# ILLEGAL LOGGING & THE EU

AN ANALYSIS OF THE EU EXPORT & IMPORT MARKET OF ILLEGAL WOOD AND RELATED PRODUCTS

*APRIL 2008*

**This report is based and adapted from a broader study by WWF-Germany: "Illegaler Holzeinschlag und die EU 27" on illegal timber and related products reaching the German market.**

# Summary

Illegal logging and illegal wood trading are a form of organised crime. As with other forms of smuggling, trading in wood, wood products, paper and pulp from illegal sources takes place in mafia-style structures and in hidden circumstances. This is why no one can calculate the quantity of wood of illegal origin in international trade exactly. This study thus aims to give a practical estimate of the orders of magnitude in the European wood trade. All products in which wood was used as a raw material were included for this purpose. The European Union foreign trade data from 2006, calculated back to the quantity of raw timber that was needed to produce the imported products (raw timber equivalent), is used as a basis.
The share of illegal logging in global wood production is estimated at 20% to 40%, and the economic loss through lost receipts for the state, industry and forest owners is estimated at US$ 15 billion (9, 5 billion euro) per year. Illegal logging pushes wood prices down worldwide by 7% to 16%. This economic loss for companies operating legally is compounded by the damage to the image of wood as a raw material and the entire forestry sector.

## Scale of the illegal wood trade in the EU

Illegal logging is a problem with a major international scope. Debates on illegal activities in forestry also set the agendas of numerous international conferences. Illegal logging and wood trading encompass the harvesting, transport, purchasing and sale of wood, where national or international laws are violated. Such activities take place in Eastern Europe including Russia, Africa, South-East Asia and Latin America. Due to their still large forestry reserves, these countries are the states of origin for the import of illegally logged wood into the EU. Nonetheless, illegal logging has also become a problem inside the EU with the EU enlargements of 2004 and 2007.
Between 16% and 19% of wood imports in the EU come from illegal logging. By far the largest quantity of illegal wood reaching the EU comes from Russia.

## China as a transit country

China has gained substantial significance in the international wood trade. Exports of wood and paper products from the People's Republic almost tripled between 2003 and 2006 (from 4 million $m^3$ to 11,5 million $m^3$ ) to the entire EU. China imports the greater proportion of the wood used to manufacture these products from so-called high-risk regions such as the Far East of Russia, South-East Asia and Africa, where there is a greater than average probability of illegal logging.

## EU FLEGT Action Plan

Already in 2003 the EU decided on an action plan to combat illegal logging and the associated trade (FLEGT – Forest Law Enforcement, Governance and Trade). Licensing regulations in the framework of Voluntary Partnership Agreements with countries of origin seek to exclude the import of illegal wood to the EU. Negotiations in this area are being undertaken or prepared with wood exporting countries from Africa, e.g. Ghana and Cameroon, as well as Indonesia and Malaysia.
This study shows that the FLEGT licensing regulations cannot prevent over 90% of imports of illegally logged wood into the EU even after the conclusion of all of the partnership agreements. No negotiations are planned with major countries of origin and transit (e.g. Russia, Brazil, China, Eastern European countries); many products that are manufactured from illegal wood are not recorded (e.g. furniture and other ready processed wood products or paper). Even saw wood can be re-declared as wood mouldings using the simplest of devices (e.g. milling a groove) and can therefore be eliminated from FLEGT controls.

## Additional legislation needed: EU-wide ban on trading in illegal wood

A law, which will hopefully be debated at EU level, is urgently required to ensure that only wood and paper products from legal sources are traded – with an obligation to provide proof for processors as well as traders. This is the only way to exclude illegal sources following processing and import through transit countries and to stop commercial illegal logging in EU Member States.

A legal origin is only a first step towards sustainable provenance from ecologically and socially responsible forestry management. Consumers and companies already have the option today of using Forest Stewardship Council (FSC) certificate, which guarantees both the legality and sustainability of products.

# 1 Background

## 1.1 What is illegal logging or timber trading?

Illegal logging and timber trading includes the harvesting, transport, purchasing and sale of timber, when national or international laws are violated. The harvesting process itself can be illegal where 'rights of use' are obtained fraudulently through a corrupt process, the timber harvest takes place without a government permit or in protected areas, protected tree species are felled or more timber than permitted is harvested. Illegal practices can also appear during processing and transport, such as wood processing which flouts laws and illegal wood exports, the falsification of customs documents as well as the evasion of taxes or other levies[1].

In principle, a distinction must be made between two types of illegal logging. On the one hand, wood may be stolen by the local population due to their poverty to satisfy their living requirements. This mainly comprises firewood, and to a lesser extent construction wood. This form of illegal logging can only be halted when the population's living conditions improve. As this timber does not end up in international trade, illegal logging which is carried out by the local population to cater for its own needs will not be included in the following calculations of illegal timber imports into the EU. However, these calculations show that substantial quantities of firewood and charcoal are actually imported now from countries where illegal logging to obtain firewood is threatening the final remaining sections of forest.

The greater proportion of illegal logging, however, is carried out by companies which occasionally have mafia-style structures and are part of organised crime[2]. This form of illegal logging is closely tied to other criminal activities such as corruption, violence and money laundering. The local population looses its livelihood through this commercially organised form of illegal logging. It usually does not benefit in the least from the trade, as the companies are often owned by foreigners and these often employ foreign labour for the felling work.

## 1.2 Economic consequences

The share of illegal logging in global wood production is estimated at 20% to 40%[3]. The illegal quantity of wood traded globally is estimated to be at least 350 to 650 million m³ per year, which is as high as the quantity of timber from certified forests[3].

According to estimates by the World Bank, the economic loss alone due to income lost to the state, industry and forest owners is US$ 15 billion per year[4]. This money is needed urgently in the affected countries, for example, to develop a functioning forest management sector and to promote responsible forest exploitation. If a fraction of this money were spent on certifying the most endangered forests, this would have a multiple positive effect. On the one hand, certification as an instrument to combat illegal logging would reduce the financial loss significantly, while on the other, certified sustainable management could help to protect forests against illegal logging or slash-and-burn land clearance. According to the United Nations Economic Commission for Europe (UNECE), 10% of the lost income caused by illegal logging annually could lead to 150 million hectares of endangered forest being certified[3]. In the WWF's view, other forests that particularly deserve protection should also be designated as protected areas.

The negative impact on sustainable forest management is thus not restricted to regions where timber is logged illegally. In the global timber trade, this illegal wood also competes directly with timber which originates from sustainably managed forests. However, it can be offered at much lower prices, as neither costs for planting and decades of forest care nor taxes or other levies are paid.

It is estimated that timber prices worldwide are pushed down by 7% to 16% due to illegal logging[5]. Moreover, illegal felling damages the reputation of forestry and wood management overall. Wood from sustainable forestry management is one of the most environmentally friendly raw materials, but is increasingly being linked by consumers to deforestation of primeval forests and global forest destruction. Wood products are therefore being increasingly replaced by products made of other raw materials[5]. Combating illegal logging is in the long-term interest of the forestry sector as well as the wood and paper industry.

## 1.3 Social consequences

Approximately 50 million people live in forests which are endangered by illegal logging. Forests are of significant cultural and social importance in many countries in the world. These people, including many indigenous peoples such as the Baka Pygmies in the Congo basin, the Indian tribes in the Amazon or the Udegi in the Far East of Russia, live on hunting, gathering or exploiting wood from the forest. Moreover, forests offer opportunities for sustainable development, either through eco-tourism or the use of other forest products such as rubber, Guarana or Brazil nuts.

Commercial logging, which is often carried out illegally, draws on the same resource, the forest. This competition can lead to violent conflicts. In tropical rainforests commercial logging can destroy the tribal homelands of indigenous peoples and lead to the flouting of their human rights, often in breach of international laws and treaties.

In addition to harming the forests, illegal logging also destroys their protective function. Many natural disasters in recent times can be traced back to illegal logging. The Indonesian capital Jakarta was flooded after heavy monsoon rains around Christmas 2006, 200,000 people were made homeless, and at least 80 people died. The Indonesian Vice-President Jusuf Kalla blamed the destruction of the forests for the havoc which followed the rainy season[6]. Due to the illegal deforestation of giant areas in all parts of Indonesia, water is no longer retained when heavy downpours occur. Another consequence is massive landslides, as the soil no longer binds without tree roots. At least 65 people died at the end of 2007 due to heavy landslides and flooding. Almost 30,000 people lost their homes. Uncontrolled illegal deforestation is also seen as the cause here[7]. At the start of 2006, 120 people had already been killed by landslides and floods on the Indonesian island of Java. Similar reports have emerged from many other countries such as Haiti or the Philippines. If the deforestation of the Amazon basin continues to progress due to illegal logging and slash-and-burn clearance like in the past, even the regional climate may alter. Extreme droughts would very adversely affect agriculture in large areas of South America and thus threaten the food supplies of millions of people.

Illegal felling simultaneously fosters corruption and undermines the role of the state and laws. Illegal logging is often linked to other criminal operations. In Bosnia-Herzegovina the criminal gangs which are behind illegal logging are also allegedly hiding internationally wanted war criminals[8].

Profits from timber trading are also used to finance civil wars and arms buying in Africa in particular. Thus, according to the UN Security Council, timber exporters such as the Dutchman Gus van Kouwenhoven, Manager of the Oriental Timber Company, have been key figures in the illegal arms trade in West and Central Africa[9].

However, the definition of legality reaches its limits in war-torn areas where the state order has largely collapsed. Under President Charles Taylor, the Liberian government stoked up civil wars in neighbouring countries, where it supported rebel groups[10]. In return large quantities of wood were sent from these countries to Liberia and exported from there. This had already been proven during the civil war in Sierra Leone[11] and the pattern repeated itself in the Ivory Coast in 2002[12]. This is why the UN Security Council sanctions against Liberia were extended to timber trading in May 2003.

The military dictatorship in Myanmar (formerly Burma) has also financed itself since 1988 from the profits from deforestation and the export of teak in particular. This opening up of the forests through forest roads also creates the infrastructure required by the military to combat resistance fighters in remote areas. While 70% of Burmese territory was still covered in woods in 1948, the figure is now less than 30%[11]. The Council of the European Union first imposed an import ban on timber products from Burma after the bloody suppression of demonstrations in October 2007[13].

The consequences of a civil war and the collapse of state order are usually only perceptible years later. Anarchy continues to prevail in the forestry sector in the Democratic Republic of the Congo, even after the war that cost the lives of 3.5 to 4.5 million people[14] and which was financed through illegal logging of tropical timber among other things[15]. Law enforcement must first be bolstered here in the entire country and a functioning forestry management sector developed to safeguard compliance with the law.

However, measures to combat illegal logging must also take account of the population's rights. Traditional lifestyles of indigenous tribes cannot be classified as illegal. A balance must also be found in cases where logging is the only employment available to the local population.

