forest products.<sup>149</sup> The legality of the products they trade is a key factor in their commitment to responsible purchasing.

Around 7% of the world's productive forests are now certified to one or more of the many standards in operation around the world. All internationally recognised standards of forest certification, despite their major differences in approach, recognise the need for legality in harvesting and trading. When combined with an effective chain of custody, they offer one way of ensuring a level of legality.

Legal verification has recently appeared and is beginning to be used in a variety of countries by producers to demonstrate legality. It is early days for this process but it would appear to have a future and is likely to grow.

Evidence of progress

In the UK we have evidence of market-based mechanisms beginning to have an effect in terms of awareness and company commitments. This can be seen through the efforts of the WWF-UK FTN and the TTF RPP. On paper the companies in these initiatives are making the right commitments and are, to varying degrees, beginning to scrutinise their purchases and demand legal timber and certified timber. These efforts are becoming increasingly measurable in their impact in the UK in terms of the commitments made, the number of companies committed and the volumes they purchase. Unfortunately the root cause of the illegal logging problem is to be found overseas.

Assessment of whether illegal logging and the related activities are decreasing

Unfortunately it is not possible to tell at this stage. There is no standardised methodology for assessing the levels of illegality, not even an internationally agreed formula for calculating the degree or nature of illegality. No new studies have surfaced in any of the countries assessed in this report since previous reports to allow any comparison. The market is certainly communicating its message and requirements, and the modest effect of this as an increase in commitments towards FSC and other certification in a number of countries. While these efforts are important they will only increase the area of certified forest or third-party legally verified forest by a small sum compared to the global area of productive forest.

What needs to be done?

A lack of transparency holds back many efforts to show progress in combating illegal logging. New efforts should be made to increase the level of transparency through the following:

- New studies of illegal logging in key producer countries such as Russia, the Baltic States, Brazil and Indonesia using a formalised methodology that encompasses

definitions set out by WWF or similar. These studies should identify trends over the past few years and project them over the next five years. They should identify initiatives that are performing or failing and the key roles of the markets and governments.

- Better availability of information on the efforts of UK importers with respect to their commitments to responsible purchasing, especially those companies working under the TTF RPP. Better data would allow these efforts to be fully taken into account when determining the scale of illegal imports in any future report of this nature. TTF RPP should report in a similar fashion to the UK FTN.
- Each organisation should agree on a reporting format that would aid future studies to fully recognise their achievements and failings.
- An international protocol for collecting illegal logging data should be established. Organisations such as TRAFFIC, Greenpeace, WWF, TTF and the government (Customs and Excise) all acknowledge the problem of reliable data for illegal logging statistics. Methodology could be agreed so that any research undertaken is done using the same format.

The UK imports 7% of the world's timber and wood products by value (the second-largest percentage after China). This significant amount equates to a great deal of bargaining power and leverage in the producer countries with which the UK trades. While the influence varies from country to country, a combination of governmental and market-based activities have the potential to assert a positive influence.

The FSC

Currently there is no systematic collection of data on certified trade. The authors welcome the moves of the FSC to develop a database of such data and the recent initiative of the TTF to quantify the UK trade in certified material. However, up until this point it is difficult to see how anyone can expect to understand the impact of any of the various initiatives on illegal and unsustainable trade, given the lack of data on the trade in certified material or material under many of the other initiatives and data on illegal trade.

New developments within the FSC system such as the Controlled Wood Standards, the anticipated 'Modular Approach' stepwise certification system and systems that work more closely with public procurement policies and the FLEGT process are very much welcomed.

Action needed in the UK at government, business and general public level

#### **Central government**

To tackle the importation of illegal wood products effectively the UK government must:

- support EU legislation to make it illegal to import illegal wood products into the EU;
- improve its data collection on central government procurement of timber;
- set a target for the procurement of sustainable timber within central government;
- commission an audit into the effectiveness of CPET in promoting sustainable procurement of timber;
- integrate sustainable timber procurement requirements into PFI contracts;
- develop a coherent strategy with local government to improve their procurement policies on timber and wood products;

Information about timber being procured by central government must be collected in order to ensure government policy is being implemented. Monitoring systems must be set up which include on site, random checks. Without accurate data collection in place, it is impossible for the government to measure any progress made or to make any claims about the amount of ‘certified’ timber it procures.

It is vital that a senior representative within each government department is held accountable and responsible to ensure government timber procurement policy is fully implemented and monitored.

The government should provide sufficient funding to ensure:

- Government policy is effectively communicated throughout all government departments – particularly with procurement and onsite staff.
- Training is provided to all government staff with responsibility for timber procurement and is compulsory.
- Effective data capture systems are set up to capture timber procured.
- Continued support is provided for CPET, and that political will to ensure the timber procurement policy is implemented.
- Continued and appropriate levels of funding are set aside for the FLEGT process and VPAs.
- Social elements are included within the criteria used to assess forest certification systems to ensure that genuinely sustainable timber is used by the government.
- Financial penalties are included for failing to implement the government’s procurement policy.

With regard to the criteria used to assess the credibility of forest certification systems, the government should:

- Ensure that social elements are included within the criteria used to assess forest certification systems to guarantee that genuinely sustainable timber is used by the government.
- Give an indication of the best performing schemes as per the evaluation of CPET criteria.
- Evaluate schemes at a national level to ensure that changes made at an international level are implemented at a national level. This would ensure that the government is not relying on an overarching scheme to determine whether the CPET criteria are being fulfilled at a national level.

#### **Local authorities**

- The government should be systematically engaging with **local authorities** to develop a time-bound strategy to ensure all local authorities have policies which specify that the timber they use comes from legal and sustainable sources.
- **The Department of Communities and Government (DCLG)**, formerly ODPM, and **Local Government Association** should provide practical and financial support to encourage the uptake of green procurement policies.

#### **European Union/European Commission**

- Implement legislation to make it illegal to import illegal timber and wood products into the EU.
- The **EU and EC** should encourage governments and trade federations to engage in implementation of responsible timber procurement policies.

#### **Industry**

There is a need to ensure better availability of information on the efforts of UK importers with respect to their commitments to responsible purchasing, especially those companies working under the TTF RPP. Better data would allow these efforts to be fully taken into account when determining the scale of illegal imports in any future report of this nature. TTF RPP should report in a similar fashion to the UK FTN. Each organisation should agree on a reporting format that would aid future studies to fully recognise their achievements and failings.

**House Builders and Construction companies** should be working with organisations such as WWF ensuring they are part of a stepwise approach to constantly improving their timber procurement practices. The WWF-UK FTN and the WWF One Million Sustainable Homes Campaign can provide advice on responsible procurement.

**European Trade Federations** should continue to work with members to encourage best practice with regard to responsible timber procurement. It is vital that members are continually improving their sources of forest products and working towards all forest products coming from credibly certified sources.

**Banks** should implement policies to ensure that finance is not provided to companies involved in:

- commercial logging operations in high conservation value forests that are not credibly certified;
- logging operations that include any species listed on CITES that are not credibly certified or progressing to credible certification (in the case of Appendix II species);
- primary moist tropical forest logging operations that are not credibly certified; or
- logging operations that are in violation of local or national laws in respect of illegal logging.

#### **Public Finance Initiatives**

The government should undertake specialised guidance on incorporating clauses reflecting sustainable procurement issues within **Public Finance Initiatives (PFIs)**.

#### **NGOs**

**WWF** should continue its work providing technical assistance and support to local authorities to ensure they implement responsible timber procurement policies. There is clearly still the need for guidance on the issue of responsible purchasing.

#### **General public**

The general public is advised to think before buying forest products and should preferably choose a product that is from an FSC certified or recycled source. If such a source is not obviously available the general public can ask retailers and manufacturers for such products.

Expressing interest and a demand for an FSC or recycled product can help bring about change at company levels.

## Appendix A: Resume of previous reports and summary

In 2002, at the World Summit for Sustainable Development in Johannesburg, the European Commission made a strong commitment to combat illegal logging and the associated trade in illegally harvested timber. To build on this commitment, the FLEGT Action Plan was adopted in May 2003 (see more on FLEGT, Page 62). In response to its publication, in April 2004 FERN, Greenpeace and WWF published *Facing Reality – How to halt the import of illegal timber trade*.<sup>150</sup>

The conclusions from this report were that:

The EU has a duty to curtail criminal activities and to ensure the legality of products imported into its market.

