FLEGT VPA Independent Market Monitoring (IMM)

Independent Market Monitoring of FLEGT-Licensed Timber

IMM Objectives

- Generate information that demonstrates changes in trade of legally verified timber and timber products in the EU market
- Improve knowledge and understanding of the impacts of VPAs on timber prices, trade and market trends globally
- Ensure VPA countries & EU provide reliable stats and info on FLEGT timber trade
- Inform decisions by VPA Joint Implementation Committees (JICs) by providing timely & accurate info on market impact
- Contribute to monitoring the impacts of the FLEGT Action Plan and to inform its implementation
- Develop a long-term strategy for sustaining the IMM in consultation with the EU and VPA partner countries

IMM outputs/activities April-December 2017

- IMM network of correspondents in seven key EU markets (UK, Germany, Belgium, Netherlands, France, Italy, Spain) as well as Indonesia and Ghana set up as of April/May
- Scoping studies/stakeholder surveys in key EU markets between June and November
- Scoping studies/stakeholder surveys in Indonesia and Ghana between June and November
- IMM 2015/16 annual report published in October 2017

IMM outputs/activities April-December 2017

- Stand-alone IMM website designed to attract private-sector attention, going live in fourth quarter
  - Background information on VPA partner countries and EU trade with partner countries
  - Findings of the IMM project, policy developments and market trends/trade flows etc.
  - Links to trade statistics resources and in the medium-term integration of a user-friendly tool for downloading cleaned trade data

- Launch of a quarterly IMM newsletter in the fourth quarter
  - Purpose: Inform on latest developments and raise awareness of FLEGT-licensed wood and the VPA process
  - Content: Findings of the IMM project, policy developments, market trends/trade flow analysis, policy developments and results from media monitoring.

- Outline of IMM 2018 Annual Report

IMM 2018 Work Plan

- 2018 Draft Work Plan submitted to EC as a part of January 2014-October 2017 IMM Progress Report and application for next instalment of IMM funding. Also sent to Indonesia for feedback.
- IMM Project Steering Committee will discuss the Work Plan in January 2018.
- IMM European Correspondents are expected to meet in Brussels in January 2018 to discuss implementation of the Work Plan.
- Implementation of the Work Plan depends on EC quickly deciding to make the next instalment of IMM funding available to ITTO

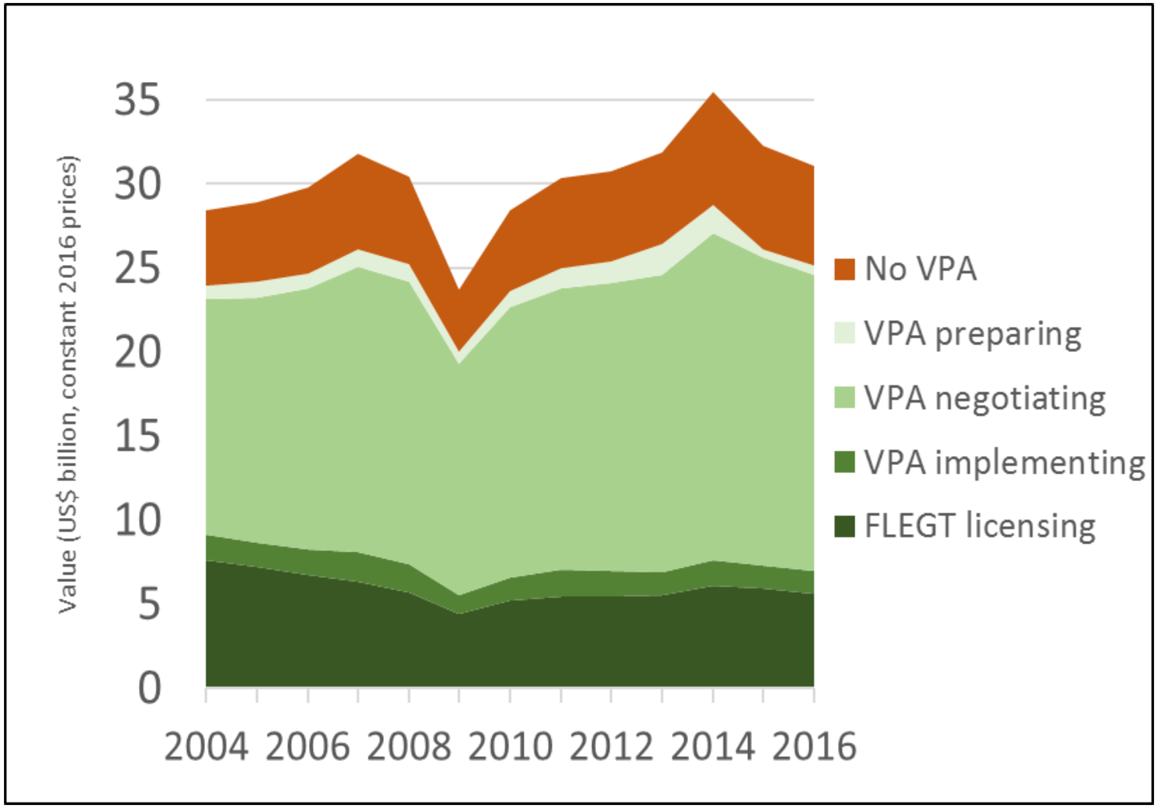
IMM outputs/activities currently planned for 2018

- Publication of IMM 2017 Annual Report in April/May
- Continuation of key EU country and VPA partner country market surveys
- Studies of relevant EU consumer sectors identified as a part of the scoping studies
- Scoping survey of FLEGT impact on forest sector investment
- Further development of IMM information sources and data visualisation tools
- Development of a database of indicators for price trend monitoring

IMM outputs/activities currently planned for 2018

- 4 IMM newsletters
- Continuous publication of relevant news on IMM website
- FLEGT Market Opportunities Workshops/Consultations in the UK and at least one other EU country
- IMM scoping visits to Vietnam, Congo and Cameroon and follow-up visit to Ghana
- IMM participation in and presentations to relevant conferences