## 1.4 Ecological consequences and changes in climate

Illegal logging endangers the resources of subsequent generations due to an overexploitation of forests, the loss of forest space, damage to eco-systems and a contraction of the diversity of species[16]. It has particularly devastating effects on biodiversity, as felling often takes place in forests and nature reserves that particularly deserve protection, where valuable species of trees that are already overexploited elsewhere are found. Protected varieties of trees such as mahogany, which has a high trading value, have already become extinct regionally due to illegal felling and overexploitation. In countries such as Russia and Indonesia large-scale illegal deforestation destroys the habitat of endangered wild animals such as the Siberian tiger and the orang-utan. In tropical rainforests, the illegal selective felling of species of trees that are in demand in international trade often leads to their destruction, as the following case study shows.

The consequences of this damage to forests are also dramatic for the global climate. Approximately 25% of global greenhouse gas emissions are caused by this damage[17]. During slash-and-burn clearance and conversion into agricultural lands, not only is carbon which is bound above the soil in the vegetation released into the atmosphere as carbon dioxide, but also the frequently substantial quantities of carbon bound to the soil. Due to deforestation Indonesia und Brazil now hold the third and fourth positions worldwide for carbon dioxide emissions, behind the US and China. Three quarters of the timber in Indonesia is felled illegally, while illegal logging amounts to 80% of logging in the Brazilian Amazon basin, where the biggest portion of the deforestation is taking place.

It was therefore decided at the UN Climate Summit in Bali in December 2007 to develop a mechanism for Reduced Emissions from Deforestation and Degradation (REDD) to lower greenhouse gas emission. This would be an inexpensive option for reducing global greenhouse gas emissions, and could simultaneously contribute to maintaining biodiversity and combating poverty in tropical forest countries[18]. However, in WWF's views, the saving of emissions from the forestry sector must occur in addition to savings in the energy sector. To ensure that deforestation is not accelerated in a different area through the protection of woods in one region, reduction in deforestation must be measured at national level under international control. REDD should create a financial incentive to keep a forest instead of destroying it for other purposes, insofar as a monetary value is ascribed to the carbon stored in the forest. However, economic incentives at a national level are insufficient to change local behaviour in the forest. To ensure success, in addition to effective supervision, it is also decisively important for the local and national population to benefit commercially from involvement. In particular, law enforcement must be strengthened, land holding rights clarified unambiguously and illegal practices combated to reduce forest degradation and deforestation and to ensure a benefit from REDD[19].

### 1.1.2 Case study: logging in the Amazon

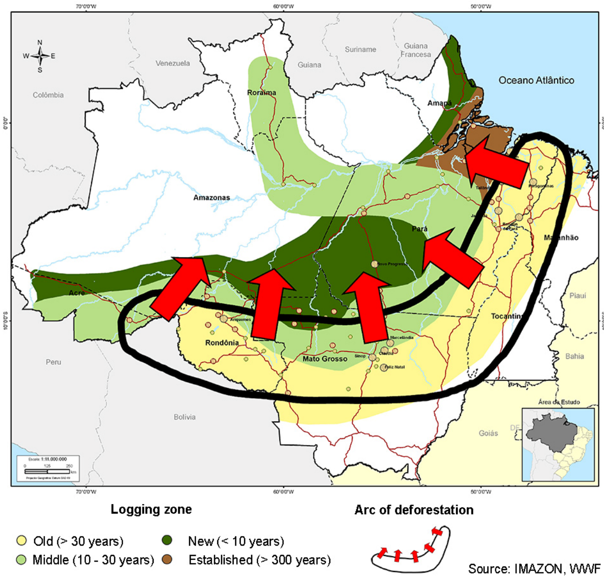
The Amazon rainforest originally covered some 4.1 million square kilometres in Brazil alone; it has now shrunk to 3.4 million square kilometres. An average of 1.9 million hectares of Amazon rainforest was destroyed annually from 2003 to 2007. After the deforestation rate had fallen in recent years, it rose again dramatically in the second half of 2007. 17% of this unique habitat is already irrevocably lost, while a further 17% is degraded.

Up to 80% of logging is illegal in the Brazilian Amazon area. Selective logging, which adversely affects 1 to 2 million hectares of Brazilian Amazon forest annually, is the trailblazer for the destruction of the Amazon rainforest. The deforestation front which is penetrating ever deeper from the South and South-East into the heart of the Amazon rainforest (Graph 1) is advancing.

When the deforestation front and the traffic infrastructure get closer over time, other types of timber with a lower trading value will become economically viable. This quantity of wood, which is much higher in volume, will then be aimed at the Brazilian market. Special protected areas are threatened by selective logging. The targeted, selective logging of valuable tropical woods is economically viable in 85% of the protected areas, but intensive timber exploitation is only viable in 15% of these areas[20].

Ever more of the last large intact primeval forests are being opened up for the selective logging of valuable species of trees such as mahogany. Due to its high trading value, this timber is largely intended for export, to the US and Europe. Selective logging is causing substantial collateral damage in the tropics. For every processed tree, a further 27 trees are damaged in the Amazon, 40 metres of new road are built and a gap of 600 m² opened up in the closed forest roof. Selective logging also leads to a loss of the primary forest nature, and woods degrade. According to the Food and Agriculture Organization (FAO), the primary forest area lost in Brazil annually through degradation exceeds the annual net loss of forest by almost 3.5 million hectares[21].

The degradation through logging also increases forests' vulnerability to fires. During felling the branches and non-exploitable wood are left behind. The sunlight penetrates as far as the ground due to the gaps in the forest roof, dries out the residues and leads to the death of undergrowth that is used to living in shadow. The remaining forest residue then becomes more susceptible to fire[22]. Normally this would not be problematic, as forest fires in the Amazon region can hardly ever be traced back to natural causes. Tropical thunderstorms are accompanied by heavy rainfall, so that ignition due to lightning is extremely unlikely[23]. However, roads and pathways are cut into the rainforest to remove the wood with tractors and trucks and settlers can follow these – landless small farmers as well as landgrabbers who expropriate whole areas illegally in a climate of lawlessness and the absence of a state of law. Forest fires or hotspots are clearly recognisable indicators in satellite images of where the rainforest has been converted into farming and pasture land through slash-and-burn clearance.



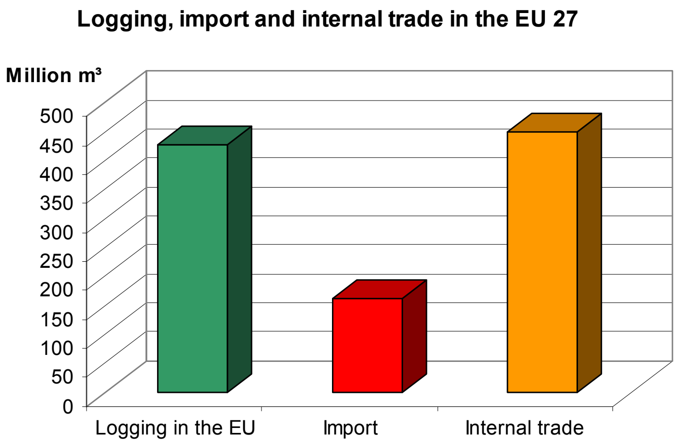

**Graph 1:** Logging zones and deforestation in the Brazilian Amazon

If deforestation continues unimpeded, large scale destruction of the Amazon rainforest is forecast by 2050, with 32 billion tonnes of carbon released into the atmosphere[24] – this is equal to global greenhouse gas emissions for 4 years. The point at which this development can no longer be curtailed due to the self-reinforcing process cycle has not been reached yet, but in combination with the development so far and the additional direct and indirect effects of climate change, it threatens to occur in the next 15 to 25 years[25]. In contrast, if all required measures are adopted to combat deforestation and to prompt a change in the trend, the release of some 17 billion tonnes of carbon can be avoided. To this end, a package of protective measures such as the extension of the protected region network and the promotion of sustainable forms of exploitation must be developed further in pilot projects and transferred quickly to the entire Amazon region, with the involvement of civil society. In the context of a follow-up treaty for the Kyoto protocol, the REDD mechanism could also act as a valuable support tool.

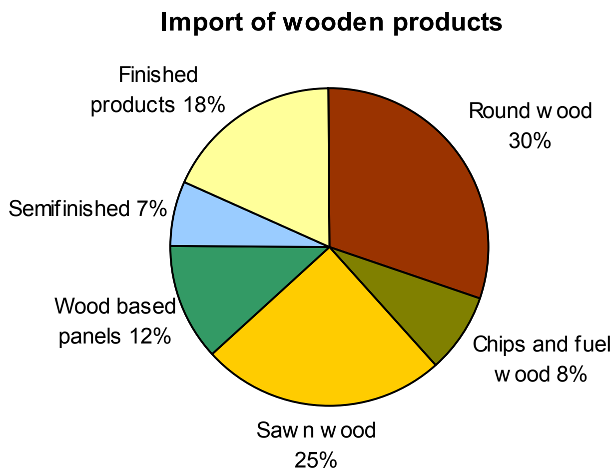
# 2. Imports into the European Union

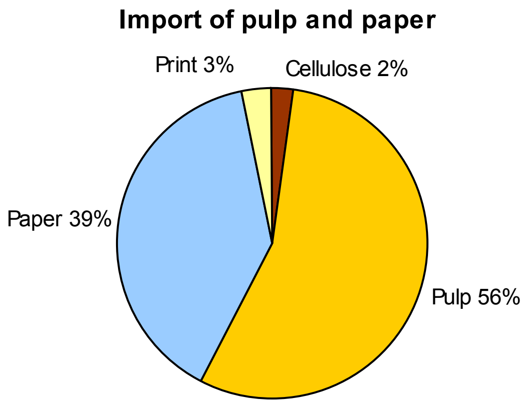
428 million $m^3$ of wood was logged[26] in the European Union in 2006. In addition, wood-based products **- which require manufacturing of 163 million $m^3$ raw wood -** were imported from countries outside the European Union. Imports correspond to 38% of the EU's logging.

**In contrast, an internal trade exists, which at 451 $m^3$ (RWE)[i] exceeds logging in the European Union** (Graph 2). 72% of wood which was produced or imported in an EU state is then exported to another EU state. Given this pre-eminent role played by EU internal trade, an analysis of wood imports based on individual Member States does not make much sense. Even when a Member State imports a disproportionate quantity of wood from critical regions, it is only processed in that country and then re-exported to another EU Member State. The paths of imported wood inside the European Union internal market are therefore hard to follow.




**Graph 2:** EU Logging, imports and internal trade in 2003




**Graph 3:** Imports of wood based products into the European Union

Of the wood imports in the European Union, the share represented by wood products is 57%, and pulp and paper 43%.The wood products import figures also contain round wood, which is only processed further to pulp and paper in the European Union. The share of finished goods, which are supplied to the final consumer without further processing, amounts to less than one fifth of imports of wood products.