A new regulation to outlaw the import of illegally sourced forest products should be developed. *To date, this has not been done.*

Voluntary partnership agreements with producer countries (as part of the EU FLEGT process) provide good opportunities to identify the legality of forest products, but a precondition to the success of these partnership agreements is a proper analysis of all existing forest-related laws. *In November 2006, Malaysia formally announced its intention to begin formal discussions to negotiate a VPA and hoped that this would be concluded by November 2007. Ghana, Cameroon and Indonesia are likely to begin formal discussions in early 2007. Informal discussions regarding the development of VPAs are ongoing in Congo, Liberia, Gabon, Papua New Guinea, Vietnam and Ecuador.*

In the interim, EU and national policies – such as CITES and procurement policies – should be strengthened and implemented. *Government barometer research carried out by WWF International in April 2005<sup>151</sup> assessed 23 EU countries and the actions they are taking against illegal logging. Of 23 EU countries, seven have developed public procurement policies to source timber from legal and sustainable sources: Austria, Belgium, Denmark, France, Germany, Netherlands and the UK. However, no country seems to have implemented adequate data collection or monitoring mechanisms to measure progress. The following countries still do not have any policy to ensure only legal and sustainable timber is sourced: Czech Republic, Estonia, Finland, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden.*

Eighteen months later, the WWF publication *Failing the forests*<sup>152</sup>, released in November 2005, studied trade data for six key timber-producing regions, and explored how the EU is a key driver of the illegal timber trade worldwide. The report also forecast future exports for wood-based products and highlighted their expected illegal timber content.

The main recommendations of this report were:

As a matter of urgency, the EU must develop legislation that prohibits the import of illegal timber and wood products into the EU so that enterprises in importing and processing countries, and not just those in producer countries, will be held accountable for trade in illegal timber. *This legislation has not yet been developed.*

The wood-based product industries of the leading importing countries must take a lead in eliminating illegal timber from their supply chain, through mechanisms such as public

procurement and working with domestic industry to tighten timber controls. This could involve, for example, assigning these countries the task of developing best practice for the EU in relation to trade with specific suppliers. The EU should seek not only to facilitate this process, but also to minimise the risk that a proliferation of standards (of legality or for forest management certification) evolves which in turn could inhibit trade with the EU. *Japan has made efforts in addition to the UK, Denmark, Netherlands, Germany, Belgium and France.*

The EU and its member states must use their influence to bring about far more active efforts by other major importing countries – notably China, Japan and the US – to eliminate illegal timber from their own imports.

Governments and regions must work together to develop a multilateral agreement to tackle illegal logging and deliver the ultimate goal of sustainable forest management around the world. *This has not yet been achieved.*

The EU should provide technical assistance and financial resources to improve the capacity of its new member states to improve governance, especially in the forest-timber industry, and to enforce their own laws. *This has not yet been achieved.*

## Appendix B: Terms<sup>153</sup>

### ***Coniferous***

All woods derived from trees classified botanically as Gymnospermae, e.g. fir (*Abies*), Paraná pine (*Araucaria*), deodar (*Cedrus*), ginkgo (*Ginkgo*), larch (*Larix*), spruce (*Picea*), pine, chir, kail (*Pinus*), etc. These are also generally referred to as softwoods.

### ***Non-coniferous***

All woods derived from trees classified botanically as Angiospermae, e.g. maple (*Acer*), alder (*Alnus*), ebony (*Diospyros*), beech (*Fagus*), lignum vitae (*Guaiacum*), poplar (*Populus*), oak (*Quercus*), sal (*Shorea*), teak (*Tectona*), casuarina (*Casuarina*), etc. These are generally referred to as broadleaves or hardwoods.

### ***Tropical***

Tropical timber is defined in the International Tropical Timber Agreement (1994) as follows: “Non-coniferous tropical wood for industrial uses, which grows or is produced in the countries situated between the Tropic of Cancer and the Tropic of Capricorn. The term covers logs, sawnwood, veneer sheets and plywood. Plywood which includes in some measure conifers of tropical origin shall also be covered by the definition.” The term is only used here in reference to non-coniferous industrial roundwood.

### ***Roundwood – Coniferous/Non-Coniferous/Tropical***

All roundwood felled or otherwise harvested and removed. It comprises all wood obtained from removals, i.e. the quantities removed from forests and from trees outside the forest, including wood recovered from natural, felling and logging losses during the period, calendar year or forest year. It includes: all wood removed with or without bark, including wood removed in its round form, or split, roughly squared or in other form (e.g. branches, roots, stumps and burls (where these are harvested), and wood that is roughly shaped or pointed. In the production statistics, it represents the sum of: wood fuel, including wood for charcoal; sawlogs and veneer logs; pulpwood, round and split; and other industrial roundwood. In the trade statistics, it represents the sum of: industrial roundwood – wood in the rough; and wood fuel, including wood for charcoal. It is reported in cubic metres underbark (i.e. excluding bark).

### ***Sawnwood – Coniferous/Non-Coniferous Sawnwood (NC)***

Wood that has been produced from both domestic and imported roundwood, either by sawing lengthways or by a profile-chipping process and that, with a few exceptions, exceeds 5mm in thickness. It includes: planks, beams, joists, boards, rafters, scantlings, laths, boxboards, sleepers and ‘lumber’, etc., in the following forms: unplaned, planed, grooved, tongued, finger-jointed, chamfered, rebated, V-jointed, beaded, etc. It excludes: wooden flooring. It is reported by FAO in cubic metres solid volume.

### ***Veneer sheets***

Thin sheets of wood of uniform thickness, rotary cut (i.e. peeled), sliced or sawn. It includes: wood used for the manufacture of plywood, laminated construction material, furniture, veneer containers, etc. It excludes: wood used for plywood production within the same country. It is reported by FAO in cubic metres solid volume.

### ***Plywood***

A panel consisting of an assembly of veneer sheets bonded together with the direction of the grain in alternate plies generally at right angles. The veneer sheets are usually placed symmetrically on both sides of a central ply or core which may itself be made from a veneer sheet or another material. It includes: *veneer plywood* (plywood manufactured by bonding together more than two veneer sheets, where the grain of alternate veneer sheets is crossed, generally at right angles); *core plywood* or *blockboard* (plywood with a solid core – i.e. the central layer, generally thicker than the other plies – that consists of narrow boards, blocks or strips of wood placed side by side, which may or may not be glued together); *cellular board* (plywood with a core of cellular construction); and *composite plywood* (plywood with the core or certain layers made of material other than solid wood or veneers). It excludes: laminated construction materials (e.g. glulam), where the grain of the veneer sheets generally runs in the same direction. It is reported by FAO in cubic metres solid volume.

### ***Particle board***

A panel manufactured from small pieces of wood or other lignocellulosic materials (e.g. chips, flakes, splinters, strands, shreds, shives, etc.) bonded together by the use of an organic binder together with one or more of the following agents: heat, pressure, humidity, a catalyst, etc. It includes: waferboard; oriented strandboard (OSB); and flaxboard. It excludes wood wool and other particle boards bonded together with inorganic binders. It is reported by FAO in cubic metres solid volume.

### ***Fibreboard***

A panel manufactured from fibres of wood or other lignocellulosic materials with the primary bond deriving from the felting of the fibres and their inherent adhesive properties (although bonding materials and/or additives may be added in the manufacturing process). It includes fibreboard panels that are flat-pressed and moulded fibreboard products. In the production and trade statistics, it represents the sum of: hardboard; medium density fibreboard (MDF); and insulating board. It is reported by FAO in cubic metres solid volume.

### ***Wood pulp***

Fibrous material prepared from pulpwood, wood chips, particles, residues or recovered paper by mechanical and/or chemical process for further manufacture into paper, paperboard, fibreboard or other cellulose products. In the production and trade statistics, it represents the sum of: mechanical wood pulp; semi-chemical wood pulp; chemical wood pulp; and dissolving wood pulp. It is reported by FAO in metric tonnes air-dry weight (i.e. with 10% moisture content).

### ***Paper and paperboard***

The paper and paperboard category is an aggregate category. In the production and trade statistics, it represents the sum of: newsprint; printing and writing paper; and other paper and paperboard. Products in this category are generally manufactured in strips or rolls of a width usually exceeding 15cm or in rectangular sheets with one side exceeding 36cm and the other exceeding 15cm in the unfolded state. It excludes manufactured paper products such as boxes, cartons, books and magazines, etc. It is reported by FAO in metric tonnes.

### ***Newsprint***

Uncoated paper, unsized (or only slightly sized), containing at least 60% mechanical wood pulp (percentage of fibrous content), usually weighing not less than 40g/m<sup>2</sup> and generally not

more than 60g/m<sup>2</sup>, of the type used mainly for the printing of newspapers. It is reported by FAO in metric tonnes.

