



# **INTERNATIONAL TROPICAL TIMBER COUNCIL**

**COMMITTEE ON ECONOMICS,  
STATISTICS AND MARKETS**

**COMMITTEE ON FOREST INDUSTRY**

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12 November 2020

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FIFTY-FOURTH SESSION  
9-13 November 2020  
Virtual Session

## **PRESENTATIONS UNDER AGENDA ITEM 10**

### **CEM-CFI POLICY WORK**



# Updated Information on Market Access (2019)

ITTO Secretariat

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ITTTC-56th

9-14 November 2020, Yokohama



## Updates of Four major legislative instruments:

- [EU Timber Regulation](#)
- [Lacey Act Amendments](#)
- [Australia Illegal Logging Prohibition Act](#)
- [Japan Clean Wood Act](#)

## Attention on developments:

- Republic of Korea
- China
- Viet Nam
- CITES



- Published a **guidance document** for the **EUTR** in May 2019 on ‘Consideration of prevalence of armed conflict and sanctions in due diligence systems’.
- Published the **Annual Synthesis Report** in June 2019 on the implementation of the **FLEGT** licensing scheme for 2017.
- The latest **WWF Enforcement Review** of the **EUTR** was published in December 2019, which identifies implementation gaps and good practices.
- Released **latest report** in January 2020, providing an overview of the **EUTR** compliance checks performed, and penalties imposed by **EU** Member States.

# Lacey Act



- **APHIS** (Animal and Plant Health Inspection Service) of **USDA** invited public comment on the proposed exception to the declaration requirements for products containing a minimal amount of plant material. **APHIS** published a final rule, effective April 1, 2020, to establish a “de minimis” exception to the declaration requirement for products that meet the de minimis criteria.
- **APHIS** worked for the implementation of phase six of the Lacey Act enforcement schedule.
- **APHIS** published a notice in March 2020, announcing plans to add products that will require a Lacey declaration. Phase six was scheduled to be effective on October 1, 2020. However, APHIS announced that they would delay implementation of phase six. As a result, stakeholders will not be required to file declarations for products on phase six until April 1, 2021.



# Australian Act

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- In January 2019, the final report of the '**Statutory review** of the Illegal Logging Prohibition Act 2012' was published, which considered and assessed the first five years operation.
- In August 2019, the review was provided to the Forest Industry Advisory Council (FIAC), and **FIAC** recommended the Act be further reviewed in 2 to 3 years and that no significant legislative changes be made at this stage.
- The **Australian Government** agreed that it will not make significant legislative changes until a further comprehensive review.





# Japan Clean Wood Act

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- **Japan Clean Wood Act** entered into force in May 2017, which aims to promote the use of legally-harvested wood products.
- Under the Act, all wood-related business operators are required to carry out checks to ensure that wood has been legally sourced in accordance with the laws and regulation of Japan and/or the countries of origin.
- Regarding to the registering system on a voluntary basis, the Clean Wood Act adopts a voluntary-third party registering system for wood-related operators.
- Registered operators are required to **report annually** on the implementation of measures to ensure the use of legally harvested wood.
- Japanese government has created the **Clean Wood Navi** website to support wood-related operators by providing information on laws and regulations applying to production and trade of timber in key exporting countries:  
<https://www.rinya.maff.go.jp/j/riyou/goho/kunibetu/index.html>
- A one-day **seminar** was held in March 2019 in Tokyo to generate information on the legal frameworks for timber production and trade in five tropical timber-producing countries to support implementation of the Act.

# Korean Revised Act

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- The **Korean Revised Sustainable Use of Timber Act** entered into force in Sep. 2017
- The **implementation** of the revised Act was launched in October 2018 in a one-year trial operation phase.
- Until September 2019, **activities** for supporting entities and education and promotion had been arranged.
- The **official implementation** of the revised Act started from 1 October 2019.



# Chinese Forest Law Amendment

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- The **third amendment of Chinese Forest Law** was adopted on December 28, 2019 in accordance with decisions of China National People's Congress (came into force on 1 July 2020).
- The new amendment contains **14 Chapters and 84 Articles** (7 Chapters and 49 Articles in 2009 amendment).
- In Chapter VI Forest Management and Administration, **Article 65** states “Timber processing enterprise should establish an **account for the entry and exit** of raw materials and products. No unit or individual may purchase, process or transport timber that he/she **clearly knows** was **piratically felled** or **indiscriminately felled** in forest regions.”

# Vietnam VPA Agreement with EU

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- The **VPA agreement** between Vietnam and the EU, which was signed on 18 Oct. 2018, came into force on 1 June 2019.
- Vietnam and the EU **ratified** the VPA agreement in May 2019.
- Implementation of the VPA will take several years, during which Vietnam will develop a timber **legality assurance system**.
- An EU-Vietnam **Joint Implementation Committee** (JIC) will oversee how Agreement provisions are put into practice.
- Once the agreement fully implemented, **FLEGT license** will be expected to issue.

# International Legal Instrument

## CITES CoP18 – Tropical Trees Related

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Convention on International Trade in Endangered Species of Wild Fauna and Flora

- CITES CoP18 (held in August 2019) amended **Appendix II listing** of rosewoods and related tree species.
- **Small finished items**, including musical instruments, parts and accessories, could be without CITES permits.
- **All Latin American cedar** (genus *Cedrela*) were included in Appendix II.
- Broadened Appendix II listing of **African teak** (*Pericopsis elata*) to include plywood and transformed wood.
- An **African rosewood** (*Pterocarpus tinctorius*) was listed in Appendix II.