**81% of EU roundwood imports come from Eastern Europe, especially from Russia.** Half of all these roundwood imports in the European Union are accounted for by the trade between Russia and Finland. Of the overall imports of wood products in the EU 27, Finnish roundwood imports from Russia represent a share of 15% (Graph 4).

One third of wood-based products imported into the EU come from **Eastern Europe including Russia**: 43% of these are roundwood, and a further 26% sawnwood. In contrast, finished processed wood products represent a share of 6%, and paper a share of 7%.

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[i] Raw Wood Equivalents (RWE) = amount of wood needed to produce a ton of a certain product.

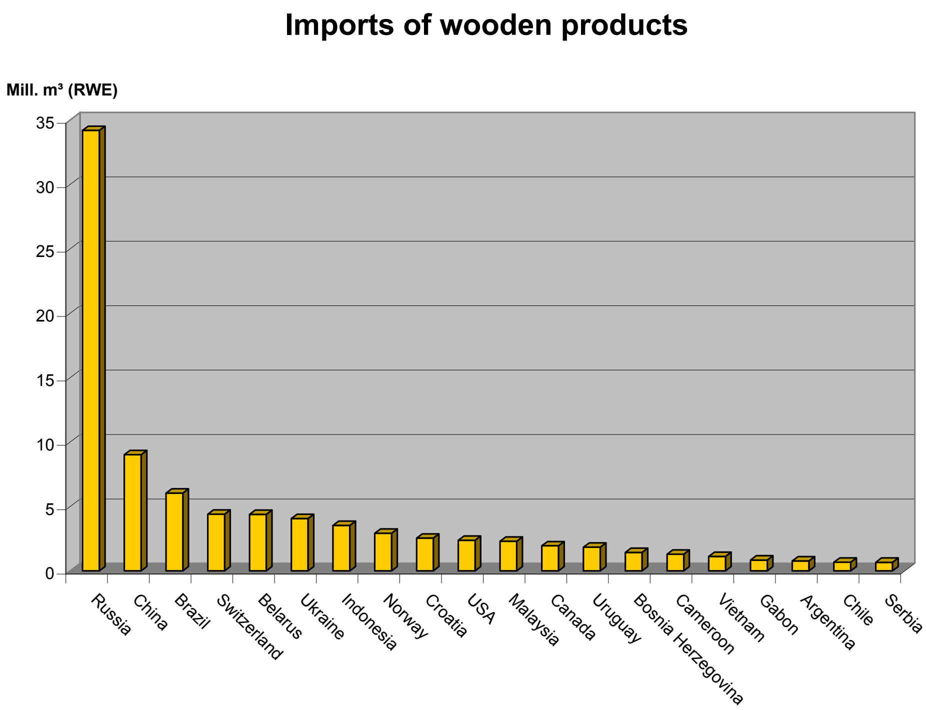

Predominantly furniture and other finished goods are imported from **Asia**, along with plywood and paper. China and Indonesia hold an outstanding position here.

Apart from paper and pulp from South Africa as well as pulp from Morocco, imports from **Africa** mainly comprise of roundwood and sawnwood, which predominantly comes from West and Central African states. For these countries, wood exports to the European Union have a much more important economic importance than their low share in EU wood imports would suggest.

**Graph 4:** Regions from which the EU imports wood-based products.

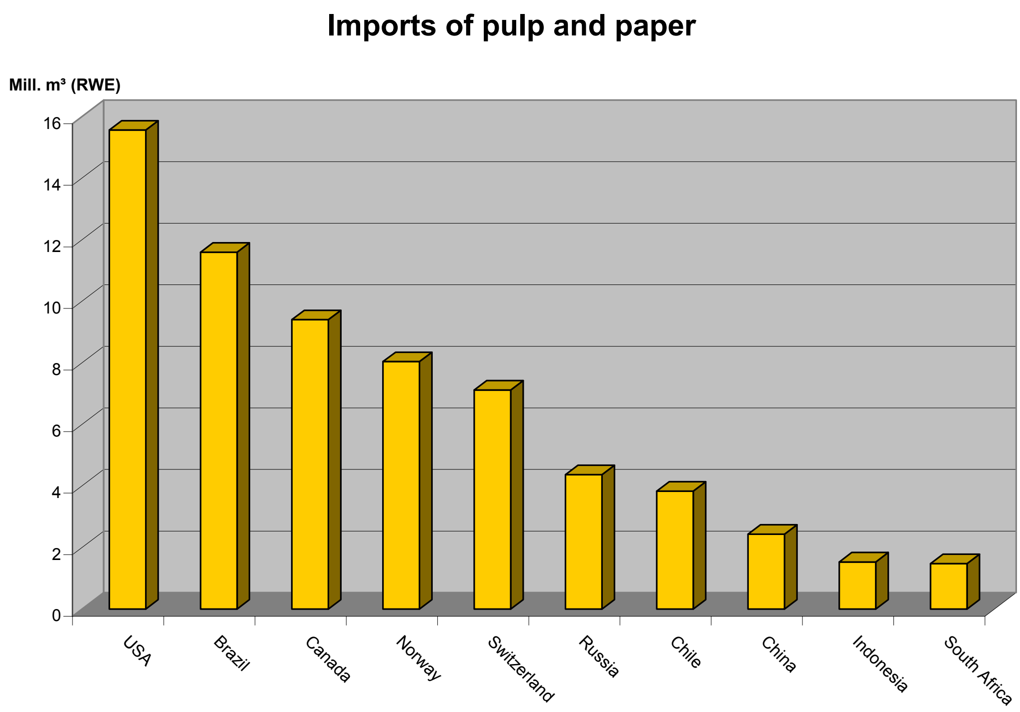
Pulp is mainly imported from North America. 69% of **imports from South America** come from Brazil, of which approximately two thirds is pulp and one third is wood products. Imports from Central America and Oceania are again infinitesimally small at 0.01%.

The **listing based on the countries of origin** (Graph 5) shows Russia's pre-eminent position. Of the 20 most important countries from which the European Union imports wood products, there are already 12 states where illegal logging has been proven or can be assumed. Further critical countries are the Ivory Coast, Thailand and Nigeria from ranking 21 to 23, the Congo at ranking 25 and the Democratic Republic of the Congo at ranking 27.




**Graph 5:** The most important countries for wood - products imports in the EU

Among pulp and paper imports at least the 5 most important countries of origin are credible in terms of legality (Graph 6). Pulp from Brazil comes from plantations which must be viewed very critically from ecological and social viewpoints, but which cannot be classified as illegal. However, these are followed by states such as Russia, China and Indonesia where illegally logged wood is processed into pulp and paper as has been proven. The involvement of the pulp and paper industry in illegal logging has already been demonstrated in court several times in Indonesia.




**Graph 6:** The most important countries for import of pulp and paper products in the EU.

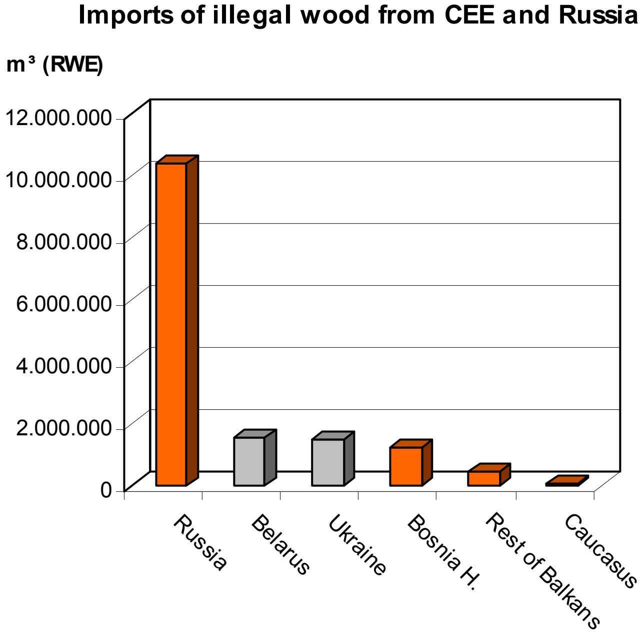
# 3 Illegal wood imports in the European Union

## 3.1 Countries of origin of illegal wood imports in the EU

### 3.1.1 Eastern Europe

Based on the countries for which the level of illegal logging is known, the minimum quantity of illegal wood which is imported into the European Union from Eastern Europe, North Asia and the Balkan Region (excluding EU Member States) can be quantified at over 12 million $m^3$ (RWE). **As a result, at least 23% of wood-based products, which are imported into the European Union from this region, come from illegal sources.**

If we include countries in which illegal logging is proven but whose scale is unknown (among others Belarus and Ukraine), it must be assumed that up to **28**% of imports, 15 million $m^3$ (RWE), come from an illegal or suspect source.




**Graph 7:** Eastern European exports of products based on illegal wood in EU

Russia also takes a clear leading position in illegal wood imports in the European Union, not only in comparison with other Eastern European and Northern Asian countries (Graph 7), but also worldwide. Over 10 $m^3$ (RWE) of illegally logged wood came from Russia into the European internal market in 2006, mainly as roundwood, but also as wood processed into other products. **The main importer among the EU states is Finland. Nearly half of all European wood imports from Russia arrives there, to be processed into pulp and paper and then exported to the other EU states (Table 1)**.

In comparison with Russia, the suspect quantities of wood which are imported from Belarus and Ukraine appear as low, but they nonetheless amount to 1.5 $m^3$ in each case (RWE). A similarly large amount of illegal wood is imported from Bosnia-Herzegovina, despite the smaller size of the country's territory and forest area compared to Russia. Amazingly, a large proportion of illegal wood is firewood. Its main customer is Italy.

Only EU imports from countries outside the EU are considered in this section; otherwise the Baltic states of Estonia and Latvia would follow, as approximately 2.5 $m^3$ (RWE) of wood from illegal logging is exported from each of these countries to other EU states.