# Appendix C: Conversion factors

The following conversion factors have been used in this report:

<b>Material</b>	<b>RWE Conversion factor (RWE m<sup>3</sup> - Finished product m<sup>3</sup>)<sup>cliv</sup></b>
Chips and Particles	1-1
Fibreboard	2.35-1
Industrial Roundwood Coniferous	1.25-1
Industrial Roundwood Non-Coniferous	1.25-1
Industrial Roundwood Tropical	1.25-1
Newsprint	4.3-1
Paper and Board	4.3-1
Particleboard	1.62-1
Plywood	3.67-1
Pulp	3.7-1
Sawnwood Coniferous	2.13-1
Sawnwood Non-Coniferous	2.09-1
Veneer	3.67-1

Individual materials within the larger category, such as 'pulp' each have their own conversion factor. Unfortunately information on individual commodities is not available widely, therefore generic conversion factors have been used.

**Source:** Forestry Commission UK, 2003, UK Timber Statistics 2003

# Appendix D: FSC Principles for Forest Stewardship

## **Box 4: FSC Principles for Forest Stewardship<sup>clv</sup>**

### **Principle 1: Compliance with laws and FSC Principles**

Forest management shall respect all applicable laws of the country in which they occur, and international treaties and agreements to which the country is a signatory, and comply with all FSC Principles and Criteria.

### **Principle 2: Tenure and use rights and responsibilities**

Long-term tenure and use rights to the land and forest resources shall be clearly defined, documented and legally established.

### **Principle 3: Indigenous peoples' rights**

The legal and customary rights of indigenous peoples to own, use and manage their lands, territories, and resources shall be recognised and respected.

### **Principle 4: Community relations and workers' rights**

Forest management operations shall maintain or enhance the long-term social and economic well-being of forest workers and local communities.

### **Principle 5: Benefits from the forest**

Forest management operations shall encourage the efficient use of the forest's multiple products and services to ensure economic viability and a wide range of environmental and social benefits.

### **Principle 6: Environmental impact**

Forest management shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile ecosystems and landscapes, and, by so doing, maintain the ecological functions and the integrity of the forest.

### **Principle 7: Management plan**

A management plan – appropriate to the scale and intensity of the operations – shall be written, implemented and kept up to date. The long-term objectives of management, and the means of achieving them, shall be clearly stated.

### **Principle 8: Monitoring and assessment**

Monitoring shall be conducted – appropriate to the scale and intensity of forest management – to assess the condition of the forest, yields of forest products, chain of custody, management activities and their social and environmental impacts.

### **Principle 9: Maintenance of high conservation value forests**

Management activities in high conservation value forests shall maintain or enhance the attributes which define such forests. Decisions regarding high conservation value forests shall always be considered in the context of a precautionary approach.

### **Principle 10: Plantations**

Plantations shall be planned and managed in accordance with Principles and Criteria 1-9, and Principle 10 and its Criteria. While plantations can provide an array of social and economic benefits, and can contribute to satisfying the world's needs for forest products, they should complement the management of, reduce pressures on, and promote the restoration and conservation of natural forests.

## Appendix E: Legal opinions concerning the inclusion of social criteria in procurement policies

The conclusion in the report by Phon van den Biesen, *Opinion on Social Criteria in EU Procurement Directives and Dutch Procurement Policy*<sup>clvi</sup> states:

“EU legislation and case-law explicitly allow for the inclusion and application of social criteria in public procurement, as long as this is done in a transparent and timely manner and as long as they are framed as objective criteria which satisfy the principles of transparency, non-discrimination and equal treatment and which guarantee that tenders are assessed in conditions of effective competition. Moreover, social considerations are part of the object and purpose of the procurement directives.”<sup>clvii</sup>

Kate Cook, in her report *The use of social and other criteria in the public procurement process*<sup>clviii</sup> also concludes:

“In my opinion, as a general proposition, ‘social’ criteria of the sort here under consideration can be taken into account in the public procurement regime as general criteria for ensuring ethical procurement. I note that that conclusion appears to be consistent with the position of the Danish government as disclosed in *Purchasing Tropical Timber: environmental guidelines – background material*, published by the Forest and Nature Agency and the Environmental Protection Agency of the Danish Ministry of the Environment (2003), in particular, paragraph 4.3.7.

“However, in relation to any particular criterion, it is necessary to be clear about what the criterion is and how it is proposed to fit it into the public procurement regime before concluding that it is proper to do so. If a criterion is to be introduced at some particular evaluative stage in the procurement process rather than at some more general level, it may need to be consistent with some particular provision of the public procurement regime that operates at that stage.”

## Appendix F: WWF/World Bank Alliance Criteria

**A credible certification system must:**

be based on objective, comprehensive, independent, and measurable performance-based standards – both environmental and social;

be based on equal and balanced participation of a broad range of stakeholders;

be based on a labelling system that includes a credible chain of custody (certification of specified timber as traceable back to its raw material source by a third party, e.g., an accredited certification body);

be based on reliable and independent third-party assessments and include annual field audits;

be fully transparent to the parties involved and the public;

take place at the forest management unit level (and not at the country or regional level);

be cost-effective and voluntary;

positively demonstrate commitment from the forest owner or manager toward improving forest management; and

be applicable on a global scale and to all sorts of tenure systems, to avoid discrimination and distortion in the market place.<sup>clix</sup>

## Appendix G: Progress with stepwise approaches to purchasing and certification 2006

Country	Initiative	Number of companies/ Forest Management Units involved in this initiative <sup>ctx</sup>	Hectares managed by these companies	Total area of productive forest in this country (hectares) <sup>ctxi</sup>	Initiative share of productive forest (%)	Consumption of companies in this initiative (cubic metres RWE)	National consumption (cubic metres RWE) <sup>ctxii</sup>	Share of national consumption by companies in this initiative (%)
Australia	WWF GFTN	4	97,000	13,107,000	0.74	400,000	29,826,000	1.34
Austria	WWF GFTN WWF	10					21,720,000	
Belgium	GFTN WWF	15					13,330,000	
Bolivia	GFTN Smartwood	9	421,000	30,555,000	1.38			
	Smartstep WWF	2	100,016					
Brazil	GFTN WWF	58	1,395,233	41,122,000	3.39			
Bulgaria	GFTN WWF	7	23,500	3,152,000	0.75			
Cameroon	GFTN WWF	8	1,519,462	6,000,000	25.32			
China	GFTN WWF	15	713,453	189,544,000	0.38	3,071,000	286,105,000	1.07
Dem Rep Congo	GFTN WWF	1	1,131,600	83,277,000	1.36			
France	GFTN TFT Members	11 8					53,070,000	
Germany	WWF GFTN TFT Members	17 1				200,000	64,140,000	0.31
Ghana	WWF GFTN WWF	8	373,796	720,000	51.92			
Indonesia	GFTN TFT Project / TFT Members	30 23	1,130,157 867,264	47,707,000	2.37	1,216,550	109,060,000	1.12
Japan	WWF GFTN	26	45,150	23,743,000	0.19			
Laos	TFT Project WWF	2	49,900					
Malaysia	GFTN TFT Project / TFT Members	10 4	572,883 215,000	15,960,000	3.59			
Netherlands	WWF GFTN TFT Members	17 2				50,000	12,010,000	0.42
Nicaragua	WWF GFTN WWF	14	50,666	3,340,000	1.52		5,999,000	
North America	GFTN TFT Members	8 2				12,691,000	657,878,000	1.93
Panama	WWF GFTN WWF	5	3,025	312,000	0.97			
Peru	GFTN WWF	14	423,100	25,200,000	1.68			
Philippines	GFTN TFT	3						
Portugal	Members WWF	2						
Rep Congo	GFTN	1	1,900,000	19,817,000	9.59			

Country	Initiative	Number of companies/ Forest Management Units involved in this initiative <sup>clx</sup>	Hectares managed by these companies	Total area of productive forest in this country (hectares) <sup>clxi</sup>	Initiative share of productive forest (%)	Consumption of companies in this initiative (cubic metres RWE)	National consumption (cubic metres RWE) <sup>clxii</sup>	Share of national consumption by companies in this initiative (%)
	TFT Project	5	1,291,244					
Romania	WWF							
	GFTN	5	39,493	5,102,000	0.77			
Russia	WWF							
	GFTN	25	15,633,900	622,349,000	2.51			
Spain	WWF							
	GFTN	11			0.05	707,740	21,410,000	3.31
Sweden	WWF							
	GFTN	13					68,670,000	
Switzerland	WWF							
	GFTN	21					7,870,000	
United Kingdom	WWF							
	GFTN	43				20,864,627	44,600,000	46.78
	TFT Members	11						
Vietnam	WWF							
	GFTN	6		5,148,000		875,000	30,597,000	2.86
	TFT Project / TFT Members	4	83,548					
Totals		485	28,080,390	1,136,155,000	2.47	40,075,917	1,426,285,000	2.81

## Appendix H: Early Day Motion on illegal logging (EDM 132) 16.11.06

The full text of this EDM.