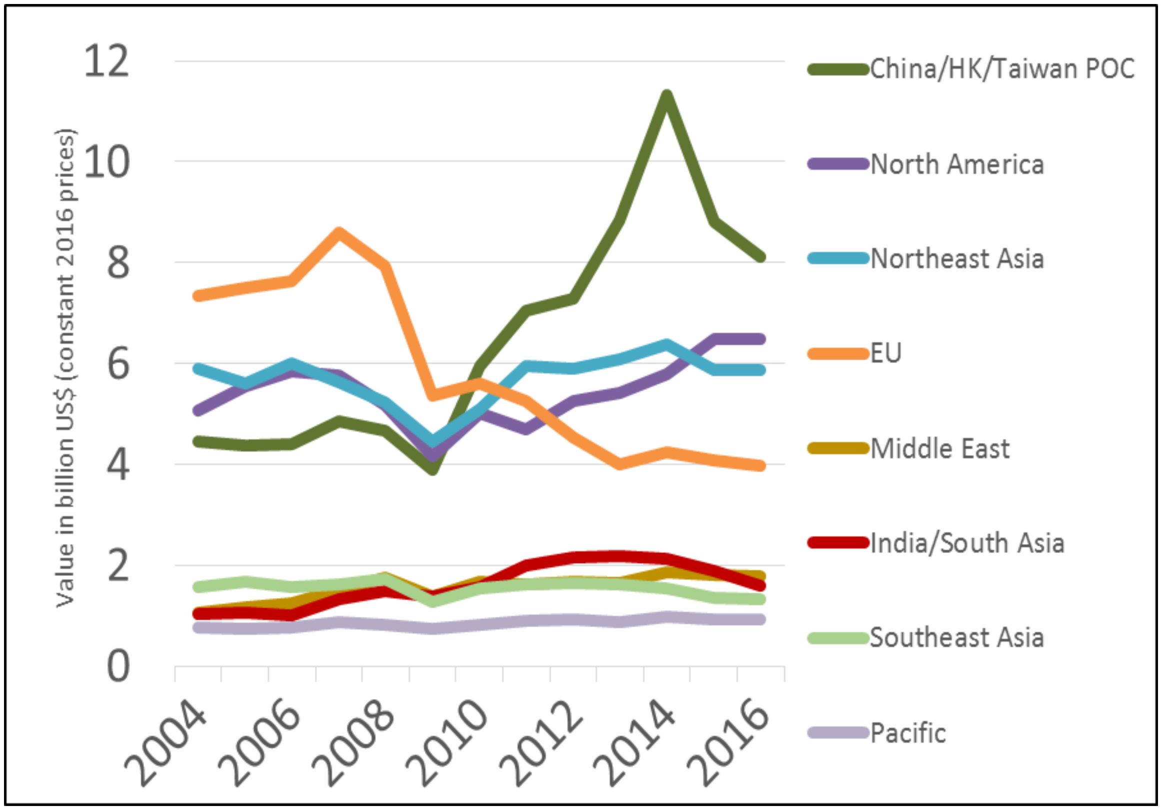
VPA partner country share of global tropical wood-product trade



Source: ITTO IMM analysis of Global Trade Atlas

- Share of the 17 VPA partner countries in global tropical wood products trade remained stable at 81% in the three years between 2014 and 2016.
- Longer-term it declined from 84% in 2009 due to increased exports from a variety of non-VPA countries.

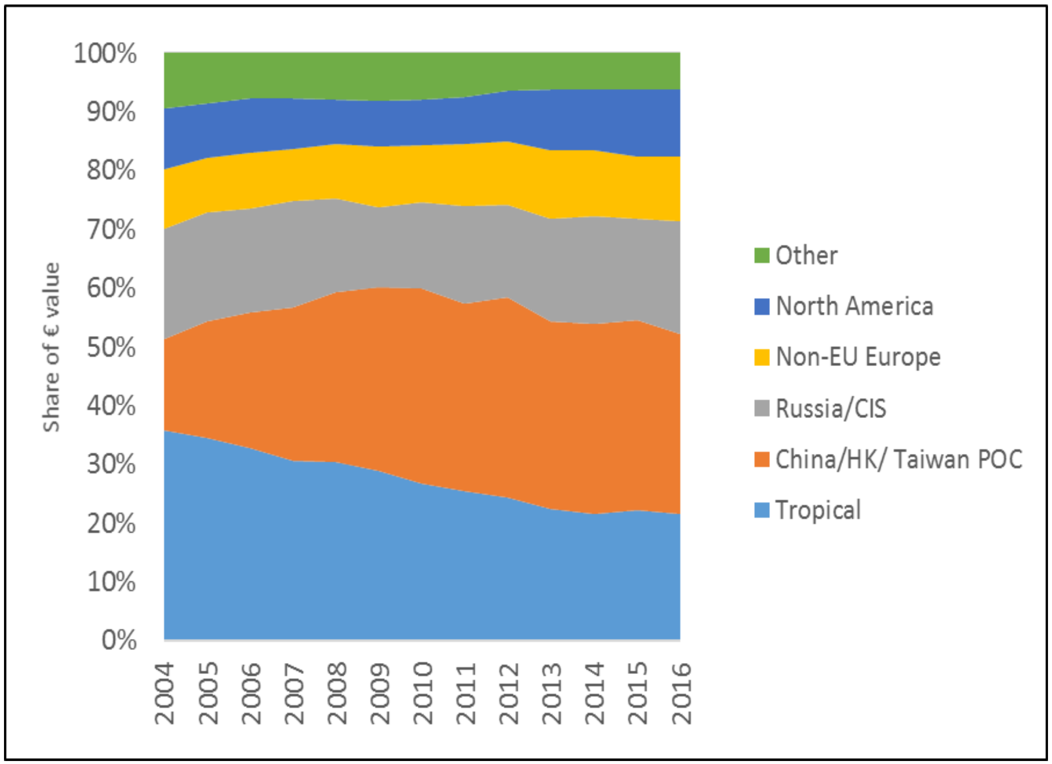
Global tropical wood-product trade by region of import



Source: ITTO IMM analysis of Global Trade Atlas

- EU import value broadly flat at US$4 billion since 2013
- During this period imports into China have been volatile but remain high at around US$8 billion in 2016
- Imports into N. America increased consistently to US$6.5 billion in 2015 and were stable in 2016
- Overall EU role in global tropical wood trade has reduced