**Table 1:** EU: Products and countries of origin of illegal wood imports from Eastern Europe, North Asia and the Balcan Region (excluding EU Member States)

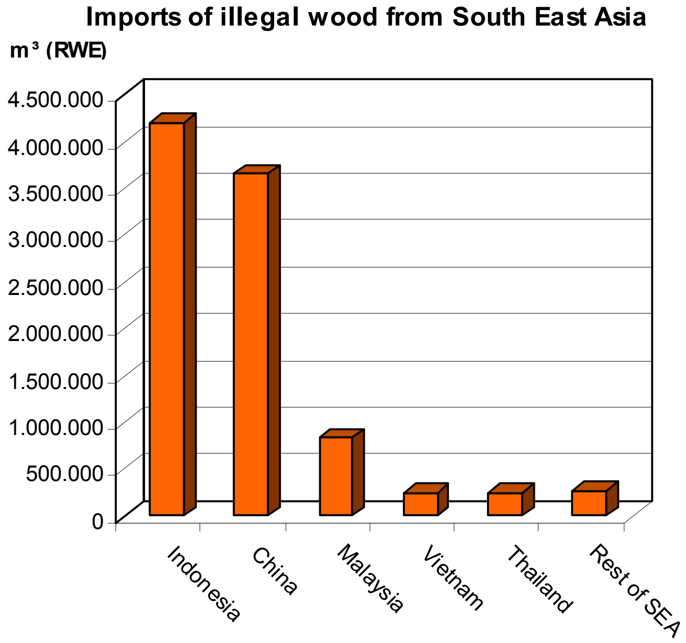
| Country | Illegal or susptected quantity of wood | Imported products | Customers in the EU |
|---|---|---|---|
| Russia | 10,4 million m³ (RWE) illegal | 50 % roundwood<br>24 % sawnwood (spruce)<br>7 % Paper<br>5 % plywood | Finland (43 %)<br>Germany (10 %)<br>Estonia (9 %)<br>Sweden (6 %) |
| Belarus | 1,5 million m³ (RWE) suspect | 36 % roundwood<br>30 % sawnwood (spruce and pine)<br>18 % finished wood products, especially flat plates | Poland (29 %)<br>Germany (22 %)<br>Lithuania (14 %)<br>Latvia (13 %) |
| Ukraine | 1,5 million m³ (RWE) suspect | 42 % sawnwood (pine)<br>25 % finished wood products<br>6 % charcoal<br>5 % firewood | Hungary (21 %)<br>Poland (16 %)<br>Germany (12 %)<br>Italy (11 %) |
| Bosnia-Herzegowina | 1,2 million m³ (RWE) illegal | 36 % firewood<br>24 % sawnwood (beech)<br>16 % finished wood products<br>7 % charcoal | Italy (42 %)<br>Slovenia (25 %)<br>Austria (12 %)<br>Germany (11 %) |

### 3.1.2 South East Asia

40% (9.5 million $m^3$ (RWE) of wood-based products, which are imported into the European Union from South-East Asia, originate from illegal logging. Imports from South-East Asia and China largely comprise furniture and other finished wood products. Larger quantities of saw wood only enter the EU from Malaysia.

The greater proportion of illegal South-East Asian wood imports into the European Union comes from **Indonesia** and **China.**

Compared with 2003, the total imports of wood-based products from Indonesia have fallen by 15% from just under 6 million $m^3$ (RWE) to 5.1 $m^3$ (RWE). **However, the second largest quantity of illegal wood after Russia reaches the European Union from Indonesia, 4.2 $m^3$ (RWE).**




**Graph 8:** South-East Asian exports of products on the basis of illegal wood in the EU

In contrast, imports from China have almost tripled during the same period passing from 4 million m³ in 2003 to 11,5 million m³ in 2006. It can be assumed that a portion of Indonesian wood now reaches the European Union through the indirect route of China, as well as wood from the Far East of Russia and Africa**.**

**Pulp** imports from Indonesia are restricted to some main customer countries. 40% of these go to Italy, a further 36% to France and 16% to the Netherlands. The Dutch share can be justified, amongst other reasons, by the fact that ships from Indonesia initially dock in Rotterdam and the imports are consequently registered there. Thus, for example, Finland does not import any pulp directly from Indonesia, but half of Finnish pulp imports come from the Netherlands. In 2006 the Netherlands produced 109,000 tonnes of pulp, but exported 190,000 tonnes of pulp to Finland.

**Table 2:** EU: Products and countries of origin for illegal wood imports from South-East Asia

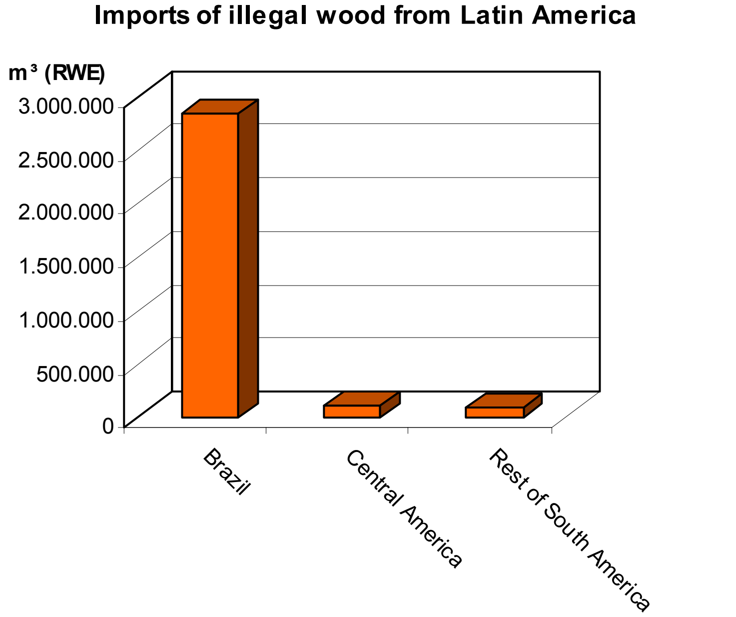
| Country | Illegal or suspect quantity of wood | Imported products | Customers in the EU |
|---|---|---|---|
| Indonesia | 4,2 million m³ (RWE) illegal | 38% furniture and other finished wood products<br>17% pulp<br>16% parquet<br>10% plywood<br>38% furniture and other finished wood products | The Netherlands (20%)<br>Belgium (15%)<br>Italy (14%)<br>Germany (13%)<br>France (13%)<br>Great Britain (12%) |
| China | 3,7 million m³ (RWE) illegal | 52% furniture and other finished wood products<br>19% plywood<br>13% paper | Great Britain (30%)<br>Germany (14%)<br>Spain (8%)<br>France (8%)<br>The Netherlands (7%)<br>Italy (7%) |
| Malaysia | 840.000 m³ (RWE) | 33% furniture and other finished wood products<br>30% saw wood<br>21% plywood<br>6% parquet<br>4% charcoal<br>33% furniture and other finished wood products | Great Britain (37%)<br>The Netherlands (20%)<br>Belgium (13%)<br>Germany (7%)<br>France (5%)<br>Italy (5%) |
| Vietnam | 250.000 m³ (RWE) illegal | 89% furniture<br>9% finished processed wood products | Great Britain (22%)<br>France (18%)<br>Germany (17%) |
| Thailand | 250.000 m³ (RWE) illegal | 30% furniture<br>30% finished wood products<br>21% paper | Great Britain (26%)<br>Italy (13%)<br>The Netherlands (12%)<br>Belgium (12%)<br>Germany (11%) |

A substantial quantity of plywood was imported into the EU from Burma in 2006 before the EU import ban; almost all of it (99.7%) went to Great Britain. In contrast, almost half of the roundwood imported from Burma went to Italy and one third to Germany. Italy (32%), Denmark (18%) and the Netherlands (16%) were again the main customers for sawnwood. Overall, EU imports from Burma break down into 35% furniture and other semi-finished and finished wood products, 29% plywood, 23% sawnwood and 10% roundwood. The main customers were Great Britain with a share of 32% (due to plywood imports), Italy with 25% and France with 11%, followed by Germany, the Netherlands and Belgium with 7% each.

In contrast to Eastern Europe and South-East Asia, pulp in Africa (South Africa) and South America (Brazil and Chile) is mostly produced from legal wood from plantations, according to the current level of knowledge. Only the illegal share of **imports of wood products** will therefore be investigated in the next two chapters.

### 3.1.3 Latin America

The illegal share of imported wood products from Latin America amounts to 30%. Brazil is the third most important country for exports of wood products into the EU, far ahead of other Latin American countries. The imported quantity of wood from illegal logging is also correspondingly high, even when pulp and paper products are excluded and it is assumed that the wood products do not exclusively come from the Amazon, where there is an illegal logging rate of 80%, but from all of Brazil, where 47% of wood is logged illegally on average.



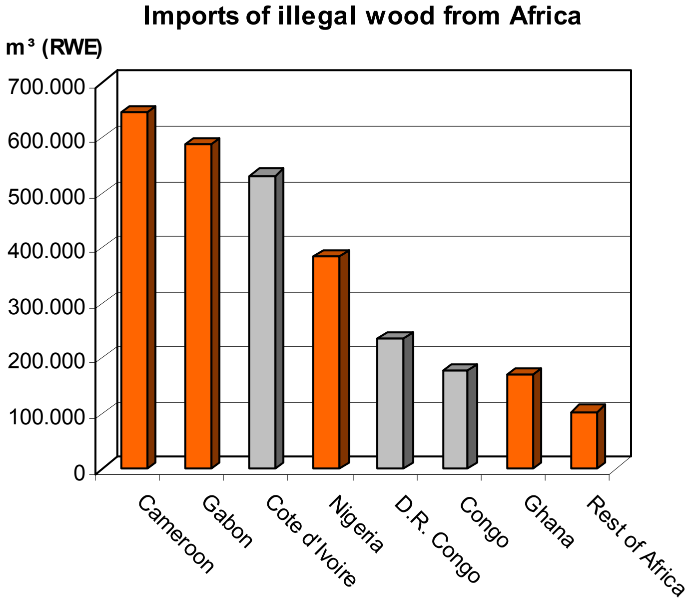

**Graph 9:** Latin American exports of illegal wood products in the EU

Overall, 2.9 million $m^3$ (RWE) of wood products from illegal logging in Latin America were imported into the EU in 2006; of these, 2.8 million $m^3$ (RWE) i.e. 97% came from Brazil (Graph 9). 37% of the wood products imported from Brazil is plywood, and a further 20% saw wood. Given an average value of 230 euros per solid cubic metre (RWE) it can be assumed that valuable species of wood are involved, which do not come from plantations, but from natural forests such as the Amazon rain forest.

**Table 3:** EU: products and countries of origin of illegal wood imports from Latin America

| Country | Illegal or suspect quantity of wood | Imported products | Customers in the EU |
|---|---|---|---|
| Brazil | 2,8 million m³ (RWE) illegal | 37 % plywood<br>20 % swanwood<br>19 % furniture or other finished wood products<br>11 % parquet | Great Britain (19 %)<br>France (14 %)<br>Belgium (13 %)<br>Italy (12 %)<br>The Netherland (11 %)<br>Spain (11 %) |
| Bolivia | 46.000 m³ (RWE) illegal | 37% sawnwood<br>28% parquet<br>27% furniture and other finished wood products | The Netherland (52 %)<br>Italy (14 %)<br>Spain (12 %)<br>France (9 %) |
| Ecuador | 21.000 m³ (RWE) | 74% furniture and other finished wood products<br>20% sawnwood | Denmark (33 %)<br>Spain (22 %)<br>Germany (15 %)<br>Frannce (13 %) |
| Honduras | 15.000 m³ (RWE) illegal | 61% sawnwood<br>27% parquet | Germany (27 %)<br>Spain (23 %)<br>Great Britain (18 %)<br>France (12 %) |

### 3.1.4 Africa




**Graph 10:** African exports of illegal wood products in the EU

The illegal share of wood products from Africa in EU exports can be quantified at minimum **36%** based on African countries where the scale of illegal logging is known. If other African countries in which illegal logging takes place are included, it can be assumed that as much as **56%** of wood products imported from Africa come from illegal or suspect sources.