*That this House notes the problem of illegal logging, which is valued at 10 to 15 billion euros per year, costing producer countries billions in lost revenue, causes widespread environmental damage and loss of biodiversity, and increases carbon emissions; notes research by WWF which estimates that the EU is responsible for at least three billion euros of this and that the UK imports over 70 per cent of its timber and is one of the largest importers of illegal timber within the EU; believes that the current EU Forest Law Enforcement Governance and Trade Action Plan is inadequate, as it does not prevent illegal imports entering the EU via third countries such as China; supports the recommendations of the Environmental Audit Committee for legislation to make it illegal to import illegal timber into the EU; further notes that Chatham House has reported that such legislation is WTO compliant; and, therefore, calls on the Government fully to support moves to introduce this legislation as a matter of urgency.*

# Appendix I: Brief descriptions of ongoing processes to stop illegal logging

## **FLEGT**

The Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan was adopted by the European Commission in May 2003 as part of the EU's response to the call for action at the 2002 World Summit on Sustainable Development. Council Conclusions were adopted in October 2003 and the European Parliament passed a motion of support in January 2004.

The Action Plan sets out a new and innovative approach to tackling illegal logging, linking good governance in developing countries with the legal trade instruments and leverage offered by the EU's internal market.

The Action Plan involves a series of voluntary, but binding partnership agreements with wood-producing countries and regions. Through these partnerships, the EU and partner countries will set up a licensing scheme to ensure that all timber exports to Europe are legal. The partnerships will also encourage governance reforms in wood producing countries, particularly to promote greater equity and transparency in association with forest harvesting operations. A key to the success of all three initiatives will be the continued and strengthened support and active involvement of member states in the process.

An early day motion (EDM) is a motion put down ('tabled') by Members of Parliament calling for a debate on a particular subject. It is interesting to note that in November 2006, an EDM was tabled regarding illegal logging and FLEGT, acknowledging that the EU FLEGT Action Plan is inadequate. To date, 159 MPs have signed this EDM. The full text of this EDM can be found in Appendix H.

The development of FLEGT is welcomed by WWF and other international NGOs. However, whether or not it is going to have an impact on the ground remains to be seen.

## **Voluntary Partnership Agreements (VPAs)**

At the core of the FLEGT Action Plan are Voluntary Partnership Agreements with timber-producing countries that wish to eliminate illegal timber from their trade with the EU. These agreements involve establishing licensing schemes to ensure that only legal timber from producing countries ('Partner Countries') is allowed into the EU. Unlicensed consignments from Partner Countries would be denied access to the European market under the scheme.

The agreements are voluntary. This means that Partner Countries can decide whether or not to sign up, although once they do so the licensing scheme is obligatory.

Currently there is no law to prevent illegally logged wood products from being imported into the EU. A new EU regulation is therefore required to empower member states' customs authorities to enforce this scheme. Proposals for a regulation and a mandate that would authorise the European Commission to negotiate agreements with potential partner countries are currently being finalised.

Each VPA requires a definition of “legally-produced timber” and the means to verify that wood products destined for the EU have been produced in line with the requirements of this definition. Both the definition of legality and the verification system should be appropriate to circumstances in the Partner Country. Details of these will be negotiated between each Partner Country and the EU. Where needed, EU development assistance will be provided to help establish licensing schemes.

Member states are engaged in preliminary discussions leading to negotiations with potential partner countries. Most recently the UK has been involved in initial consultations with Ghana and Malaysia.

Although acknowledging the potential positive impact that VPAs can have, several large, international NGOs<sup>clxiii</sup> have concerns about some of the potential pitfalls within VPAs.

**1 Reach.** A legality licensing scheme lies at the heart of the proposed VPAs. This is a system designed to identify legal timber and timber products and to license them for export to Europe. Unlicensed timber from partner countries will be denied entry into Europe and those involved in the illicit timber trade will be liable for prosecution. Such a system will only have a significant impact on the level of illegal logging in partner countries if it is rolled out across the entire country, to include all exports and the domestic timber trade.

**2 Laundering.** If the partner country has no national legislation prohibiting the importation of illegally logged timber and timber products, timber logged illegally in a non-partner country could enter Europe legally via the partner country, accompanied by a valid legality licence. Importation into Europe would be legal, despite the timber’s illegal origins. In effect, the timber would have been laundered. In order to close this loophole, either the partner countries should amend domestic legislation to prohibit the importation of illegally logged timber and timber products, or the regulation itself should be amended so that the FLEGT licensing scheme is limited to timber harvested in the partner country concerned. Option 1 is our preferred option.

**3 Circumvention.** The issue of circumvention has been discussed at length, but remains unresolved. VPAs will only cover direct trade between the VPA country and the EU member states. Timber and wood products imported via a third-party country such as China are not addressed. This is a serious omission of the current VPA system.

**4 Product coverage.** Finally, and of great concern to our organisations, is the fact that the current VPA proposal does not address the imports of pulp, paper and furniture. When negotiating a VPA, the EU should ensure all forest products will be included.

The EU must create the conditions for VPAs to deliver the maximum benefit, be legitimate in the eyes of civil society, and ensure producer countries are equal partners in the process.

To this end, the EU must commit to:

Adopting environmental legislation that makes it illegal to import illegally sourced timber and wood products into the European marketplace and obliges all companies selling timber and wood products within the EU market to prove the legal and sustainable sources of the raw material.

Allocating sufficient financial and human resources to the VPAs, and providing the pre-requisite transfer of technology, capacity building and know how, so that partner countries can rapidly implement the requirements of the partnership agreements and meet the expectations of the European marketplace.

Creating a democratic, transparent and open process that involves and empowers civil society, including local communities and Indigenous Peoples' Organisations in the negotiation and implementation of partnership agreements.

#### **The International Tropical Timber Agreement (ITTA)**

A series of negotiations at the United Nations Conference on Trade and Development (UNCTAD) in 1976 led to the first ITTA. The outcome of these negotiations was the ITTA 1983, which was superseded by the ITTA 1994. ITTA 2006 is expected to come into force in 2008.

ITTA 2006 builds on the foundations of the previous agreements, focusing on the world tropical timber economy and the sustainable management of the resource base, simultaneously encouraging the timber trade and the improved management of the forests. In addition, it contains provisions for information sharing, including non-tropical timber trade data, and allows for the consideration of non-tropical timber issues as they relate to tropical timber.

#### **The G8 Action Programme on Forests**

In 1997, the G8 members launched an action programme on forests, planned to accelerate the global implementation of proposals for action contained in the report of the Intergovernmental Panel on Forests (IPF). The G8 Forestry Action Programme initiated in 1998 consisted of five issues of importance:

- monitoring and assessment;
- national forest programmes;
- protected areas;
- private sector; and
- illegal logging.

In 2000, the first report on the implementation of the action programme was written for G8 ministers who met in Japan in July 2000.

The G8 Action Programme on Forests has advanced understanding and political will to address the important issue of illegal logging and, in that context, forest law enforcement and governance. G8 members are developing a number of supply and demand side measures and have contributed to international arrangements aimed at eliminating international trade in illegally produced or exported timber.

On the demand side, G8 members are taking forward a range of measures, including: a review of public procurement policies; improvements to the detection of imports from illegal sources to deny them access to domestic markets; development of market-based instruments and methods for identification and verification of legal compliance through timber tracking; and the promotion of work on labelling and certification of the origin of forest products.

On the supply side, they have supported policy, institutional and legislative reforms, industry regulation and law enforcement improvements in countries that produce and export forest products. Such activities included development of independent monitoring and verification processes to track forest crimes; strengthening the capacity of government organisations and agencies to manage forests and control logging; provision of monitoring services to enable decision-makers and civil society to monitor concession policies; and provision of technical assistance to governments to enable them to reform forest legislation, concession and taxation policies in ways that create incentives for industry to comply with national forest laws.