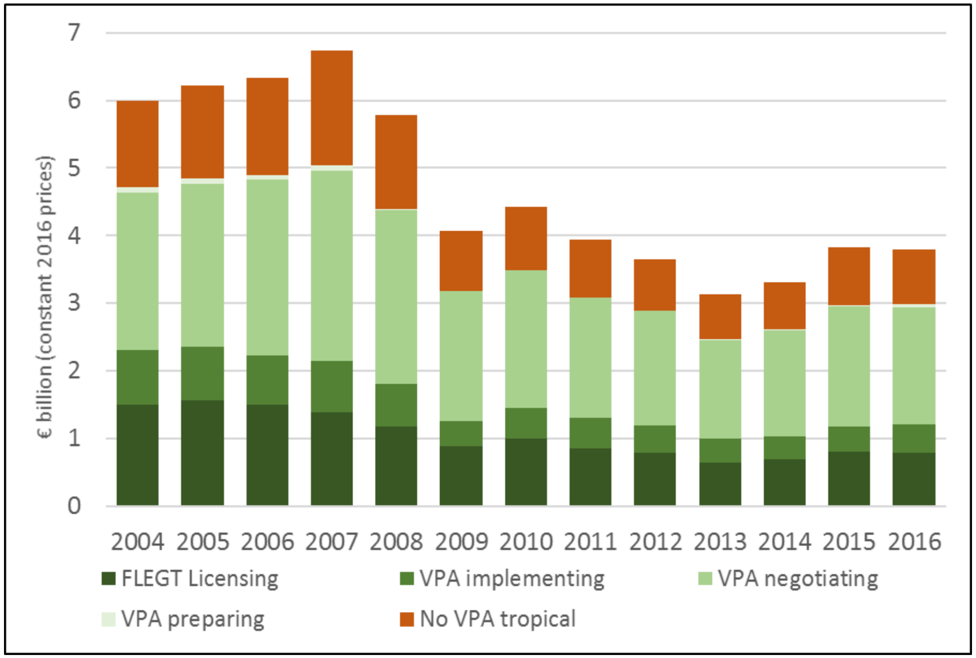
EU Imports of wood products by source



Source: ITTO IMM analysis of Eurostat COMEXT

- 2015 saw the first improvement in the fortunes of EU imports from tropical countries in the last decade (+15%), followed by slight decline (-1%) in 2016.
- The share of tropical countries in total EU wood product import value fell continuously from 35% in 2004 to 21% in 2014, before rebounding slightly to 22% in 2015 and 2016.
- Loss in share initially to China, then to North American, Russian/CIS and non-EU European countries.

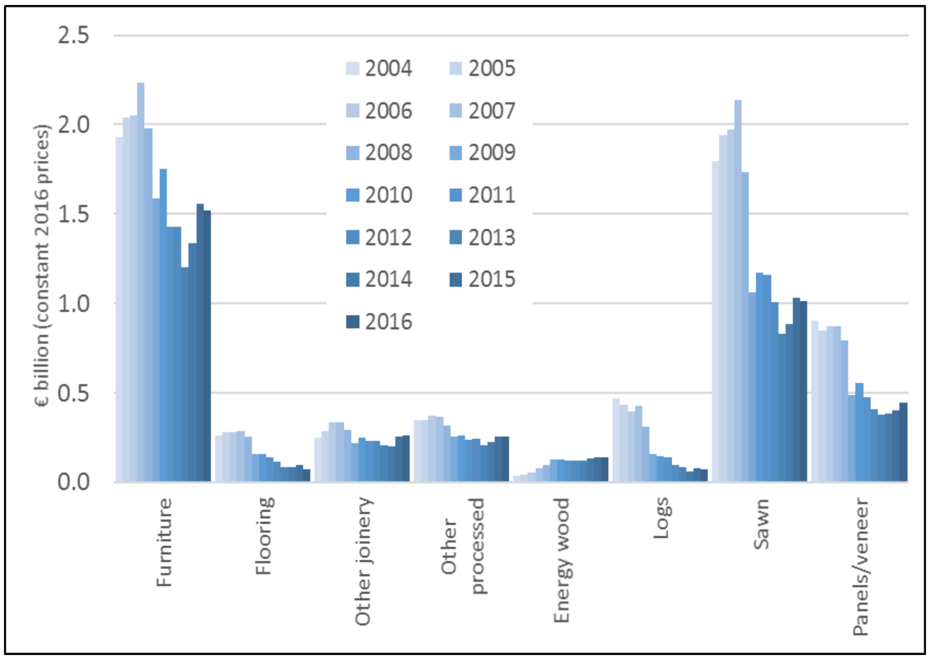
Value of EU imports from the tropics, by VPA status



Source: ITTO IMM analysis of Eurostat COMEXT

- Imports from **Indonesia** increased 16% in 2015 and then declined 2% in 2016. Indonesia accounted for **21%** of the total value of EU tropical wood-product imports in 2016.
- Imports from the **five African VPA-implementing countries** increased 12% in 2015 and then an additional 13% to in 2016, accounting for **11%** of the total value of tropical wood-product imports.
- Imports from the **nine VPA-negotiating countries** increased 13% in 2015 before declining 2% in 2016 when they accounted for **46%** of tropical wood product imports
- Share of **non-VPA countries** in tropical wood product imports increased slightly from 21.3% in 2014 to 22.1% in 2015 before falling back to **21.4%** in 2016

Value of EU imports from the tropics, by product type



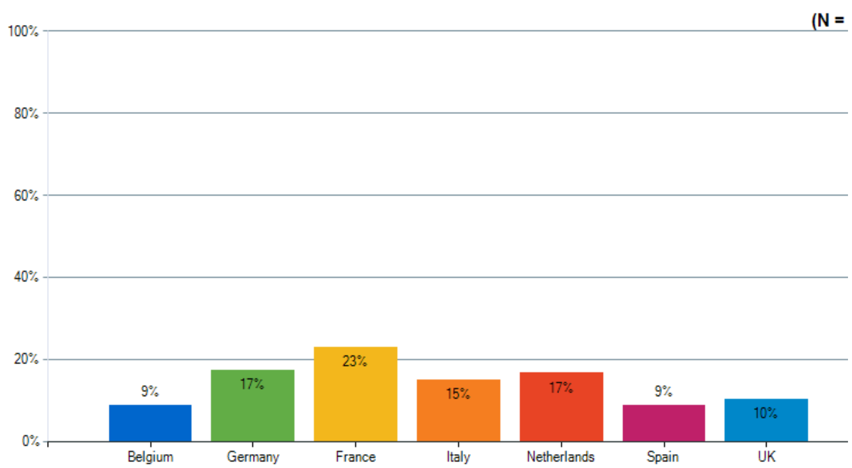
Source: ITTO IMM analysis of Eurostat COMEXT

- Recovery in 2014 and 2015 particularly pronounced for furniture and sawn wood
- Minor gains also for all other product groups.
- 2016: partial reversal of the gains in imports of tropical wood furniture (-2.2%), sawn wood and decking (-1.9%), energy wood (-2.9%), flooring (-20.3%), and logs (-4.2%). However, there was continued rise in imports of tropical plywood and veneer (+9.5%) and other joinery (+3.2%)