In total, 2.6 million $m^3$ of illegally logged wood was imported from Africa in 2006, in the form of roundwood, sawnwood and veneer. The wood arrives into the EU via the Mediterranean countries - Italy, France, Spain and Portugal - as well as via the Netherlands, Belgium and Germany. In contrast with other regions, illegal wood imports from Africa are distributed over a wide range of countries of origin. The largest quantities of illegal wood come from Cameroon, closely followed by Gabon and probably Ivory Coast, where illegal logging is widespread according to the International Timber Trade Organisation (ITTO). Anarchy and lawlessness still prevail in the Democratic Republic of the Congo after years of civil war[27]. The majority of the logging licences were issued illegally, in violation of a moratorium, introduced by the government in 2002. Due to lack of official data for Ivory Coast, the Democratic Republic of the Congo and the Republic of the Congo exports to the EU probably coming from illegal logging is estimated based on analysis of the respective country situation. The European Commission is negotiating Voluntary Partnership Agreements with Ghana and Cameroon under the EU Forest and Law Enforcement, Governance and Trade (FLEGT) framework; negotiations for similar agreements are foreseen for late 2008 with Gabon, the Democratic Republic of the Congo and the Republic of the Congo with the aim of excluding the export of illegal wood to the European Union through a licensing scheme. No information is available about planned negotiations with the Ivory Coast for the time being.

Imports from **Nigeria** are not covered by the FLEGT Licensing Scheme, as they differ fundamentally from wood imports from other African countries. Cheap charcoal (i.e. up to 90%) is mainly imported from the country which ranks seventh worldwide for deforestation. The value of the charcoal is €40 per $m^3$ (RWE), while the value of roundwood - which forms just 4% of imports from Nigeria - is almost ten times, as much at €380 per $m^3$ (RWE).

Due to the UN embargo which entered into force in 2003, no wood products were imported from Liberia in 2006, at least according to the foreign trade statistics. The beginning of negotiations on FLEGT partnership agreements is also planned for Liberia in 2008.

**Table 4:** EU: Products and countries of origin of illegal wood imports from Africa

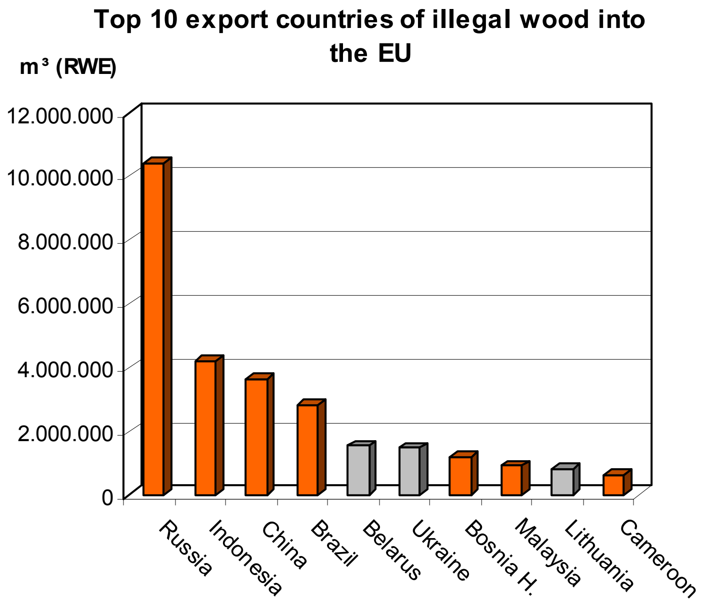
| Country | Illegal or suspect quantity of wood | Imported products | Customers in the EU |
|---|---|---|---|
| Cameroon | 645.000 m³ (RWE) illegal | 81 % sawnwood<br>10 % roundwood<br>6 % veneer | Italy (24 %)<br>Spain (19 %)<br>The Netherland (16 %)<br>France (10 %)<br>Belgium (9 %)<br>Germany (5 %) |
| Gabon | 590.000 m³ (RWE) illegal | 45 % roundwood<br>28 % veneer<br>18 % sawnwood | France (52 %)<br>Italy (24 %)<br>Germany (5 %) |
| Ivory Coast | 530.000 m³ (RWE) suspect | 56 % sawnwood<br>25 % veneer | Italy (33 %)<br>Spain (23 %)<br>France (12 %)<br>Germany (8 %) |
| Nigeria | 380.000 m³ (RWE) illegal | 90 % charcoal<br>4 % sawnwood | Belgium (34 %)<br>The Netherland (33 %)<br>Germany (13 %)<br>Italy (11 %) |
| Democratic Republic of the Congo | 235.000 m³ (RWE) suspect | 61 % roundwood<br>33 % sawnwood | Italy (25 %)<br>France (21 %)<br>The Netherland (20 %)<br>Portugal (18 %)<br>Belgium (14 %) |
| Congo | 180.000 m³ (RWE) suspect | 68 % roundwood<br>27 % sawnwood | Italy (36 %)<br>France (26 %)<br>Spain (11 %)<br>Portugal (10 %) |
| Ghana | 170.000 m³ (RWE) illegal | 53 % sawnwood<br>19 % veneer | Italy (27 %)<br>Germany (15 %)<br>France (15 %)<br>The Netherland (11 %)<br>Belgium (10 %) |

## 3.2 The overall balance of illegal wood imports in the European Union

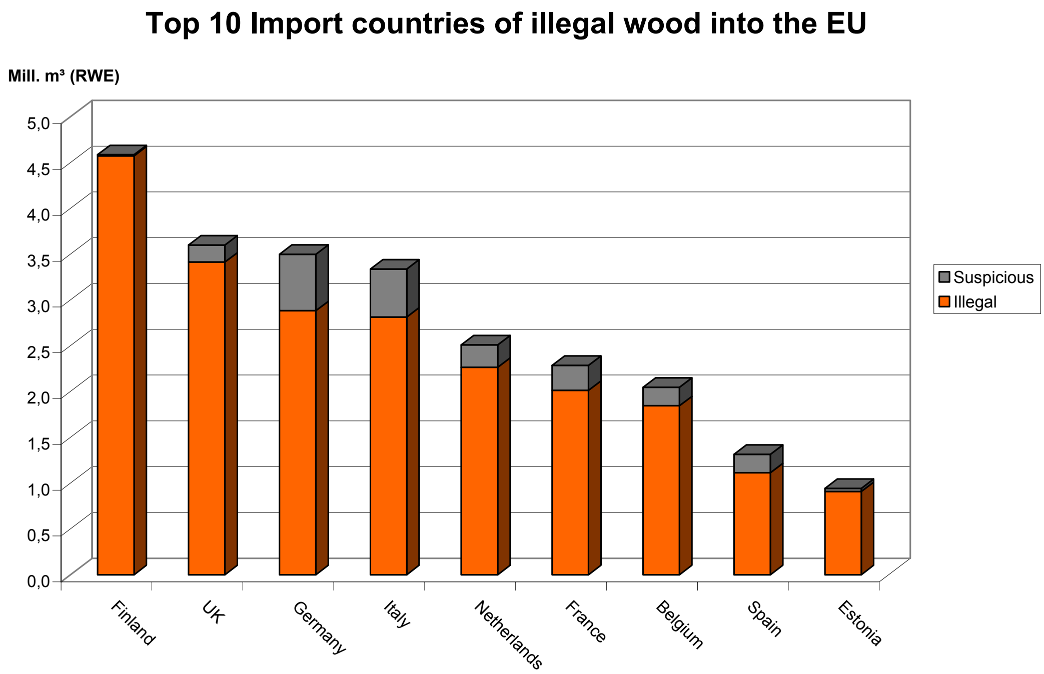
In total **imports of illegal and suspect wood** from four critical non-EU regions (Eastern Europe and Russia, South-East Asia and China, Latin America and Africa) amount to a **26.5-31 million m$^3$** (RWE). Approximately, half of this comes from Eastern Europe, North Asia and the Balkan Region, while a third comes from South-East Asia.

The share of illegal wood in the overall import of wood-based products into the European Union is thus **between 16% and 19%.**

By far the biggest quantity of illegal wood, more than 10 million m$^3$ (RWE) is imported from Russia (Graph 11). This mainly comprises roundwood and sawnwood of the spruce and pine varieties. Indonesia's second position will be challenged in the coming years by China. Predominantly finished wood products are imported from the two countries.




**Graph 11:** The 10 most important export countries of illegal wood into the EU

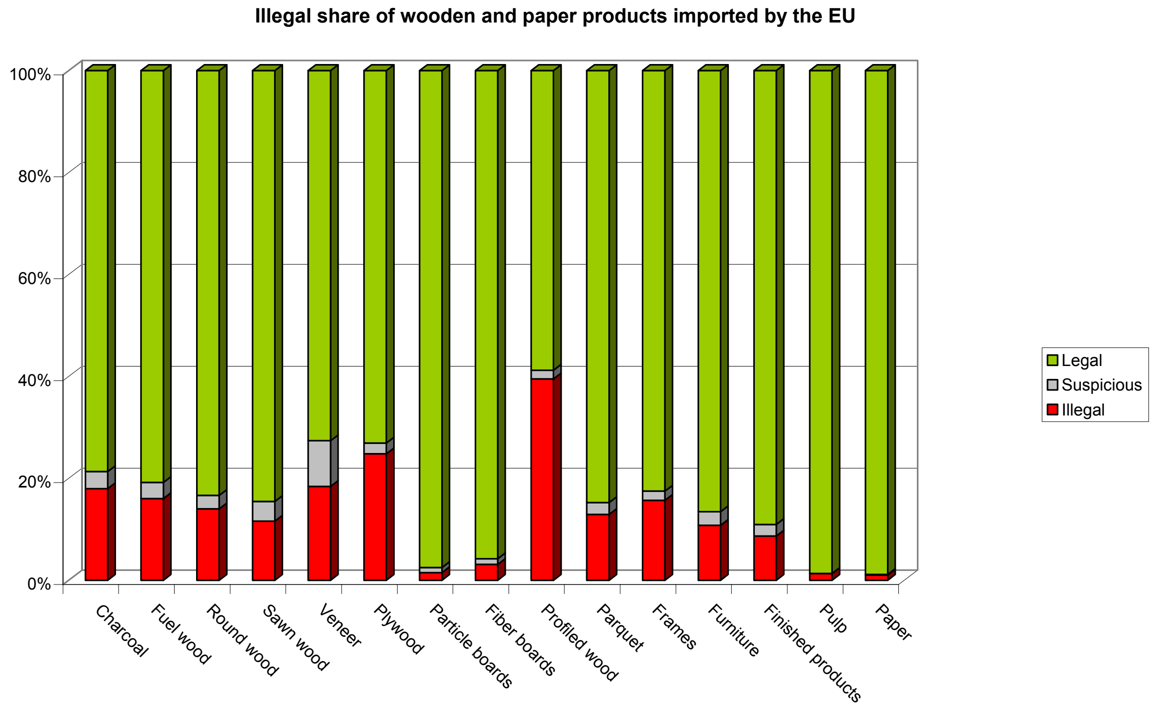



**Graph 12:** The 10 most significant import countries for illegal wood imports in the EU

The biggest importer of illegally logged wood is Finland (Graph 12). Its imports largely comprise Russian roundwood which is processed into pulp and paper and is then exported into other EU states. Illegally logged tropical wood imported by Italy is processed by the local wood industry and is to a great extent exported as furniture, picture frames or parquet to other EU countries. In the case of the Netherlands, a role is also played by the fact that many wood imports dock in Rotterdam port and are booked in the statistics as Dutch imports, although they are actually intended for other EU countries. For example, the Netherlands exported almost five times more pulp than it produced in 2006[26]. Almost half of Finnish pulp imports come from the Netherlands. After the pulp is processed into paper in Finland, it is exported again to other EU states, e.g. to Germany.