G8 members acknowledge that progress to date on forest law enforcement and governance is only the beginning. Illegal logging, associated trade and corruption are issues that will continue to be addressed in various international fora as a matter of priority.

#### **GLOBE**

The G8 Illegal Logging Dialogue is being organised by GLOBE International (Global Legislators Organisation for a Balanced Environment). GLOBE is a non-partisan international legislators' organisation with a remit to facilitate discussions/dialogue between like-minded legislators on environment-related issues.

The current President of GLOBE International is GLOBE UK. GLOBE UK is therefore overseeing the dialogue and the delivery of it until the Japanese G8 Presidency. The President of GLOBE International is the Rt Hon Elliot Morley MP, UK Prime Minister's Special Representative to the Gleneagles Dialogue.

To ensure that the G8 Illegal Logging Dialogue has international ownership, GLOBE UK will establish an International Advisory Board which comprises one legislator from each G8, Chinese and Indian and major producer legislatures, and four senior industry representatives, as well as representatives from contributing organisations and civil society.

The role of GLOBE is to facilitate the G8 Illegal Logging Dialogue and ensure that the participants can meet and arrive at clear and practical conclusions that can be submitted to the Heads of State in Germany and Japan.

#### **Ministerial Conference on the Protection of Forests in Europe (MCPFE)**

The MCPFE is a high-level political initiative for cooperation. It addresses common opportunities and threats related to forests and forestry and promotes sustainable management of forests in Europe. Launched in 1990, it is the political platform for the dialogue on European forest issues.

Around 40 European countries and the European Community are represented in the MCPFE. Furthermore, non-European countries and international organisations participate as observers. Thus, the MCPFE provides not only a forum for cooperation of ministers responsible for forests, but also allows non-governmental and intergovernmental organisations to contribute with their knowledge and ideas.

The MCPFE is a process that aims to "take care of the most important common concerns about forests and forestry in Europe and addresses the challenges ahead. This process is based on a

chain of conferences at ministerial level and follow-up mechanisms. At the conferences aspects of highest political interest and concern are dealt with by the ministers responsible for forests. Following the Ministerial Conferences, the decisions passed by the ministers are further specified and put into action at expert meetings. In addition, issues of immediate interest are taken up and further developed on a flexible basis.” Since 1990, four Ministerial Conferences on the Protection of Forests in Europe have taken place – in Strasbourg, Helsinki, Lisbon and Vienna. These are regarded as milestones in the development of international forest policy.

The signatory states and the European Community are responsible for implementing the MCPFE decisions at regional, national and sub-national levels. Based on voluntary commitments, which constitute a common framework, governments all over Europe have undertaken initiatives to ensure and improve the sustainable management and protection of forests. G8 members collaborated through the Pan-European Criteria and Indicators for Sustainable Forest Management of the Ministerial Conference on the Protection of Forests in Europe.<sup>clxiv</sup>

The MCPFE has made some useful commitments but delivery on the commitments is hard to measure. Criticisms have been made about the MCPFE that certain agreements reached at an earlier stage seem do not seem to materialise both in terms of implementation and monitoring and evaluation. A useful example of this is that WWF argued very strongly at the Vienna Conference in 2003 that measures agreed for the protection of forests had not been successfully implemented on the ground. In real terms this means that the situation with regard to protected forest areas is actually deteriorating on an ongoing basis, with no evidence to show any improvement.

#### **World Summit on Sustainable Development (WSSD)**

The WSSD was a 10-year review of the progress made since the 1992 Rio Earth Summit. It was held August 2002, and 100 world leaders and representatives from 193 countries participated.

The Summit’s final Plan of Implementation includes the commitment to “take immediate action on domestic forest law enforcement and illegal international trade in forest products, including in forest biological resources, with the support of the international community, and provide human and institutional capacity building related to the enforcement of national legislation in those areas”.

In addition to the formal outcomes, the Summit saw the announcement of a range of informal outcomes, a number of which are relevant to illegal logging, in particular the Asia Forest Partnership – which includes developing log tracking and verification systems, measures to eliminate the export and import of illegally harvested timber, and data sharing and information exchange on illegal logging and the trade in illegal timber – and the Congo Basin Initiative.

#### **The Lacey Act**

When the Lacey Act, named for Representative John Lacey of Iowa, was passed in 1900 it became the USA’s first federal wildlife protection law. The act was prompted by growing concern about interstate profiteering in illegally taken game. It was amended in the 1930s and 40s, and again in 1981.

Under the Lacey Act today, it is illegal to import, export, sell, acquire, or purchase fish, wildlife or plants taken, possessed, transported, or sold in violation of US or Indian law, or in interstate or foreign commerce involving any fish, wildlife or plants taken possessed or sold in violation of State or foreign law.

The law covers all fish and wildlife and their parts or products, and plants protected by the Convention on International Trade in Endangered Species or State law. Commercial guiding and outfitting are considered 'sales' under the Lacey Act.

The Lacey Act covers fish and wildlife. Plants, including timber, are only covered if they are native to the US and are also species listed under CITES or identified as endangered in a US state. The Act bans import of wildlife products taken in violation of the laws of a foreign country but contains a loophole that exempts wood products deriving from trees cut in violation of other countries laws. Most timber in international trade is not covered.

The EAC, in its report *Sustainable Timber*,<sup>clxv</sup> recommended that “the UK government must pursue all options, including the implementation of a Lacey-style Act within the UK making it illegal to possess or market illegal timber products”. The EAC concluded: “Anything less would demonstrate a lack of commitment by the government.”

When the issue of legislation along these lines in the UK was raised with the minister he stated: “I actually think the Lacey Act is a very powerful tool and I would really like something along those lines here in the UK that we could apply, and the German system is very akin to it really. It is something which I am looking at with interest.”<sup>clxvi</sup>

#### **CITES and its estimated impact on illegal and unsustainable trade**

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) came into force in 1975, with the UK becoming a Party to the convention in 1976.<sup>clxvii</sup> CITES provides a framework to control or monitor the trade in species that the Parties to the Convention have agreed to listed within the CITES Appendices.

The Convention has three Appendices under which species can be listed:

**Appendix I** includes species threatened with extinction. Trade in specimens of these species is permitted only in exceptional circumstances.

**Appendix II** includes species not necessarily threatened with extinction, but in which trade must be controlled in order to avoid utilisation incompatible with their survival.

**Appendix III** includes species that are protected in at least one country that has asked other CITES Parties for assistance in controlling the trade. Each Party is entitled to make unilateral amendments to it, i.e. voluntarily list a species.<sup>clxviii</sup>

The implementation of CITES in all countries is governed by both a Management Authority and independent Scientific Authorities for fauna and flora respectively. In the UK, Defra is the Management Authority and the Royal Botanic Gardens, Kew is the Scientific Authority with regard to plants.<sup>clxix</sup> The role of a Management Authority is to ensure the proper implementation of the Convention, to verify the legality of harvesting and to issue permits and certificates for the import and export of CITES listed species. The Scientific Authority determines whether or

not the import or export will have a harmful effect on the conservation status of the species.<sup>clxx</sup>  
clxxi

Scientific Authorities are responsible for producing a ‘Non Detriment Finding’ (NDF) or statement. These are needed to ensure that the harvesting and export of the species does not detriment the species’ future survival. However, no guidance or criteria regarding how to undertake a NDF for timber species has been developed. In addition, NDFs are not required where the range state or Party to CITES has established annual export quotas. It is the job of the Management Authority to consult with the Scientific Authority to ensure that such quotas are appropriate and do not endanger the future survival of the species in question.<sup>clxxii</sup> The quota system is a weaker system than the NDF system; the latter looks at each concession area individually.

Currently, 49 timber species are listed on CITES Appendices. Six are listed on Appendix I, i.e. banned from international trade. Only two timber species very prevalent in trade are listed on Appendix II: big-leaf mahogany *Swietenia macrophylla* and ramin *Gonystylus* spp. (all ramin species within the genus are controlled); they were listed in 2002<sup>clxxiii</sup> and 2004<sup>clxxiv</sup> respectively. The listing of commercial timber species is a recent development within CITES and shows great progress, this previously having been heavily resisted by many of the Parties to the Convention.<sup>clxxv</sup> The experience so far with regard to the implementation of CITES regulations to the trade in these two species has been quite contrasting and serves to illustrate how CITES can be both an effective and less effective tool, depending on national circumstances within the country of origin.

