<u>TRADE STATEMENT. ITTC55. LOME, DEC 2019</u>

Chairman

Ladies and Gentlemen

This Trade Statement is made on behalf of the Trade Advisory Group.

International trade in tropical timber and timber products has been rather uncertain over the last several months, made worse by the reality of a massive trade dispute.

The global timber trade has not been immune to the disruptive effects of the US–China trade dispute. US log and sawnwood exports to China have fallen, hurting US producers, and China's wood-product exports to the US have been decimated by the tariffs imposed on imports and the proliferation of anti-dumping and countervailing orders on a variety of wood products. As a result, Chinese companies have cut back on tropical timber imports used for export production.

Meanwhile, Building construction contracted in the European Union in the first half of 2019, according to the latest Eurostat data. A large and growing proportion of the tropical-hardwood-faced plywood imported into the EU is manufactured in China. The EU imported 76 100 tonnes of this product from China in the first half of 2019, up by 39% compared with the same period in 2018. These gains offset a 4% fall in plywood imports from Indonesia over the period, to 46 300 tonnes, and a 32% drop from Malaysia, to 19 700 tonnes.

Japan's plywood imports dropped by 15% in the first half 2019, year-on-year. Import volumes have declined from the main suppliers of China, Indonesia and Malaysia. Meanwhile, Japan is increasing the use of her own local timber resources.

As worrying as these figures show, they are only the bumps over the last several months. What is even more worrying is the trend shown over the last several years. The ITTO/FLEGT Independent Market Monitor released a Report in May 2019 on EU public timber procurement policies. This Report analysed the major EU markets for HS Code 44, which is timber and other timber products, imported from VPA partner countries. In 2005, total imported into EU was 9.2 million cubic metres in round wood equivalent. By 2017, this figure has dropped to 4.4 million. In 12 years, products in HS Code 44 going into EU dropped by 52%. Fifty two percent.

However, amidst all this gloomy news, we noted with respect that recently a motion has been accepted in the Dutch parliament, by an overwhelming majority, to use more timber in the building sector as this is much more environmentally friendly than the use of competing materials such as concrete. This Dutch political move has reminded us that TAG had suggested in 2017 that ITTO should look at climate change and see in which niche can we make the biggest impact.

What can ITTO do to address climate change? Firstly, we need to be realistic with the resources we have available. The Finance Working Group was convened twice to seek ways to strengthen our financial health. While it seems there might be light at the end of our dark financial tunnel, we need to be prudent, not to spread ourselves out too thin. In this context, TAG suggests ITTO to focus on only one aspect of climate change: the positive relationship between trees and carbon sequestration. Since there is scientific evidence growing trees is good for the climate, we should capitalize on this. This positive linkage is also now accepted by many international fora.

The Inter Governmental Panel on Climate Change has clearly recognized the role of wood products, both from natural and planted forests, as significant in the fight against climate change. Further, the Panel said the fight cannot be achieved without forests and forest products. This is a critical statement of fact which TAG wants ITTO to communicate freely and widely.

There is year round sunshine and rains in the Tropics, so growing conditions are ideal --- not only in tree plantations but also in well managed commercial production forests. Timber harvesting is not carbon emission and timber products are renewable and store carbon.

Council should be aware of the increasing interest shown globally to establish tree plantations. And more importantly, Council should know the struggle by investors and other stakeholders to plant trees. There is probably enough biological science and knowledge available on how to grow trees, with enough care to biodiversity, but what is holding back plantations of significant scale? Is Economics not on the side of the trees? Is it more profitable to plant other crops which, ironically, might necessitate deforestation before planting?

This is where ITTO can play an important role to unlock the critical obstacles, so as to spur on tree plantations, especially in the context of ecosystem restoration. There is already a lot of expertise in Member Countries, and elsewhere, but ITTO need to show leadership and harness this collective expertise into a practical way forward.

In this context, we ask Council to fund an international meeting of experts on facilitating commercially viable plantations in tropical countries, or the development of an international tropical timber plantations strategy. The strategy could identify the obstacles to commercially viable, long term economics of plantations in tropical countries, as well as actions countries could take to make themselves competitive to international investors interested in tree plantations. The strategy should also look at where industries using plantations are a success and what are the factors that created that business opportunity.

The TAG is standing by to support ITTO management, as we always do. But are you ready? Are we capable to ignite a tree plantation revolution to save the Climate?

Thank you.