## 3.3. Products from illegal wood

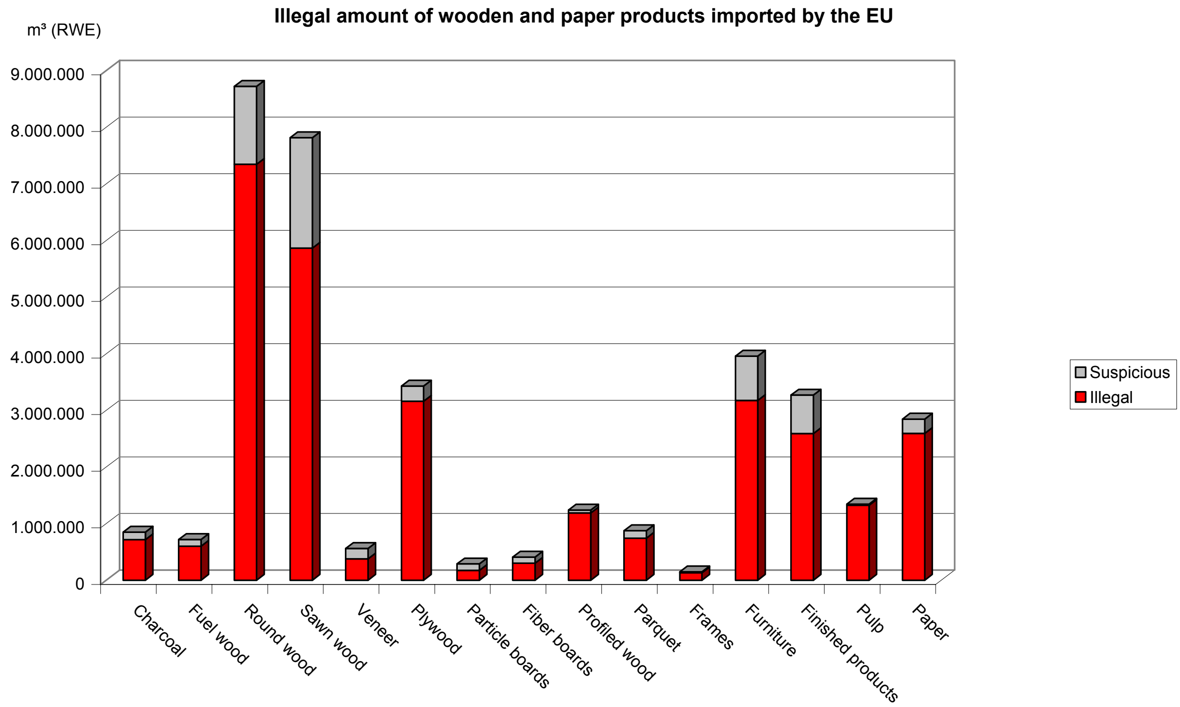
The illegal share varies significantly among products manufactured from wood and depends on countries and regions the product is imported from, and how extensive illegal logging is there (Graph 13). Approximately one quarter of plywood imported into the EU comes from illegal logging. For many other wood products - charcoal, roundwood and sawnwood, but also furniture and parquet - the rate illegal wood is between 10% and 20%.




**Graph 13:** Illegal share of wooden and paper products imported by the EU in 2006

The illegal share for pulp and paper imported is very low (1%), although the illegal quantity of imported wood from which pulp and paper products are manufactured is nonetheless substantial (Graph 14). The fifth largest quantity of illegal wood enters the EU in the form of paper - 2.6 million $m^3$ (RWE) - while a further 1.3 million $m^3$ (RWE) illegal wood reaches the EU as pulp for paper production. Paper, which was manufactured from illegally logged wood, is mainly imported from China, Indonesia and Russia into the EU and has customers in all EU states.

The main import routes through which products manufactured from illegally logged wood arrive in the EU can be determined based on the foreign trade statistics. Further circulation of these products within the European market can be followed only in few cases as statistical data give no indication whether a wood manufactured product was imported or came from another EU country.




**Graph 14:** Illegal amount of wooden and paper products imported by the EU in 2006

## 3.4 Top ten routes for illegal wood into the EU

### 3.4.1 Russian roundwood

**The most blatant way for illegal wood to reach the EU is related to Finnish import of roundwood from Russia for pulp and paper manufacturing. Half of the illegally logged roundwood enters the EU through this channel.** Approximately 3.7 million $m^3$ (RWE) corresponds to 14% of the overall import of illegal wood and related products. EU states, with Germany and Great Britain at the top of the ranking, import substantial quantities of paper which was manufactured in Finland from Russian wood.

**Table 5**: The most important transport channels for illegal roundwood into the EU

| EU import country | Export country | Illegal quantity of roundwood (m³ RWE) | Share of illegal roundwood imported ino the EU | |
|---|---|---|---|---|
| Finland | Russia | 3.6 million | 50% | |
| Sweden | Latvia | 580.000 | 8% | together 38 % |
| Estonia | Russia | 540.000 | 7% | |
| Sweden | Russia | 500.000 | 7% | |
| Sweden | Estonia | 400.000 | 6% | |
| Finland | Estonia | 330.000 | 4% | |
| Latvia | Russia | 230.000 | 3% | |
| Finland | Latvia | 185.000 | 3% | |
| Germany | Russia | 190.000 | 3% | |
| France | Gabon | 149.848 | 2% | |

88% of the illegal Russian roundwood is traded between Russia, the two Baltic States of Latvia and Estonia and the two Scandinavian states of Sweden and Finland (Table 5).

### 3.4.2 Russian sawnwood

Germany imports the single largest quantity of illegal sawnwood which comes from Russia and represents 7% of the overall illegal sawnwood imports into the EU. It generally comprises species of wood such as spruce and pine. Great Britain sources substantial quantities of sawnwood from Russia and two Baltic States. Estonia and Latvia also import substantial quantities of sawnwood from Russia. Further import routes for Russian saw wood are the Netherlands, Finland and France.

**Table 6:** The most important transport channels for illegal sawnwood from Russia into the EU

| EU import country | Export country | Illegal quantity of sawnwood (m³ RWE) | Share of illegal sawnwood imports into the EU | |
|---|---|---|---|---|
| Germany | Russia | 400.000 | 7% | |
| Great Britain | Russia | 375.000 | 6% | together 17 % |
| | Latvia | 365.000 | 6% | |
| | Estonia | 230.000 | 4% | |
| Estonia | Russia | 250.000 | 4% | |
| Latvia | Russia | 180.000 | 3% | |
| The Netherland | Russia | 190.000 | 3% | |
| Finland | Latvia | 190.000 | 3% | |
| France | Russia | 160.000 | 3% | |

### 3.4.3 Tropical log and sawnwood

**Tropical roundwood** from illegal logging mainly comes from **Gabon** via France.15% of all illegal wood imports from Africa into the EU come via this transport route. Concerned wood species are Padouk, Wengé or Okoumé[28]. **Illegal roundwood France sources from Gabon is only slightly smaller than the amount Germany sources from Russia (Table 7).**

**South American saw wood**, which travels from **Brazil to France, Spain and the Netherlands** contributes to 7% of the illegal (tropical and non-tropical) sawnwood imports into the EU. These include wood species such as Jatobá, Garapa or ironwood (Ipé).

**African sawnwood** from **Cameroon to Spain, Italy and the Netherlands** contributes to 6% of illegal sawnwood imports. This includes species of wood such as Sapelli, Azobé or Iroko. Further suspect imports come from the Ivory Coast, with species of woods such as Makoré, Sipo and Iroko.

The Netherlands import illegal sawnwood in substantial quantities from South-East Asia, particularly from **Malaysia**.

**Table 7:** The most important transport routes for illegal tropical sawnwood into the EU

| EU import country | Export country | Illegal sawnwood quantity (m³ RWE) | Share of illegal sawnwood imports into the EU | |
|---|---|---|---|---|
| France | Brazil | 150.000 | 3% | together 7 % |
| Spain | | 140.000 | 2% | |
| The Netherland | | 110.000 | 2% | |
| Spain | Cameroon | 115.000 | 2% | together 6 % |
| The Netherland | | 100.000 | 2% | |
| Italy | | 90.000 | 2% | |
| The Netherland | Malaysia | 115.000 | 2% | |

### 3.4.4. Veneer from Africa

A third of illegal veneer imported into the EU comes from **Gabon** and goes to **France**. Almost half of illegal veneer travels from **Cameroon and Gabon to Italy**. These routes are supplemented by imports from the Ivory Coast to Italy, Spain and Germany, which probably also largely come from illegal sources.

### 3.4.5 Plywood

Illegal plywood imported into the EU largely comes either from **China, Indonesia and Malaysia** or from **Brazil**. Main EU customers are **Great Britain, Germany and Belgium**. Half of the EU imports of illegal plywood can be ascribed to the trade between these countries (Table 8).