In the case of mahogany there is currently considerable concern with regard to the proper implementation of CITES regulations in Peru, a major exporter of mahogany. In the US there have been calls for a moratorium on its import and a lawsuit filed against the US government for allegedly importing illegal mahogany originating from Peru. The US Natural Resources Defence Council (NRDC) and two Peruvian indigenous peoples’ groups brought about the legal action; they allege that “pervasive forgery of documents and corruption makes all mahogany imports from Peru suspect”.<sup>clxxvi</sup>

The CITES Secretariat has called for a moratorium in mahogany trade from Peru.<sup>clxxvii</sup> Yet both the CITES Plants Committee and its Mahogany Working Group have voted against putting the species under the CITES official ‘Review of Significant Trade’ process designed to assist countries such as Peru having difficulty implementing CITES. This is almost certainly because of the misunderstanding by some Parties to the Convention that such a process is a step closer to the species being listed under Appendix I, i.e. being banned from trade.<sup>clxxviii</sup>

Peru is currently exporting mahogany under the weaker quota system rather than an NDF system. It is alleged that these quotas were not set using a thorough scientific process and that “Peru’s Scientific Authority has repeatedly said that it lacks the information on local or national mahogany population levels necessary to make a legitimate non-detriment finding.”<sup>clxxix</sup>

The situation with ramin and its export from Indonesia is in stark contrast to the Peruvian big-leaf mahogany situation. The Environmental Investigation Agency (EIA) described the experience of the listing of ramin by Indonesia itself on Appendix III as proof “that CITES can

be a powerful tool in protecting forests from the scourge of timber theft”.<sup>clxxx</sup> Similarly, the later listing of ramin on Appendix II by consensus at the 13th CITES Conference of the Parties (COP 13) has proved to be successful.<sup>clxxxi</sup>

The key difference with regard to the Indonesian situation is that only a single concession in Indonesia has an NDF and is therefore allowed to export ramin. The concession holds an FSC certificate. The infrastructure has also been put in place within the Indonesian authorities to implement CITES.<sup>clxxxii</sup>

Whether or not a CITES listing is an effective means of controlling illegal and unsustainable trade is therefore very much dependent on the particular national situation within the country in question. The relevant national legislation, capacity, resources and other tools need to be in place to ensure CITES is properly enforced and successful.

TRAFFIC recently noted that “CITES licensing controls and extraction controls are sometimes dissociated and the ability to exclude illegally logged timber from trade is only as good as the national legislative and administrative systems in place to govern these within a given CITES Party. In reality, even the simplest of steps to link tracking of timber from forest to permit application are, in general, not taken by Parties.”<sup>clxxxiii</sup>

Although detailed trade figures for CITES listed species are available, it is difficult to use them to illustrate whether CITES listing has had an impact on illegal trade because of the scarcity and inconsistency of figures relating to pre-CITES illegal trade. After CITES listing, Parties to the Convention are obliged under Article IV to compare figures for the export of species with a permit with total export of the species.<sup>clxxxiv</sup> It is not clear the extent to which this takes place.

In general it has been said of the CITES system that “listings on CITES are currently the only means by which consuming countries can halt shipments of illegally sourced wood”.<sup>clxxxv</sup> However, CITES in its entirety is almost certainly not the right instrument to cover the illegal logging of all species and thereby tackle the full spectrum of illegal logging. By its very nature it is a species-focused approach that can only cover species whose very survival is threatened by trade; this can be hard to prove for many species and would not cover all illegal trade at any one time. The listing of species can also be a long and intensive political process for both governments and NGOs; applying such a process to all illegally-traded species just could not be practical. Other tools are needed to cover the illegal trade in species before species’ very survival is threatened, tools that address the many other issues associated with illegal trade beyond a species’ survival.

The political nature of CITES means that aversive action may not be taken in a timely enough manner because of the political complexities and relationships between the Parties to CITES. There is clearly more work needed to develop CITES further, particularly in terms of defining what constitutes a credible NDF process and what an NDF should include in order that CITES really can help address unsustainable trade, in terms of species’ long-term survival, in all countries. Additional work is needed to support countries such as Peru in implementing CITES effectively.

While CITES is not a perfect tool in all cases, it can be a useful one in the right circumstances. There are also aspects of CITES that may well be helpful being applied to the broader question of how to control and eradicate the illegal timber trade. The World Bank recently commissioned TRAFFIC to investigate the role of CITES in combating illegal logging. It considered both how CITES was working with regard to its currently listed timber species, and how aspects of CITES and the tools that have been developed to assist its implementation might be applied more widely.<sup>clxxxvi</sup> The TRAFFIC report concluded that there are: “several aspects of CITES that can assist in controlling levels of timber trade and, sometimes therefore, levels of illegal harvesting. These include its:

*monitoring (permitting) system, including annual reporting of trade by CITES Parties to the CITES Secretariat and the maintenance of an associated CITES trade database;*  
*requirement for sustainable harvesting;*  
*requirement for adherence to national laws of exporting Parties for the protection of fauna and flora;*  
*requirement for enactment and enforcement of national laws for its implementation.”<sup>clxxxvii</sup>*

With regard to CITES in its entirety, the TRAFFIC report concluded that “CITES Appendix II should be considered the most important tool CITES has at its disposal to help combat illegal logging and should be employed where other measures are failing and where a species focused approach might have significant impact.”<sup>clxxxviii</sup> The authors of this report concur with that view.

The report further made a series of recommendations about how CITES implementation might be improved upon in the future; these recommendations should be seriously considered and implemented by all Parties to CITES as well as agencies and organisations that might assist in ensuring CITES is better implemented.

## Appendix J: Country Legal Documentation Lists

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
<b>Brazil</b>	<p>It is required that a Forest Management Plan be approved by IBAMA for forest exploration.</p> <p>This plan can be divided into three phases:</p> <ol style="list-style-type: none"> <li>1. The forest management unit is divided in areas such as: harvestable (explorable), permanent preservation, and areas inaccessible for harvesting (exploration).</li> <li>2. Routes are planned that connect the exploration areas to the main route.</li> <li>3. The area allocated to the exploration is divided into blocks of annual exploration. There are a number of blocks that can be harvested annually, and each block has an inventory of trees eligible for cutting, for each allowed harvesting period.</li> </ol> <p>It is necessary to approve the POA (Plano Operacional Anual, or Annual Operational Plan) every year a plan that allows the blocks to be harvested.</p> <p>Restrictions: There is a new law, more restrictive, to regulate the mahogany exploitation (Instrução Normativa 07- Ibama).</p> <p>There were no management plans</p>	<ol style="list-style-type: none"> <li>1. ATPF – Autorização para Transporte de Produtos Florestal (Forest Products Transport Authorization) This document is needed in all the transportation process, from harvest to final buyer.</li> <li>2. Copy of DVPF – Declaração de Venda de Produtos Florestais (Forest Products Sale Declaration)</li> <li>3. Copy of AUTEX – Autorização de Exploração do Plano de Manejo sustentável ou desmatamento legal (Sustainable management plan or legal logging exploration permit)</li> </ol>	<ol style="list-style-type: none"> <li>1. ATPF</li> </ol>	<p>Documents to allow sawmill work:</p> <ul style="list-style-type: none"> <li>- Licence given by the Mayor’s Office Hall</li> <li>- Operational Licence given by Environmental Secretary</li> </ul>	<p><i>Export Documents</i></p> <ol style="list-style-type: none"> <li>1. Packing List</li> <li>2. Nota Fiscal (official state-controlled fiscal document, different from a simple invoice)</li> <li>3. Export Registration</li> <li>4. Bill of Lading</li> <li>5. DDE – Declaração de despacho de exportação (Export shipping declaration)</li> </ol> <p><i>Fiscal Documents</i></p> <ol style="list-style-type: none"> <li>1. Exchange Contract</li> <li>2. Commercial Invoice</li> <li>3. Export Voucher</li> <li>4. Insurance Certificate</li> </ol>

