

## DRAFT Trade Statement 2018, Yokohama

This Statement was prepared by members of the Trade Advisory Group

Chairman

Ladies and Gentlemen

Sustainability and legality in the tropical timber trade are crucial issues; nobody knows it better than members of the Trade Advisory Group.

This very point was obvious in the recent trade agreement between Canada, USA and Mexico which pointedly acknowledges the importance of Sustainable Forestry Management (SFM) and noted its importance in sustainable development, conservation and sustainable use of resources. The agreement highlights green managed forests' contribution to global environmental security as well as the critical role of forests in providing essential ecosystem services, job creation and alleviating poverty. Significantly, the agreement has provisions to combat the illegal trade in timber and also, quite importantly, includes support for SFM and legal trade.

But, not many final users are aware of the positive carbon effects of using tropical timber when compared to other materials even though ITTO has started some preliminary work on LCA studies. While ITTO should be supporting more work on LCAs, the Netherlands Timber Trade Association (NTTA) commissioned a LCA study on pile sheeting and found that tropical timber supersedes all competing material like steel and PVC in terms of carbon dioxide emissions. In the *Centrum Hout* of NTTA, there is an online CO2 calculation tool, supported by factsheets on environmental scores, LCA, CO2, etc.

However, buyers and users of our wood products are not only looking at sustainability. They also want product reliability and quality. These are important considerations especially in the construction industry. Sadly, there are no universally accepted quality standards for in the international trade. There is a need for a process of certifying that a certain product has passed performance and quality assurance tests and meets qualification criteria stipulated in regulations or specifications.

In recent years, the CITES requirements have become a growing concern in some sectors of the market. The mechanics of administrating the certificates which are required under the different Appendices of CITES is proving to be challenging as some management authorities struggle with the paper work. TAG members feel that efficiencies could be gained if there was a system of e-permitting which was acceptable by all parties. TAG calls upon ITTO and CITES to work on an e-permitting system to enhance trade in CITES certified timber products.

ITTO seems to have lost the initiative gained from its early ground-breaking work on SFM. Today we have different definitions and expectations of sustainable forestry. Indeed the very prerequisite of SFM, "legality" is creating much confusion around the world. Today, the EU-TR, US Lacey Act and the Australian Illegal Logging Prohibition Act all have different definitions of "legality". Worse still, the

definitions used by the world's leading timber certification schemes, FSC and PEFC, are not recognized in EU, USA and Australia and therefore do not provide a 'Green Lane' entry into the country. Producers have to consider at least five different approaches to basically the same concept --- legality. This is no joke for tropical timber producers and buyers who say they spend so much time and effort verifying legality that they do not have time to enhance their production or end uses of tropical timber.

In past years, TAG has called upon ITTO to work on a homogeneous definition of both legality and sustainability which everyone can use as this would add sorely needed clarity in the trade. It is time to re-visit this vexing issue.

The tropical timber trade in consumer countries is struggling because of declining market share, in part due to competition from engineered products and other substitutes. This is especially so in the EU.

Indeed the news is grim. In early 2018, a few European companies operating in Africa were badly hit. The French Group Rougier recently filed for bankruptcy blaming persistent difficulties in Cameroon, especially logistical problems in the port of Doula and a taxation system which undermined competitiveness. Other European companies have scaled back or sold their operations in Africa. The Dutch firm Wijma had to sell several forest concessions in Cameroon to Vicwood, a Hong Kong-based company. Italian-owned Cora Wood, a renowned plywood manufacturer in Gabon, had to sell one of its concessions to a Chinese company. There are rumours that other European companies may soon exit Gabon and Congo. Certification cannot solve all our trade problems.

This is a big 'red flag' which our Organization should sit up and take careful note of. We should take time to work out what went wrong. We have to admit that business as usual is not good enough to save our industry and the forests. We have no choice but to be bold and look for answers outside our comfort zone. But the issues facing the tropical timber sector are huge and we are running out of time to. At present ITTO has so few financial resources that our collective technical expertise cannot be deployed.

TAG was very encouraged to hear the Director General of the Japan Forestry Agency say that Japan is working to resume its voluntary contributions to ITTO. This is a very positive message. Meanwhile, all donors please consult among yourselves and take a brave step forward so ITTO can fulfill its mandate.

In conclusion.

ITTO has worked for 40 years on sustainability and trade promotion, yet tropical timber consumption in traditional markets has been declining for years. The TAG recognizes there seems to be a dis-connect between ITTC and the timber industry which has allowed this to happen.

We propose a study be undertaken to uncover why SFM has not delivered the promise of an expanding market for tropical timber. From such a study, the ITTC could then decide upon a strategy to reverse this decline. If we do not act urgently, the conversion of tropical forest land will continue

You, the Council members, have the answers. Let your actions in Yokohama demonstrate your collective commitment to the tropical forests of the World.

Thank you.