**Table 8:** The most important transport routes for illegal plywood in the EU

| EU import country | Export country | Illegal quantity of plywood (m³ RWE) | Share of illegal plywood imports in the EU | |
|---|---|---|---|---|
| Great Britain | Brazil | 370.000 | 12% | together 50 % |
| Belgium | | 200.000 | 6% | |
| Germany | | 200.000 | 6% | |
| Italy | | 120.000 | 4% | |
| Great Britain | China | 230.000 | 7% | |
| Germany | | 125.000 | 4% | |
| Great Britain | Malaysia | 150.000 | 5% | |
| Belgium | Indonesia | 180.000 | 6% | |

### 3.4.6 Profiled wood from Brazil and Indonesia

Import of profiled wood is recorded in the foreign trade statistics under the definition of 'wood which is profiled (incised, grooved, sprung, notched, bevelled, moulded, rounded or similarly processed)'. Slats for frames as well as rods and parquet mouldings are included in this category. Such imports are neither recorded by the EU FLEGT action plan scheme nor by the Convention on International Trade in Endangered Species (CITES) regulations to protect threatened species of wood. Because of this loophole it is sufficient to mill a groove in a mahogany board to circumvent international rules.

The illegal share of profiled wood imports is extremely high - 40% (Graph 13), as it comes mainly from **Indonesia and Brazil**, two countries with high levels of illegal logging and with the highest levels of deforestation worldwide. Main customers in the EU are the **Netherlands, Belgium, Germany and France** (Table 9). **Three quarters of illegal profiled wood enters the EU via these countries**.

**Table 9:** The most important transport routes for illegal profiled wood into the EU

| EU import country | Export country | Illegal profile wood quantity (m³ RWE) | Share of illegal profile wood in the EU | |
|---|---|---|---|---|
| The Netherland | Indonesia | 370.000 | 23% | together 73 % |
| Belgium | | 175.000 | 15% | |
| Germany | | 140.000 | 12% | |
| The Netherland | Brazil | 150.000 | 13% | |
| France | | 90.000 | 8% | |
| Belgium | | 40.000 | 2% | |

### 3.4.7 Furniture and finished wood products from Indonesia and China

One third of furniture and other finished wood products manufactured from illegally logged wood reach the European Union from **Indonesia and China** via **Germany, Great Britain, France and the Netherlands** (Table 10). Finished wood products which were made of illegally logged wood also come from Indonesia and China and are imported into the EU via Germany, Great Britain and the Netherlands. Doors and windows are included in this category. The greater proportion of finished processed wood products imported into the EU are not described more precisely in foreign trade statistics, and are classified under the heading ‘other wood products’.

**Table 10:** The most important transport channels for furniture from illegal sources in the EU

| EU Import country | Export country | Illegal quantity of furniture (m³ RWE) | Share of illegal furniture imports into the EU | |
|---|---|---|---|---|
| Great Britain | China | 350.000 | 11% | together 31 % |
| Germany | | 125.000 | 4% | |
| France | | 115.000 | 4% | |
| Great Britain | Indonesia | 150.000 | 5% | |
| France | | 125.000 | 4% | |
| The Netherland | | 110.000 | 3% | |

**Table 11:** The most important transport channels for finished processed wood products from illegal sources into the EU

| EU import country | Export country | Illegal quantity of finished wood products (m³ RWE) | Share of illegal furniture imports of finished wood products into the EU | |
|---|---|---|---|---|
| Great Britain | China | 350.000 | 11% | together 31 % |
| Germany | | 125.000 | 4% | |
| France | | 115.000 | 4% | |
| Great Britain | Indonesia | 150.000 | 5% | |
| France | | 125.000 | 4% | |
| The Netherland | | 110.000 | 3% | |

### 3.4.8 Pulp from Indonesia

Approximately three quarters of Indonesian pulp comes from illegal sources. Half of EU illegal pulp imports occur through **Italy, France and the Netherlands** (Table 12). Foreign trade statistics do not tell anything about further pulp paths. Nonetheless, the Netherlands exported five times more pulp than it produced in 2006. At least one third of pulp imported by the Netherlands was docked in Rotterdam and exported to other EU countries. Finland accounts for half of the imported pulp from the Netherlands. Pulp, which is then processed into toilet paper for example, is also exported from Italy and France to other EU states.

**Table 12:** The most important transport paths for illegal pulp in the EU

| EU import country | Export country | Illegal quantity of pulp (m³ RWE) | Share of ilegal pulp imports into the EU | |
|---|---|---|---|---|
| Italy | Indonesia | 280.000 | 21% | together 49 % |
| France | | 250.000 | 19% | |
| The Netherland | | 115.000 | 9% | |

### 3.4.9 Charcoal from illegal deforestation

Significant quantities of charcoal are imported into Belgium, the Netherlands and Germany from Nigeria, one of the countries with the highest levels of deforestation worldwide. 43% of illegal charcoal reaches the EU in this way. Other illegal charcoal is imported by Italy and Germany from Bosnia-Herzegovina as well as from Greece through Bulgaria and Albania.

**Table 13:** The most important transport routes for illegal charcoal into the EU

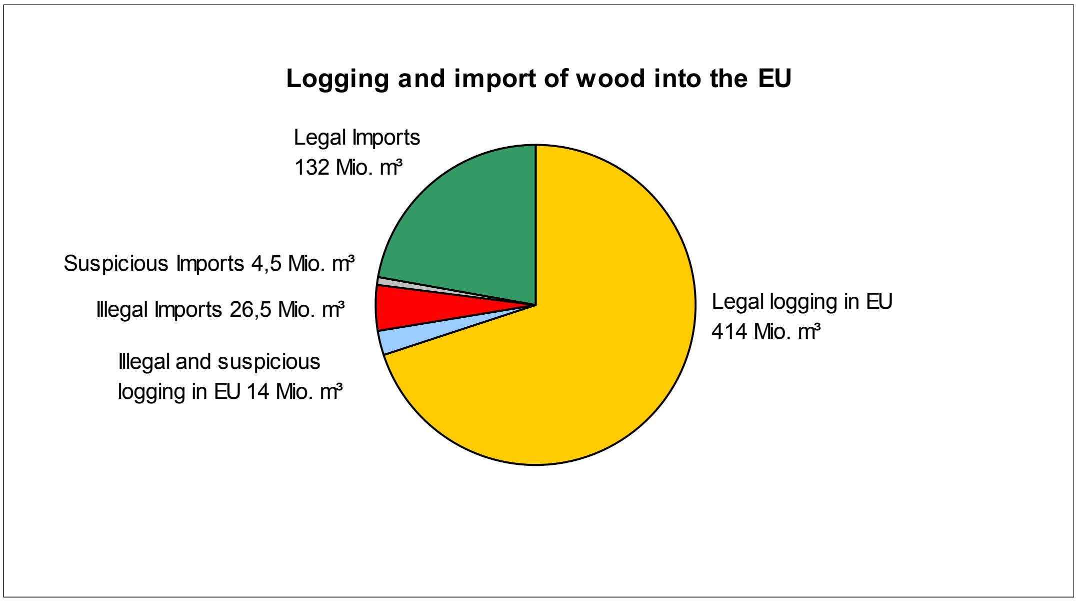
| EU import country | Export country | Illegal quantity of pulp ($m^3$ RWE) | Share of illegal pulp imports in the EU | |
|---|---|---|---|---|
| Belgium | Nigeria | 130.000 | 18% | together 43 % |
| The Netherland | | 125.000 | 18% | |
| Germany | | 50.000 | 7% | |
| Italy | Bosnia-Herzegovina | 33.000 | 5% | |
| Germany | | 32.000 | 4% | |
| Greece | Bulgaria | 60.000 | 8% | |
| | Albania | 25.000 | 4% | |

### 3.4.10 Firewood from Bosnia-Herzegovina

In addition to charcoal, Italy imports substantial quantities of firewood which is logged illegally in Bosnia-Herzegovina (280,000 $m^3$ – RWE). Almost half of the illegally logged firewood comes into the EU through this channel. This product is probably used in Italy as a source of energy, but may also be used by the wood and paper industry. Foreign trade statistics do not provide any further information about customers and other uses.

## 4. Effects on the internal market and European Union exports

Due to the high level of internal trade (see 2.1) and processing of imported wood within the European Union, paths taken by illegal wood can only be identified in exceptional cases. However, it is possible to calculate the average share of illegal wood within the total amount of wood in the EU market.




**Graph 15:** EU wood production and import

Harvesting within the European Union must be added to wood imports for this purpose (Graph 15). In total, 591 million $m^3$ (RWE) of legally and illegally logged wood were available for EU consumption and for export in 2006.

With the EU enlargement to the east, illegal logging has also become a problem **in** the EU that affects the new Member States. (Graph 15). Within 591 million $m^3$ (RWE) of wood available for the EU market, between 35 and 45 million $m^3$ (RWE) come from illegal or suspect sources within the EU. This represents a market share of between 6% and 8%.

# 5. Measures at EU level

## 5.1 Implementation of current measures

In 2003 the European Commission presented an Action Plan on “Forest Law Enforcement, Governance and Trade” (FLEGT). The Action Plan provides for a series of voluntary but binding Partnership Agreements with timber producing countries and regions. The partnerships include licensing regulations (FLEGT Licensing Scheme) between the EU and partner countries, which stipulates that all exports related to specific wood products to Europe would be legal. The basis for the licensing scheme is a definition of legality jointly developed by all involved players (government, industry, civil society).

Reforms in the forestry sectors of wood producing countries are one of the main aims of the bilateral agreements, in order to combat the underlying causes of illegal logging (e.g. corruption, ambiguous legal position) and to reduce illegal logging locally. This includes the **development of a definition of legality accepted by all stakeholders** and the expansion of capacities in administration and civil society to implement laws and e.g. to develop control systems to check the legality of logging operations. Political reforms in the forestry sector are fostered to make logging more sustainable and to improve transparency in awarding concessions and in the harvesting process itself,

In addition, cooperation with other important wood purchasing markets such as the US and Japan is sought and efforts are made to switch public procurement to legally and sustainably harvested wood in EU countries. Partnership agreements are currently being negotiated with countries in Asia and Africa. The first formal negotiations on Partnership Agreements with Ghana, Indonesia, Malaysia and Cameroon started in 2007.

WWF and other environmental organisations welcome the EU FLEGT Action Plan as a first step in the right direction, but note a significant need for improvement in the proposed range of measures. With respect to the Partnership Agreements, main criticisms concern the fact that licensing scheme only cover direct imports from the relevant partnership country and only includes specific product groups such as roundwood, sawnwood, plywood and veneer. An extension of the range of products must be negotiated individually with each partner country. In many cases wood is initially exported to third countries, processed at lower costs than in Europe and then exported as a finished or semi-finished wood or paper product. Thus the direct export of African roundwood to Europe is constantly declining, as it is now first exported to China and then processed into furniture and parquet, before ending up in European shops and furniture stores, for example. Moreover, illegally felled timber can be legalised in the partner countries, as the licensing agreement does demand a legal import process, but does not impose that the imported wood is also legally felled. The fact that the domestic market is not covered by the Partnership Agreements represents a further problem, because a portion of the illegal trade in wood takes place at national and local level (even though some countries like Ghana and Indonesia are considering the inclusion of the domestic market in their agreements).