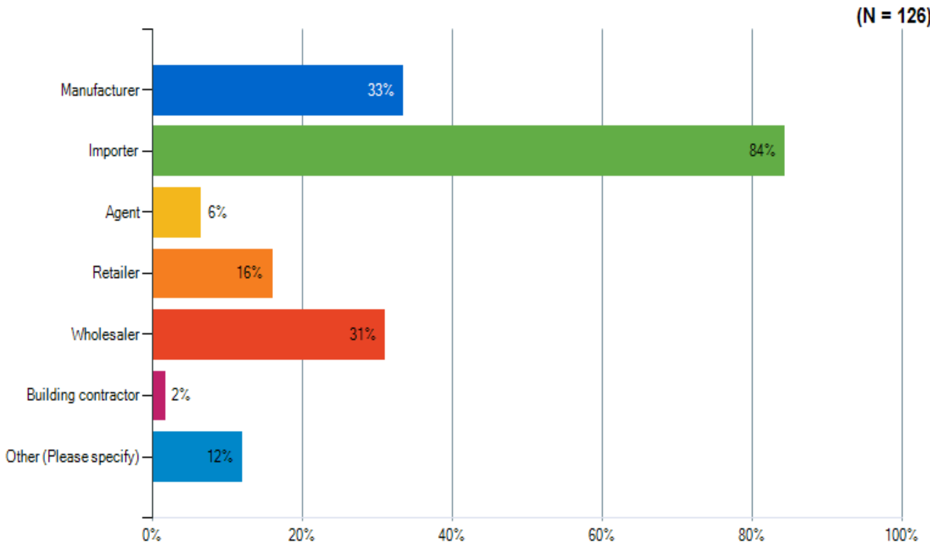
Insights from survey work in Europe

- 126 companies interviewed in key countries (Belgium, France, Germany, Netherlands, Italy, Spain, UK) between June and November regarding:
    - Types of products/wood species imported from VPA partner countries
    - Import volumes from VPA partner countries
    - Identification of key end-use sectors of wood and wood products from VPA partner countries
    - Perception of competitiveness of FLEGT-licensing and VPA-implementing partner countries
- 15 interviews with Monitoring Organisations/Associations and 10 interviews with Competent Authorities and other government agencies
    - Experience with FLEGT licensing and the FLEGT VPA process
    - EUTR implementation and enforcement

EU trade survey participation by country/type of business



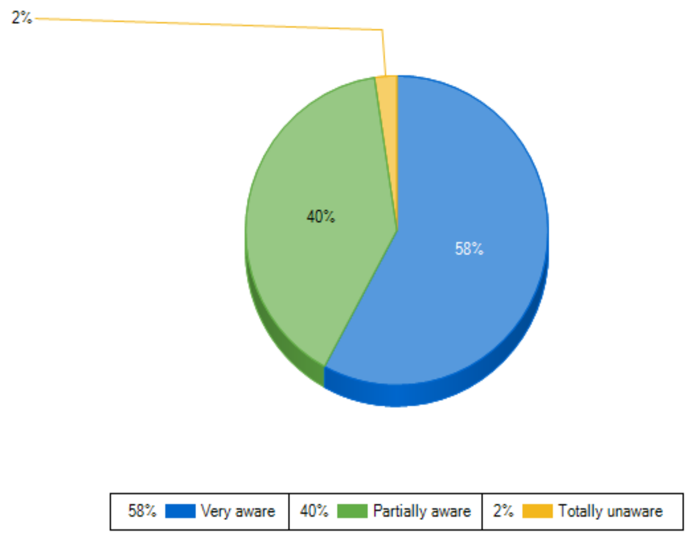
Source: IMM European Trade Survey 2017



Source: IMM European Trade Survey 2017

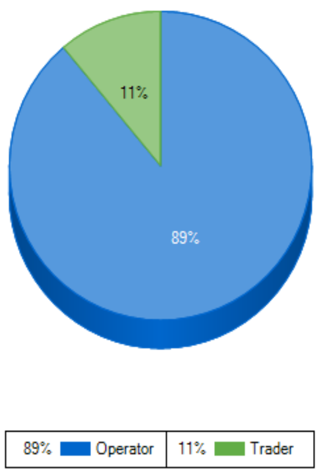
Awareness of the FLEGT VPA Process

How aware are you of the FLEGT VPA Process and what it involves?



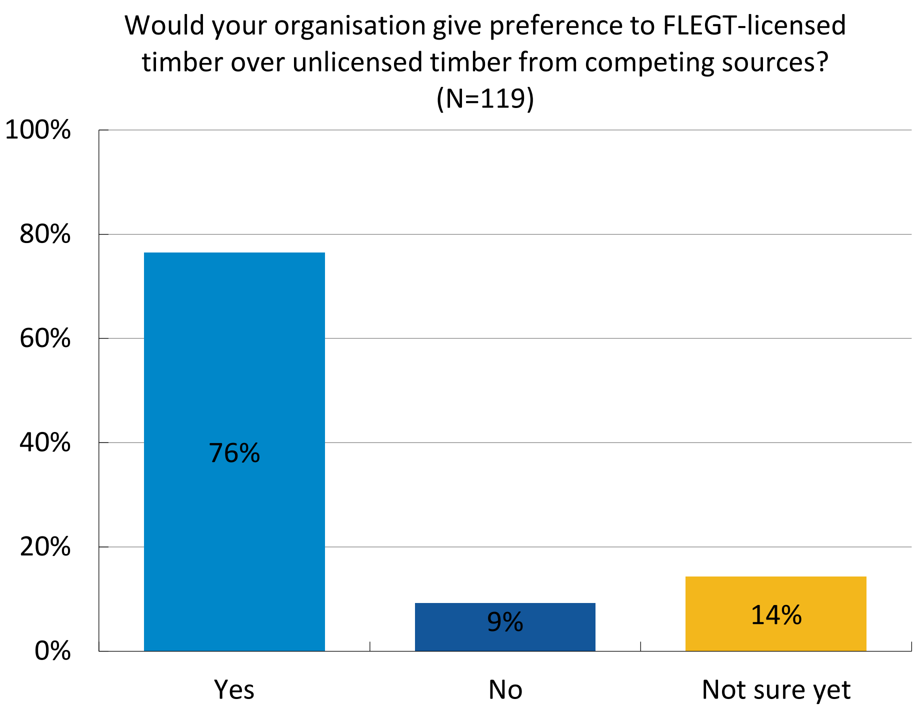
Is your business an operator or trader under the EUTR?