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
	for harvesting mahogany (approved by IBAMA) as of December 2004.				
<b>Cameroon</b>	Documents are required for sawn timber and logs exported from Cameroon.	<ol style="list-style-type: none"> <li>1. L'agrément de la profession forestière</li> <li>2. Contrat de partenariat</li> <li>3. Convention provisoire ou définitive</li> <li>4. Certificat d'assiette de coupe</li> <li>5. Carnet de chantier</li> </ol>	1. Lettre de voiture	1. Attestation de specifications	1. Autorisation d'exportation
<b>China</b>	<p>In most circumstances, log exports are not allowed from China.</p> <p>For exports of timber harvested within China, the following documents are required to prove legal harvest and export of timber and timber products by the Chinese government and forestry management department.</p>	<ol style="list-style-type: none"> <li>1. Harvesting quota that has been approved by State Forestry Department (This document is renewable every 5 years)</li> <li>2. Annual wood production plan</li> <li>3. Harvesting area survey and design scheme</li> <li>4. Harvesting admission certificate</li> </ol>	1. Log conveyance certificate		1. Disease and pest quarantine certificate
<b>Ghana</b>	<p>Documents are required for sawn timber and logs exported from Ghana.</p> <p>The documents are the same for natural forest and plantations.</p> <p>Note: Logs cannot be legally exported from natural forests.</p> <p>Note: All documents from the forest gate to point of export should bear the stamp and approval of the Timber Industry Development Department (TIDD), a department of the Ghana Forestry Commission.</p>	<ol style="list-style-type: none"> <li>1. Concession/Lease Agreement</li> <li>2. Harvesting Schedule</li> <li>3. Felling Permit Form – this must include a “Property mark,” a unique code issued by the Forestry Commission.</li> <li>4. Tree Information Form, which identifies the stump and corresponding log(s)</li> <li>5. Log Information Form, which corresponds to the Tree Information Form</li> <li>6. Log Measurement &amp; Conveyance Certificate (LMCC).</li> </ol>	1. Log Measurement & Conveyance Certificate (LMCC). Includes reference to: Species, volume, sizes.	<ol style="list-style-type: none"> <li>1. Lumber Inspection Certificate (LIC).</li> <li>2. Tally sheet that refers to LIC.</li> <li>3. Waybill that refers to LIC.</li> <li>4. Wood Exporter Certificate (This is renewable annually, check date of issue.)</li> </ol>	1. Timber Export Permit with reference to LIC(s).
<b>Indonesia</b>	<b>General:</b> All log exports from Indonesia are banned; therefore, any logs identified as Indonesian, outside of	Documents required for logs traded within Indonesia: <ol style="list-style-type: none"> <li>1. Copy of HPH agreement</li> </ol>			All documents listed for internal trade, plus: <ol style="list-style-type: none"> <li>1. Bill of Lading</li> <li>2. Certificate of Origin issued by the Forestry Department</li> </ol>

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
	<p>Indonesia, have been illegally obtained.</p> <p>Ministry of Forestry and Ministry of Trade and Industry joint decree no. 350/Menhut-VI/2004 &amp; 598/MPP/Kep/9/2004, 24 September 2004, states that exports of sawn timber for all species are banned from this date. The decree has been issued to protect domestic wood processing industries.</p> <p>All sawnwood exported from Indonesia is therefore illegally obtained.</p>	<p>2. Copy of RKL five-year management area licence with map indicating the approved cutting</p> <p>3. Copy of RKT annual cutting licence (area indicated should fall within the RKL area)</p> <p>4. Preharvest tree map</p> <p>5. Buku Ukur document that is a log list to record log extraction at forest log landing</p> <p>6. DP document that is a log list to transport logs from forest to a log pond</p> <p>7. SKSHH that is a summary log document to transport a specific quantity and volume of logs from log pond to mill. DHH detailed list of logs on SKSHH.</p>			<p>3. Packing lists for the sawn timber</p> <p>4. Chain of Custody records indicating which logs were used to produce the timber</p>
<b>Latvia</b>		<p>A Cutting Licence is required prior to harvesting. The Cutting Licence is issued by the State Forest Service.</p>	<p>A Wood Transportation Way Bill (WTWB) must accompany all movements of timber. The WTWB provides information on ownership, specification, volume, place of loading and unloading. The WTWB should make reference to the Cutting Licence.</p>	<p>WTWB with reference to the Cutting Licence.</p>	<p>WTWB with reference to the Cutting Licence.</p>
<b>Malaysia</b>	<p>General: Log exports are not allowed from Peninsula Malaysia.</p>	<p>Documents required for export:</p> <p>1. Forest Management Plan (State-level in Peninsula, concession-level in Sabah/Sarawak)</p>		<p><b>Peninsula/Sarawak:</b></p> <ol style="list-style-type: none"> <li>Log removal pass/permit</li> <li>Invoice/delivery note</li> </ol> <p><b>Sabah:</b> A copy of the receipt of royalty payment from the Sabah Forestry Department or a copy of the Letter of</p>	<ol style="list-style-type: none"> <li>Customs Declaration form (BK1)</li> <li>MTIB Export Permit (Peninsula &amp; Sabah)</li> <li>STIDC Permit (Sarawak)</li> </ol>

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
		2. Annual Working Plan & Licence from State Forestry Department		Undertaking in lieu of royalty payment from local bank 2. A copy of the Timber Disposal Permit 3. Contracts of sale between the forest operation and all players in the supply chain to the processor	
<b>Peru</b>	Notes: Logs cut from Peru require General Forest Management Plan (PGMF) and Annual Working Plan approval for the forestry policy department - INRENA.  Log exports are not allowed from Peru.	1. General Forest Management Plan (PGMF) 2. Annual Working Plan (POA)	Documents required for logs traded within Peru: 1. Log list 2. Forest transport document (including the log list to transport logs to a purchaser. Includes the specific quantity and volume of logs. 3. Remission guide 4. Forest tax (in advance)		1. Bill of lading 2. Certificate of Origin by Peruvian chamber of commerce 3. Phyto-sanitary certificate (disease and pest quarantine—certified in case of sawn timber) 4. Export certificate issued by forest department - INRENA 5. Packing list of the sawn timber or wood products
<b>Romania</b>	General: Log exports are allowed from Romania, based on a Statistic Export Licence (SEL) released from Ministry of External Affairs. The Ministry of External Affairs releases one SEL only based on approval made by Ministry of Agriculture, Food and Forestry.	Documents necessary for the export of logs from Romania: 1. Official request addressed to the MAFF, with clear mention of wood provenance and ownership. 2. Documents for proving wood provenance are released by the Forest Districts.		Logs: 1. Contract of sale between the company exporting logs and a standing wood processing company (where the company exporting the logs does not have a licence for forest operation or for processing standing wood).  Sawnwood: Documents as for logs, plus: 2. Transformation document with clear mention of quantity of logs processed into saw mill (based on wood provenance documents) 3. Log processing: Transformation percentage and the sawn timber quantity resulting.	
<b>Russian Federation</b>	Valuable hardwood species: For hardwood species like oak, beech, and ash, the exporter needs an exporting licence. The order of applying for such a licence is generally determined by	Valuable hardwood species: 1. Harvesting licences list and consolidated timber assessment statements (both harvesting licences and statements issued by forestry			Softwood / lower value hardwood species 1. Customs declaration 2. Export Contract (with foreign partner) 3. Passport of exporting transaction issued by bank in which the exporter has its account to receive payments for exported timber (used in state currency)

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
	<p>federal legislation, but it varies in different regions because of regional specificity (depending upon which agency issues the licence, order of application, or submitted papers).</p> <p>In every region there are specific lists of prohibited species for commercial harvesting that can be harvested in other regions. Therefore, some species can be legally harvested and exported from some regions but not from others.</p>	management units before harvesting and after harvesting).			<p>control)</p> <p>4. Invoice and specification</p> <p>5. Phyto-sanitary certificate issued by State Plant Quarantine Inspection of Russian Federation Ministry of Agriculture</p> <p>High-value hardwood species:</p> <ol style="list-style-type: none"> <li>1. Application for exporting license</li> <li>2. Contract on export</li> <li>3. Passport of exporting transaction</li> <li>4. The exporter's company constituent by-laws with all registration certificates (including Russian Federation Ministry of Taxes and Dues, State Statistics Committee, bank accounts information)</li> <li>5. Export prices calculation</li> </ol> <p>Note: If the exporting company is a trader, it must submit all original purchase contracts on all exporting timber with the relevant copies of harvesting licences and statements that had been received by primary harvester.</p>
<b>Vietnam</b>	<p>Logs cut from Vietnam require approval from the Forest Police.</p> <p>Logs within Vietnam have Forest Police hammer marks to identify tree number and for royalty payment.</p>	<p>Documents required for Vietnamese logs traded within Vietnam:</p> <ol style="list-style-type: none"> <li>1. Copy of the State Forest Enterprise permit for operating</li> <li>2. Copy of right-to-harvest permit issued by central or Province Department for Forest Development (DARD)</li> <li>3. Pre-harvest tree map</li> <li>4. Chain of custody data sheets indicating logs harvested, dimensions for each log, and a log number linking back to the preharvest tree map</li> </ol>	<p>Documents required for Vietnamese logs traded within Vietnam:</p> <p>Forest Control Police documents approving wood removal and transport</p> <p>To include:</p> <ol style="list-style-type: none"> <li>1. Permit to transport</li> <li>2. Certificate issued by Forest Police</li> <li>3. Forest Tax</li> <li>4. Log list</li> </ol>	<p>Documents required for Vietnamese logs traded within Vietnam:</p> <ol style="list-style-type: none"> <li>1. Contract of Sale between the forest operation and all players in the supply chain</li> <li>2. Red Tax invoices for each transaction in the supply chain to the processing factory</li> </ol> <p>Documents required for imported logs:</p> <ol style="list-style-type: none"> <li>1. All documents required for legal export from producer country</li> <li>2. Customs declaration authorizing import</li> <li>3. Forest Control Police documents approving wood transport from the Port</li> <li>4. Contract of Sale between the forest operation and all links in the supply chain to the processor</li> <li>5. Red Tax invoices for any transactions inside Vietnam</li> </ol>	<p>All documents listed for internal trade, plus:</p> <ol style="list-style-type: none"> <li>1. Bill of lading</li> <li>2. Certificate of origin issued by the forestry police</li> <li>3. Packing lists for the sawn timber or wood products</li> <li>4. Chain of custody records indicating origin of logs used to produce timber products</li> </ol>

