

TRADE STATEMENT 2023 by the Trade Advisory Group

Chairman

Ladies and Gentlemen

Our Trade Statement focuses on the “EU Regulation 2023/1115 Of the European Parliament and of the Council”, or EUDR for short. This regulation will have a significant impact on the tropical timber trade in EU, and it also has serious implications in tropical timber producing countries.

The principle behind the EUDR is one that the tropical timber trade supports. Deforestation is anathema to an industry built on sustainable use of tropical forests.

TAG welcomes the acknowledgement in the preamble to EUDR that the major driver of deforestation is not demand for wood products, but that, in the words of EU, “agricultural expansion drives 90% of global deforestation”.

However, TAG is deeply concerned that the law fails to acknowledge, either explicitly in the text or by implication in the measures it imposes, that the sustainable production and consumption of timber promotes forest conservation and mitigates climate change.

Timber is the only commodity within the scope of EUDR for which an increase in demand can enhance the value of forests, actively discourage deforestation, and promote increased investment in sustainable forest management, as well as help address climate change.

And, as stated in the Ministerial Call on Sustainable Wood issued at the 15th World Forestry Congress held in Seoul in May 2022, “scaling-up bio-economies by using sustainable wood replacing carbon-intensive materials has high potential to become a cost-effective and innovative contribution at scale to achieve carbon neutrality and build more resilient economies”.

In light of this, there is a significant responsibility on the part of EU and the architects of similar regulations in other consumer markets to ensure that laws developed with the best of intentions to help reduce deforestation, do not inadvertently increase barriers to the trade in legally sourced wood products as such regulations are more likely to undermine than enhance the value of standing forests.

TAG is somewhat reassured that the definitions of “deforestation” and “degradation” in the EUDR do, by implication, recognise the continuing role for selection harvesting in natural tropical forest. However, TAG believes that some aspects of EUDR have the potential to create unnecessary barriers to the sustainable development of tropical forest resources and trade in tropical timber products:

First, the regulation does not differentiate between illegal deforestation and legal forest conversion, thereby undermining the ability of tropical countries to make their rational decisions as to the appropriate balance between forest land and agricultural land within their own borders. The regulation seems to conflict with the Charter of the United Nations and the principles of international law, as referenced in the ITTA, that “States have the sovereign right to exploit their own resources pursuant to their own environmental policies.”

Second, the lack of adequate consultation with trade partners before the regulation was passed, and the continuing apparent unwillingness of the EU to engage in dialogue on the regulation through a multilateral organisation like the ITTO.

TAG decided to focus this trade statement on the EUDR only after we learned that there would be no separate agenda item on EUDR during this Council session. TAG believes this lack of dialogue has been a major factor

contributing both to the inclusion of inappropriate technical requirements in EUDR and to unfortunate misunderstandings surrounding the scope and objectives of the regulation.

Third, the definition of “forest degradation” contained in the EUDR, which is not internationally recognised, prohibits EU trade in timber products from plantations established after 2020 on land converted from natural forests. This seems particularly perverse when it is considered that the development of globally competitive forest products industries in the EU during the course of the last century has been heavily dependent on conversion of degraded natural forest into more intensively managed plantations.

Fourth is the requirement that scientific names be used to identify all tree species contained in products placed on the EU market. This requirement could have a negative impact on a trade which historically has been based on the genus of the tree rather than the very specific species. In fact, trade names are more commonly used and well understood by both producers and consumers. This requirement for scientific names begs the question: are there enough tropical dendrology experts to do this?

Fifth, the obligation to provide geolocation data for all individual plots of land, defined as “within a single real estate property”, from which all timber contained in a consignment may have derived will be particularly challenging for all products derived from smallholders, for composite products such as furniture, and for products such as panels where there may be widespread use of mill co-products and other waste material.

The EUDR requirements have potential to discriminate against small and medium sized enterprises, of which there are many tens of thousands, and in some cases, hundreds of thousands in the tropical timber sector. It threatens to roll back years of work, in the interests of sustainability, to add value to timber products prior to export from tropical countries, and to ensure the most efficient utilisation of all wood material.

TAG recognises the importance of demonstrating the legal and sustainable provenance of all products placed on the international market, and as such has long advocated for the development and promotion of timber legality assurance and forest certification systems in tropical countries. However, the successful implementation of these systems is critically dependent on dialogue and the active engagement of stakeholders. Attempts to impose systems by outside agencies without adequate engagement have failed in the past.

In view of this, TAG welcomes the EU commitment in Article 30 of EUDR to evolve Forest Partnerships with tropical countries that “allow the full participation of all stakeholders”, alongside the recent announcement of “Team Europe Initiative on Deforestation-free Value Chains” which aims to “facilitate an inclusive transition to deforestation free and legal supply chains to the EU.” In developing these forest partnerships, TAG would urge that the EU takes full and proper account of the concerns raised in this statement, and of the significant positive contribution of the legal trade in tropical forest products to mitigate the risks of deforestation.

Members of TAG stand ready to work with EU so as to ensure a smooth implementation of a simple and practical system to address the aims of the EUDR.

Would the EU accept our hand of cooperation?

Thank you.

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14 Nov 2023, Pattaya.

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