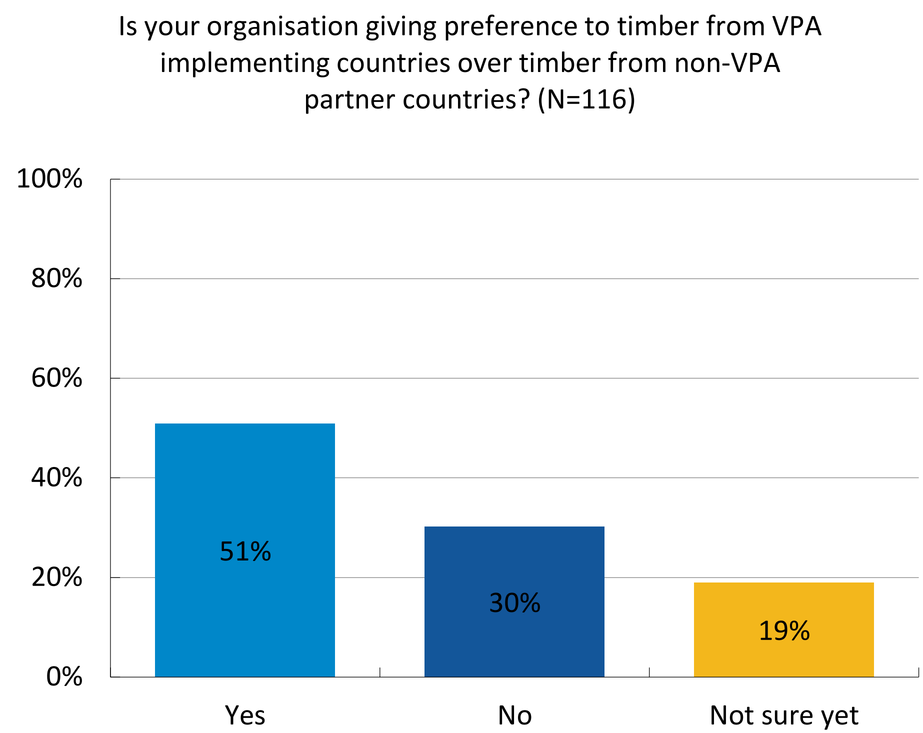
(N = 126)