The gaps in the FLEGT Licensing Scheme are shown by imports from South-East Asia. Only 13% of wood imports from Indonesia would be covered by the EU FLEGT Licensing Scheme in its current form, as the largest proportion is imported as furniture, finished or semi-finished wood products, pulp and paper. EU imports via China are not recorded at all by the licensing scheme, although they have almost tripled within 3 years and a substantial proportion are manufactured from illegally felled timber.

## 5.2 Much needed EU legislation

Due to the problems with partnership agreements, WWF is calling for an EU law to halt the trade in illegal wood and wooden products in the EU. Such legislation should include the introduction of a ‘chain of custody’ and a standard verification system on a compulsory basis. Legislation in combination with Voluntary Partnership Agreements is seen as the only way to safeguard that only timber and wood products from legal sources and from responsible managed forests enter the

European market .The European Commission is due to present draft law on illegal logging in the first half of 2008.

According to WWF, a strong EU legislation on illegal logging would create equal competitive conditions for all companies operating in the European market. It would halt the fall in prices of wood and wood products, promote healthy economic development and increase the profitability of the forestry sector within and outside the EU. This would also have global positive consequences, especially in ambitious economies such as China where the forest sector is highly export oriented and focused on EU and US markets.

A EU legislation against timber from illegal origin, combined with the Voluntary Partnership Agreements, would form an important incentive to developing countries to improve their forestry policy and develop an ecologically sustainable and socially responsible forestry practice in the long term. Legal logging could increase tax revenues and together with sustainable forest management could produce palpable benefits for village communities depending on forests, who are suffering from unrestricted exports of forest products and increasing deforestation. Additional revenues would also encourage governments to invest in environmentally-friendly alternatives to destructive industrial practices in order to create more opportunities for sustainable economic growth and jobs.

# 6. Evaluation of results

The analysis of wood imports has shown that the amount of products manufactured from illegally felled wood and imported into European Union in 2006 is significant **The illegal share amounts to between 16% and 19% in the case of wood imported by the EU.** This covers all products made of wood, including pulp and paper. **By far the largest quantity of illegal wood comes from Russia**. Roundwood and sawnwood in particular come from illegal logging in Eastern Europe and Russia – as well as from Africa.

The FLEGT Action Plan could reduce direct illegal wood imports from these two regions, as it covers roundwood, sawnwood, plywood and veneer. It could also capture a portion of imports from Brazil, which should be categorised as critical – timber products mainly involving plywood and saw wood. However, the EU Commission is not carrying out negotiations on Voluntary Partnership Agreements (VPAs) with either Russia or other Eastern European countries, nor with Brazil, which is by far the most important South American supplier of illegal wood. In addition to talks with Indonesia and Malaysia, formal negotiations have only been initiated so far with two African countries, Ghana and Cameroon – five years after the presentation of the FLEGT Action Plan. The launch of negotiations with other African states (the Republic of the Congo, the Central African Republic, Gabon, the Democratic Republic of the Congo, and Liberia) are foreseen for 2008[29]. By arranging these, all relevant imports of illegally felled roundwood, sawnwood and veneer from Africa would be covered, with the exception of the Ivory Coast. The import of charcoal from Nigeria, one of the countries with the highest deforestation worldwide is not controlled by FLEGT.

The gaps in the FLEGT Action Plan can be seen most clearly in the example of imports from South-East Asia, as these largely comprise furniture and other finished manufactured final products specifically excluded from the FLEGT Licensing Scheme. As a result, the EU FLEGT Action Plan in its current form only records 13% of wood imports from Indonesia, as the greater proportion of illegally logged wood is imported into the EU in the form of furniture or semi-finished wood products as well as pulp and paper.

Moreover, the most important development in the global wood trade in recent years is not addressed yet: there is no Voluntary Partnership Agreement (VPA) foreseen so far between the EU and China. While the first steps by the EU in China's direction have been taken to reach convergence in this area, the schedule and expected results remain unclear[30]. This means that China, like other countries not negotiating a VPA, can continue to import illegal wood, obtain a further cost benefit and finally export goods manufactured from illegal wood to the European market.

China predominantly imports from critical regions such as the Far East of Russia, South-East Asia and Africa. The majority of imported wood, which is mainly roundwood, is re-exported after processing, largely as furniture and other ready processed wood products, but also as plywood and paper. **Exports of wood and paper products from China to the EU almost tripled between 2003 and 2006, i.e. within 3 years**.

In 2006, the European Union imported between **26.5 and 31 million m$^3$** (RWE) of wood from an illegal origin, the largest proportion in the form of goods manufactured from wood. The EU FLEGT Action Plan would only reduce this amount by **2.3 to 2.8 million m$^3$** (RWE) (Table 14), even if Voluntary

Partnership Agreements were concluded with all countries with which negotiations are currently underway or planned.

**Over 90% of imports of illegally logged wood in the EU is unaffected by the EU FLEGT Action Plan and its licensing scheme, because:**

- **no negotiations are planned with important countries of origin and transit of illegal wood (e.g. Russia, Brazil, China, Eastern European countries)**
- **many products which are manufactured from illegal wood are not recorded (e.g. furniture and other ready processed wood products, profiled wood, paper, charcoal/firewood**).

**Moreover, the Action Plan does not take sufficient account of the fact that illegal logging has become a problem within the European Union following the recent EU enlargements and affects the new Member States.**

**Table 14:** Direct effects of the licensing scheme on illegal wood exports from FLEGT partner countries to the EU

| Partner country | Illegal quantity of imports captured by FLEGT | % share of illegal imports |
|---|---|---|
| Indonesia | 550,000 $m^3$ (RWE) mainly plywood and saw wood | 13% |
| Malaysia | 435,000 $m^3$ (RWE) especially saw wood and plywood | 52% |
| Cameroon | 630,000 $m^3$ (RWE) especially saw wood | 98% |
| Ghana | 140,000 $m^3$ (RWE), especially saw wood | 81% |
| Gabon | 580,000 $m^3$ (RWE) roundwood, veneer and saw wood | 99% |
| Democratic Republic of the Congo | 225,000 $m^3$ (RWE) especially roundwood | 95% |
| Republic of the Congo | 175,000 $m^3$ (RWE) especially roundwood | 97% |
| Central African Republic | 40,000 $m^3$ (RWE) especially roundwood and saw | 100% |
| Liberia | There were no wood imports into the EU in 2006 due to the UN embargo | |

**A strong EU legislation which guarantees that only wood and paper products from legal sources can be traded in the European market is needed**. The obligation to prove the legal origin through a suitable Chain of Custody certificate should lie with processors and traders. This is the only way an illegal origin of a product can be excluded after processing in and import via transit countries. A compulsory proof of legality must cover all countries of origin, including those inside the EU, in order to prevent discrimination against states outside the EU and a consequent violation of WTO guidelines. Legislation of this type would also combat illegal logging in EU Member States, insofar as wood is not logged for personal needs, but ends up in the trading system. Moreover, a **compulsory proof of legality** would reduce the additional costs of certification to prove an origin from ecologically and socially responsible forest management and create equal opportunities for local forestry in the global competitive market.

The Partnership Agreements would help the partner countries to combat the causes underlying illegal logging, ranging from poverty and corruption to the development of an operational forestry management, effective controls and legal implementation. Those EU states which are affected by illegal logging as well should also be supported through comparable measures.

A legal origin is only a first step towards sustainable forestry from the perspective of ecologically and socially responsible forest management. Consumers can already buy products certified by the Forest Stewardship Council (FSC), which guarantees both legality and sustainability.

# 7. Requirements for action

## 7.1. For the EU

WWF calls for strong EU **legislation**, which will hopefully be put forward by the EU Commission in the first half of 2008. O**nly legal wood should be offered for sale in the European market**. Traders should prove the origin and legality of the wood, and inspections should take place at the points of sale within the EU. A violation of the compulsory proof of legality should be subject to a penalty. Only a law with these features, extended to the majority of wood products can significantly reduce illegal logging and associated trade in a foreseeable time frame. For WWF, legislation should address the following aspects:

- **Define the range of compliance issues to be addressed in assessing, whether timber is legally sourced.** The scope of these requirements should be defined with reference to the three pillars of 'sustainable' forest management (ecological, economic and socio-cultural considerations)
- **Set standardized legal verification requirements for companies**. Standardisation should include traceability schemes, legality verification systems and related documentation.
- **Place the onus on companies** to demonstrate compliance with law requirements.
- **Acknowledge the efforts of progressive companies and countries**. For example, reliable private traceability and verification schemes, such as the Forestry Stewardship Council (FSC), could be accepted as proof of legality, provided they meet the requirements set by the law. The same could be done for products covered by the FLEGT Licensing Scheme that will be implemented through Voluntary Partnership Agreements with timber producer countries.
- **Ensure that implementation is cost-effective, clear and non-discriminatory**, especially towards small-scale companies.
- **Cover the vast majority of products that could contain wood from illegal sources**. This includes secondary-processed products; paper and packaging as well as bioenergy.
- **Address illegal logging within the EU**. To level the playing field, the same legislation should apply both to wood sourced within the EU and from abroad.

Even though legislation can require companies to proof that they are implementing systems that meet the legislative requirements, the responsibility for eliminating trade in illegal wood cannot lie within industry alone. The EU, who is responsible for legislation, has to ensure that clear standards for business are set, legislation is implemented in a cost effective, clear and non-discriminatory manner and provide reliable control mechanisms for implementation. The EU should help companies to implement control systems and provide information about the current legal and administrative framework in wood exporting countries. This could be achieved through close cooperation with NGOs.

## 7.2 For companies

Companies should orient their procurement policy in accordance with the following criteria:

- No wood procurement should affect forests that deserve special protection (Intact Forests and HCVF – High Conservation Value Forests)
- Companies should source of their wood products by mentioning the country of origin
- Timber procurement according to ecological criteria in accordance with the FSC system.

In the two WWF publications 'Keep it legal manual (2006)[31] and 'Responsible Purchasing of Forest Products Guide' (2006)[32] a detailed description is given of how companies can orient their business policy to sustainable management and procurement, by eliminating illegal wood from the procurement chain through product chain certification (Chain of Custody) and support companies or branches in problem countries to develop a policy of this type.

## 7.3 For consumers

As purchasers of wood and paper products for either private or business purposes, companies and consumers play an important role in combating illegal logging. WWF advises business and private consumers to only buy wood and paper products that are certified in accordance with the principles and criteria of the **Forest Stewardship Council (FSC)** and which bear the FSC label.

WWF supports the FSC as the only current international certification system whose stipulations guarantee a compatible with nature, socially responsible and economically sustainable use of wood and paper products. The FSC standards are valid worldwide and are adapted to local circumstances. The entire trading chain up to the final user is tested annually by authorised certifying inspectors, who check from the forest via all of the production stages up to the finished product.

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WWF's mission 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
- promoting the reduction of pollution and wasteful consumption

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