# Appendix K

## Acronyms used in Cut it Out.

AFS - Australian Forest Standard  
BREEAM – Building Research Establishments Environmental Assessment Method  
CSA – Canadian Standards Association  
CPET - Central Point of Expertise On Timber  
CITES - Convention on International Trade in Endangered Species  
CARs - Corrective Action Requests  
DCLG - Department of Communities and Government  
EAC – Environmental Audit Committee  
EU – European Union  
FAO – Food and Agriculture Organisation  
FCAG - Forest Certification Assessment Guide  
FLEGT - Forest Law Enforcement Governance and Trade  
FSC – Forest Stewardship Council  
FTN – Forest and Trade Network  
GDP – Gross domestic product  
GFTN – Global Forest and Trade Network  
HCVF - High Conservation Value Forests  
ITTA - International Tropical Timber Agreement  
LAs – Local Authorities  
LEI – Lembaga Ecolabel Indonesia  
MTCC – Malaysian Timber Certification Council  
MCPFE - Ministerial Conference on the Protection of Forests in Europe (),  
NGO – Non governmental organisation  
PAFC – Pan African Forest Certification Scheme  
PEFC – Program for the Endorsement of Forest Certification Schemes  
PFI – Public Finance Initiatives  
RPP - Responsible Purchasing Policy  
RWE – Round Wood Equivalent  
SD – Sustainable Development  
SDC – Sustainable Development Commission  
SPTF - Sustainable Procurement Task Force  
SFI – Sustainable Forest Initiative  
TTAP - Timber Trade Action Plan  
TFT – Tropical Forest Foundation  
TTF – Timber Trade Federation  
UK FTN - WWF-UK Forest & Trade Network  
VPAs – Voluntary Partnership Agreements  
WSSD - World Summit on Sustainable Development  
WWF – WWF is now known simply by its initials and the panda logo.

# References

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- <sup>1</sup> Sawnwood, plywood and veneer, pulp, paper and fibreboard.
- <sup>2</sup> Forestry Commission (UK), Forestry Facts and Figures 2006.
- <sup>3</sup> Includes joinery, furniture, flooring and temporary coverings.
- <sup>4</sup> *Global Witness*, Greenpeace and FERN Briefing on FLEGT and VPAs, Undated, 4 pages.
- <sup>5</sup> House of Commons Environmental Audit Committee, *Buying time for forests: timber trade and public procurement*, Sixth Report of Session 2001-02, The Stationery Office Ltd, 24 July 2002, page 8, section 6.
- <sup>6</sup> MDGs. [www.un.org/millenniumgoals/](http://www.un.org/millenniumgoals/)
- <sup>7</sup> International Biodiversity Delivery Plan, *Beyond Johannesburg: Delivering Our International Biodiversity Commitments*, published 24 May 2004.
- <sup>8</sup> Government Response to the House of Commons Environmental Audit Committee, *Sustainable Timber*, Second Report of Session 2005-06, The Stationery Office Ltd, 4 May 2006, page 12, section 47.
- <sup>9</sup> Forest Stewardship Council. 2004. *FSC Standard For Non FSC-Certified Controlled Wood. FSC-STD-40-005 (V1-0) EN*. Forest Stewardship Council. And:  
Forest Stewardship Council. 2006. *FSC Controlled Wood Standard For Forest Management Enterprises FSC-STD-30-010 (V2-0) EN*. Forest Stewardship Council.
- <sup>10</sup> In summary the FSC controlled wood standards are designed to stop the following material from entering FSC labelled products:
- illegally harvested wood;
  - wood harvested in violation of traditional and civil rights;
  - wood harvested in forests in which high conservation values are threatened by management activities;
  - wood harvested in forests being converted to plantations or non-forest use; and
  - wood from forests in which genetically modified trees are planted.
- <sup>11</sup> The WWF-UK FTN is part of the wider WWF Global Forest & Trade Network.
- <sup>12</sup> Timber Trade Federation, *Measuring Timber Certification, Industry Sector: Timber Importing & Trading*, November 2006
- <sup>13</sup> Frank Miller, Rod Taylor & George White, *Keep It Legal*, WWF International, 2006.
- <sup>14</sup> *Illegal Logging and Global Wood Markets: The Competitive Impacts on the US Wood Products Industry*. Commissioned by American Forest and Paper Association. Prepared by Seneca Creek Associates. November 2004.
- <sup>15</sup> Briefing Note Number 03. FLEGT Briefing Notes, European Commission, April 2004.
- <sup>16</sup> *Lawless: How Europe's Borders Remain Open to Trade in Illegal Timber* (Greenpeace Fact File, October 2005) [www.greenpeace.org/raw/content/international/press/reports/lawless-illegal-timber.pdf](http://www.greenpeace.org/raw/content/international/press/reports/lawless-illegal-timber.pdf)
- <sup>17</sup> Malaysian Timber Council, [www.mtc.com.my](http://www.mtc.com.my)
- <sup>18</sup> Resolution No. 14, Russian Federation Supreme Court from November 5, 1998 (The definition is related to the application of Article 260 of the Criminal Code of the Russian Federation).
- <sup>19</sup> WWF/WBCSD Joint Statement on Illegal Logging for The Forest Dialogue (March 2005). [www.wbcd.org/plugins/DocSearch/details.asp?type=DocDet&ObjectId=13627](http://www.wbcd.org/plugins/DocSearch/details.asp?type=DocDet&ObjectId=13627)
- <sup>20</sup> Taiga Rescue Network, 2005, *Sweden: Forest Industry—Giant with Big Timber Footprints in the Baltic Region*. p2.
- <sup>21</sup> Estonian Green Movement, 2004, *Illegal forestry and Estonian timber exports*. p2. [www.illegal-logging.info/papers/Illegal\\_Forestry\\_and\\_Estonian\\_Timber\\_Exports.pdf](http://www.illegal-logging.info/papers/Illegal_Forestry_and_Estonian_Timber_Exports.pdf)
- <sup>22</sup> Taiga Rescue Network, 2005, *Sweden: Forest Industry—Giant with Big Timber Footprints in the Baltic Region*. p2.
- <sup>23</sup> WWF Latvia, 2003, *The features of illegal logging and related trade in the Baltic Sea region*. p5. [www.illegal-logging.info/papers/Illegal\\_logging\\_in\\_Baltic\\_Sea\\_region.pdf](http://www.illegal-logging.info/papers/Illegal_logging_in_Baltic_Sea_region.pdf)
- <sup>24</sup> American Forest & Paper Association from: Seneca Creek Associates and Wood Resources International, 2004, "Illegal" Logging and Global Wood Markets: The Competitive Impacts on the US Wood Products Industry." Prepared for American Forest & Paper Association. [www.afandpa.org](http://www.afandpa.org)
- <sup>25</sup> World Bank, 2005, *Forest Law Enforcement Governance (FLEG) in Eastern Europe and Northern Asia (ENA-FLEG)*. p. 8.
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  - Wood harvested in violation of traditional and civil rights
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The mission of WWF is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by:

- conserving the world's biological diversity
- ensuring that the use of renewable natural resources is sustainable
- reducing pollution and wasteful consumption

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