Source: IMM European Trade Survey 2017

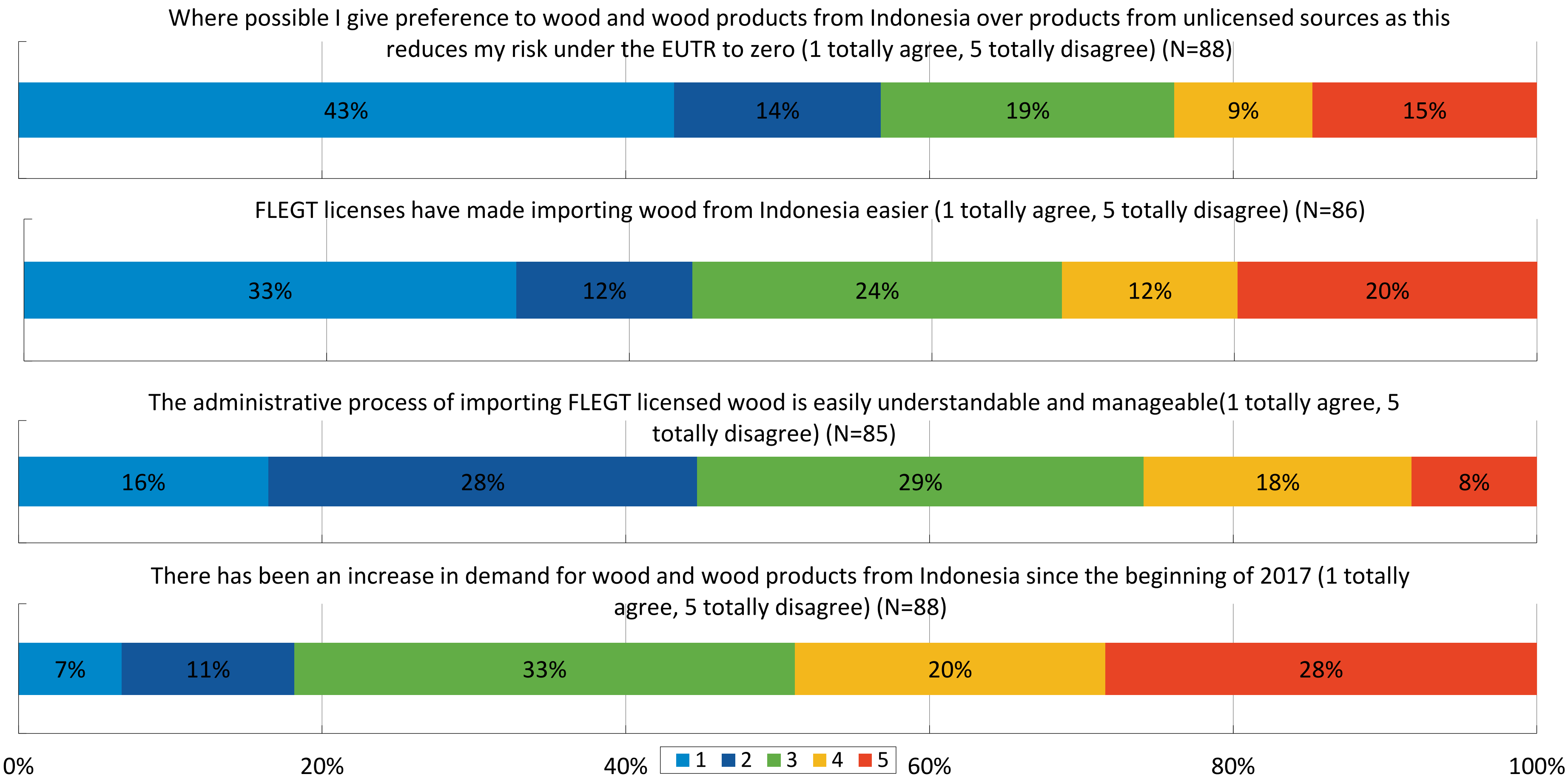
Perception of FLEGT-licensed timber





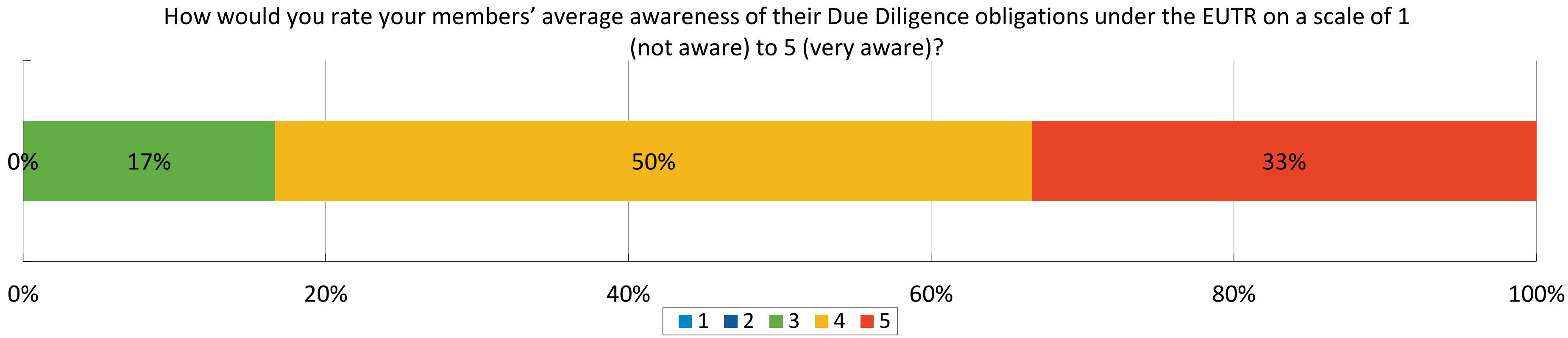
Source: IMM European Trade Survey 2017

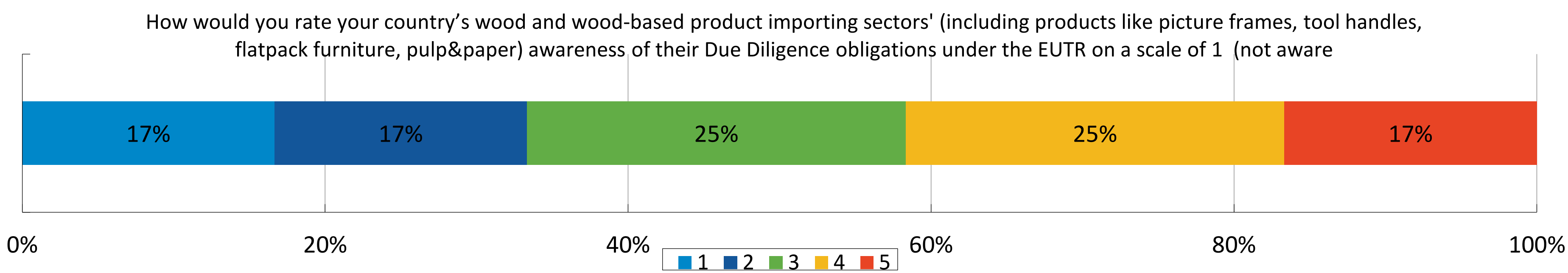
Perception of Indonesian FLEGT-licensing



Source: IMM European Trade Survey 2017

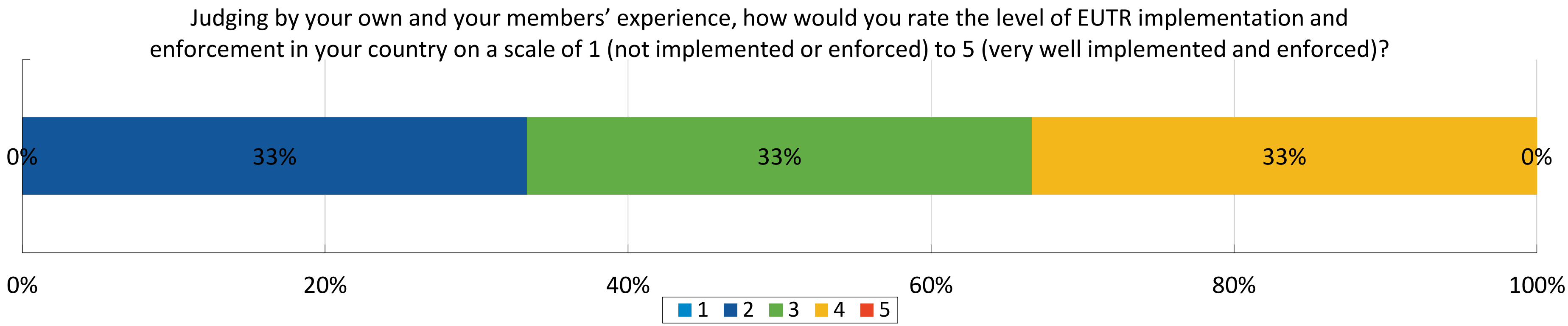
EUTR awareness: survey of MOs and associations



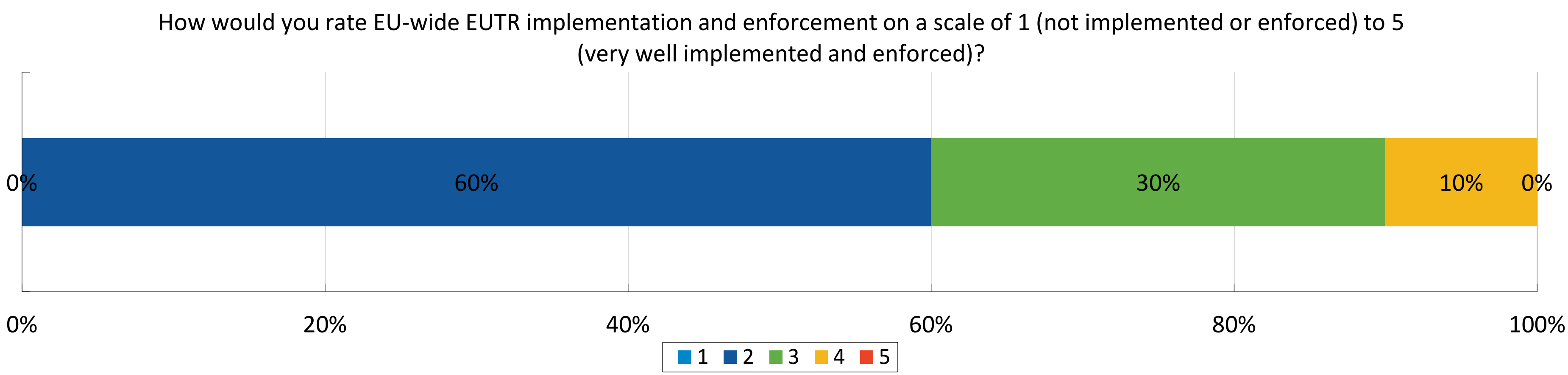


Source: IMM 2017 survey of MOs and associations

EUTR implementation: survey of MOs and associations



- Associations/MOs in Italy, Spain and France gave the negative rating "2"

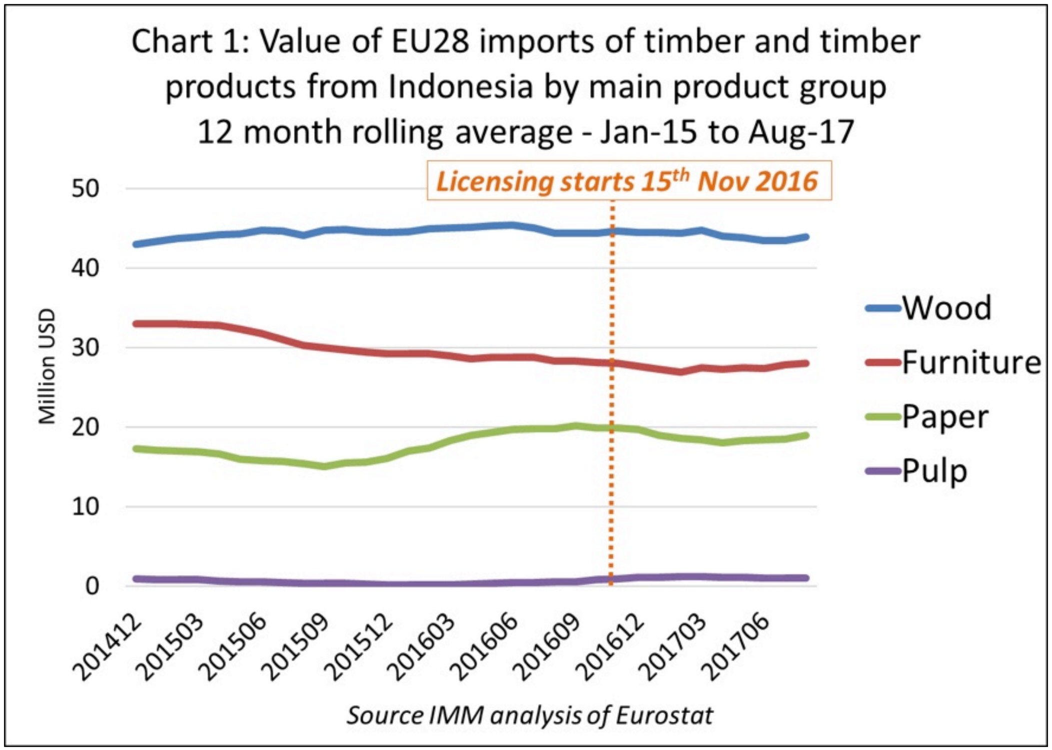


Source: IMM 2017 survey of MOs and associations

Indonesia/EU timber trade since the start of licensing

- Early results of monitoring indicate that there has been little immediate effect of the licensing system to either boost or impair timber trade
- Indonesian trade with the EU has changed very little since the first licenses were issued in November 2016
- Indonesia’s share of the EU market has also remained stable

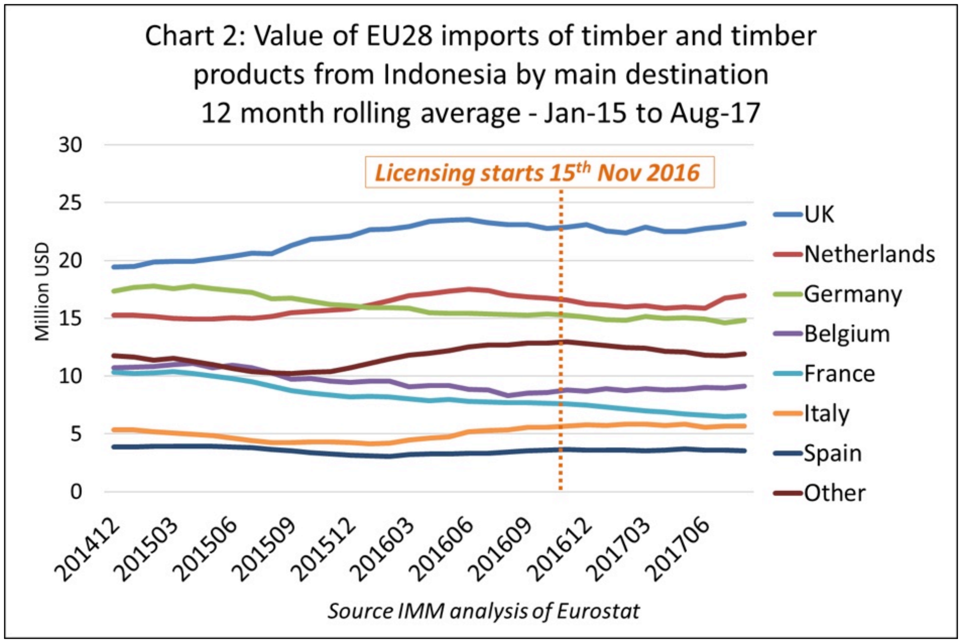
Indonesia/EU timber trade since the start of licensing



- In the 9 months following the introduction of licensing, EU imports of Indonesian wood (HS 44), furniture (HS 94) and paper (HS 48) were broadly flat.

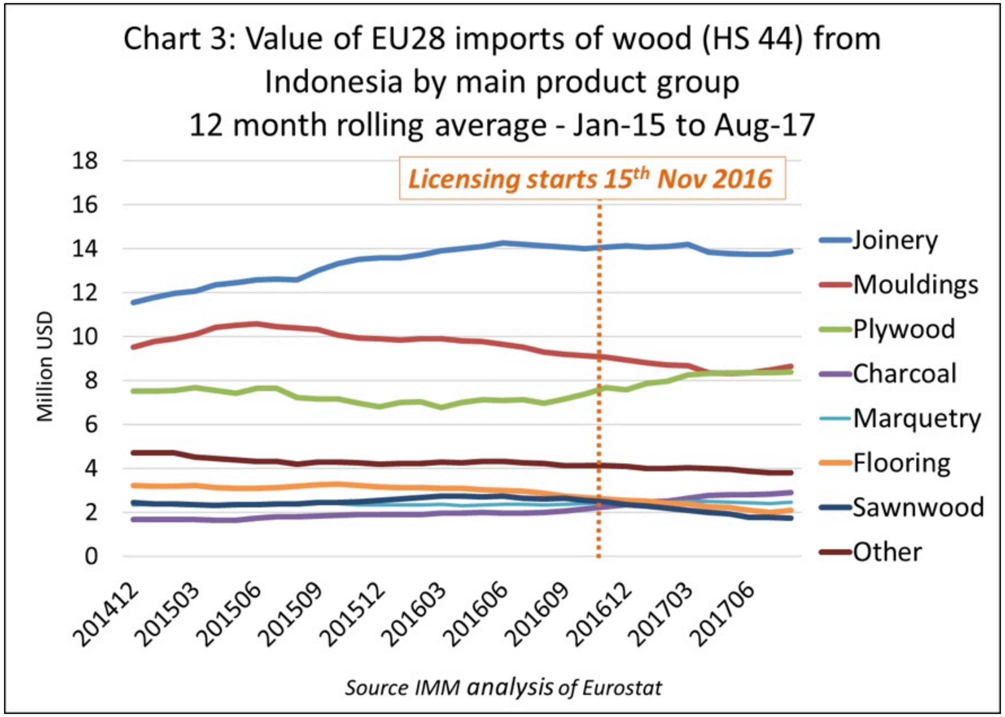
- EU imports of Indonesian wood pulp (HS 47) increased a little from a negligible level.

Indonesia/EU timber trade since the start of licensing



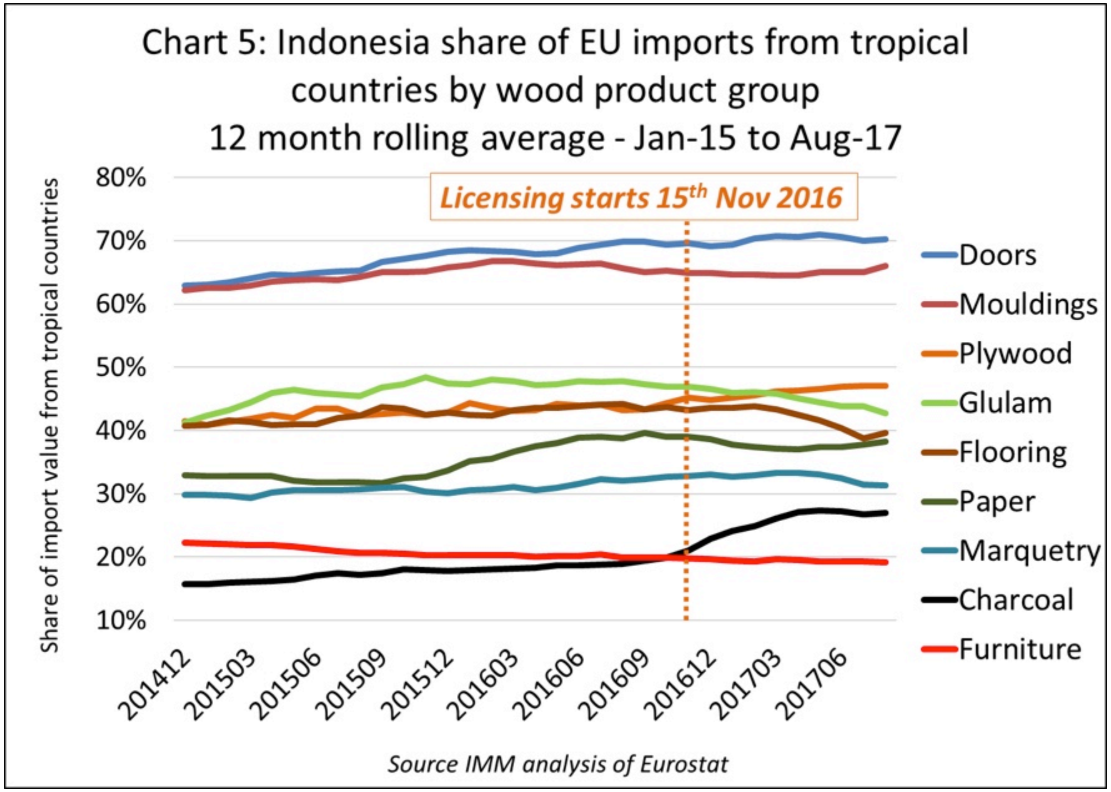
- No clear step change in imports from Indonesia by any EU country:
  - Imports from Indonesia were flat in the UK, Germany, Italy, and Spain, and declining in France
  - More positively, imports of Indonesian products gradually picked up into Belgium and increased sharply in the Netherlands in July this year

Indonesia/EU timber trade since the start of licensing



- EU imports of some individual wood (HS 44) products have varied since introduction of licensing
- Quite a sharp increase in EU imports of plywood
- Imports of Indonesian charcoal have also increased (interesting mainly because charcoal is one product not currently covered by the licensing system)
- EU imports of Indonesian joinery and marquetry have been flat
- Imports of sawn wood, flooring, and moulding/decking products have continued to slide

Indonesia/EU timber trade since the start of licensing



- Analysis of market share also reveals no clear short-term impact of licensing
- Indonesia's share of EU imports has increased in plywood and charcoal been flat in doors, marquetry, paper and declined in wood furniture, flooring, glulam and mouldings/decking

These various trends reinforce the conclusion of the IMM 2015/2016 report, that licensing is unlikely to transform the market, at least in isolation or in the short-term.

Recommendations of IMM 2015/16 annual report

- FLEGT licence can underpin market development for tropical products in the EU, but this a long-term process
- Consistent enforcement of EUTR most effective way to assure market advantage for FLEGT licensed timber
- Need for appropriate recognition of FLEGT licenses in EU public procurement acknowledging wider governance reforms involved
- Need to improve communication and raise market awareness of the steps required to implement a FLEGT licensing system
- Need to consider how FLEGT licenses fit within FLEGT partners broader timber industry and export development strategy
- Private sector must be engaged in positive marketing of FLEGT licensed timber, not treated as passive actor responding to regulatory signals.
- Encouraging recognition for licensed timber in DD legislation and public & corporate procurement in other large markets should be an EU priority

Thank you

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