# International Legal Instrument

## CITES CoP18 – Other Development

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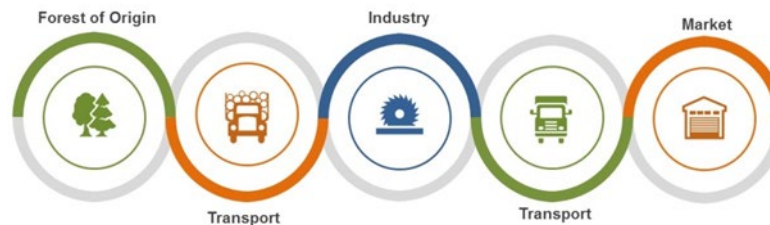


Convention on International Trade in Endangered Species of Wild Fauna and Flora

- The CITES Secretariat published the full **suite of Decisions** adopted at CoP18 on 7 November 2019.
- The CITES Secretariat has launched a **dedicated website** in February, 2020 to introduce the CITES Tree Species Programme (CTSP).
- The **website** is available at [www.cites-tsp.org](http://www.cites-tsp.org)



# Thank You!





# Updated Information on Forest & Timber Certification in ITTO Producing Members (2019)

ITTO Secretariat

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ITTC-56<sup>th</sup>

9-14 November 2020, Yokohama





# Forest & Timber Certification

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- Total certified forest area of ITTO Producing Members as of 2019 (FSC+PEFC):
  - **32.2 Million Ha**
  - **6.1%** of the world total (527 Million Ha)
- Chain of Custody (CoC) certification of ITTO Producing Members as of 2019 (FSC+PEFC):
  - **4,154 certificates**
  - **7.9%** of the world total (52,315 certificates)





# Forest & Timber Certification

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- Two international certification systems, **FSC** and **PEFC**, continued to be the main schemes being implemented in ITTO producing member countries.
- **PEFC** remained as the largest certification scheme in the world (more than 60%).
- **FSC** accounted more share (near 60%) of certified forests in ITTO producing members.



# FSC

## Facts & Figures

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- **FSC** certified forest areas in ITTO producing members:
  - **18.93** Million Ha
  - **9.4%** of the global FSC certified areas (200.74 M Ha)
- Top 3 ITTO producing members of FSC certified areas:
  - **Brazil** (7.27m), **Indonesia** (2.96), and **R.Congo** (2.06)
  - **65%** of total of ITTO producing members



# FSC

## Facts & Figures

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- **FSC CoC in ITTO producing members:**
  - **3,611** certificates
  - **8.95%** of FSC CoC (40,331)
- **Top 3 ITTO producing members of FSC CoC:**
  - **Brazil (1,053), Vietnam (821), India (673)**
  - **43%** of total of ITTO producing members



# PEFC

## Facts & Figures

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- **PEFC** certified forest areas in ITTO producing members:
  - **13.28** Million Ha
  - **4%** of the global PEFC certified areas (326.46 M Ha)
- **4** ITTO producing members have PEFC certified areas:
  - **Brazil** (4.39m), **Malaysia** (4.38m), **Indonesia** (3.91m), and **Gabon** (0.6m)



# PEFC

## Facts & Figures

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- **PEFC CoC in ITTO producing members:**
  - **543** certificates
  - **4.53%** of FSC CoC (11,984)
- **Top 3 ITTO producing members of PEFC CoC:**
  - **Malaysia** (374), **Brazil** (37), **Indonesia** (37)
  - **83%** of total of ITTO producing members



# PEFC

## Developments in 2019

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- **3 ITTO producing members achieved PEFC endorsement of their national systems in 2019:**
  - **India:** Network for Certification and Conservation of Forests (NCCF)
  - **Thailand:** The Federation of Thai Industries (F.T.I.)
  - **Cameroon:** Cameroonian Association of the Pan African Forestry Certification
- **3 ITTO producing members, Vietnam, Myanmar and Guyana, became PEFC newest national members**

# 7 National Certification Schemes Endorsed by PEFC as of 2019

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- **Brazil:** Brazilian Forest Certification Programme (CERFLOR)
- **Malaysia:** Malaysian Timber Certification Council (MTCC)
- **Indonesia:** Indonesian Forestry Certification Cooperation (IFCC)
- **Gabon:** PAFC Gabon
- **India:** Network for Certification and Conservation of Forests (NCCF)
- **Thailand:** The Federation of Thai Industries (F.T.I.)
- **Cameroon:** Cameroon Association of the Pan African Forestry Certification



# National Certification Schemes in Indonesia



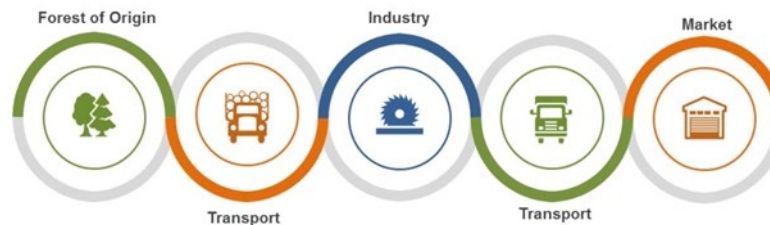
**SVLK** had certified **19.6**  
Million Ha of forest as of  
end of 2019

**LEI** had certified **3.4**  
Million Ha of forest as  
of end of 2019





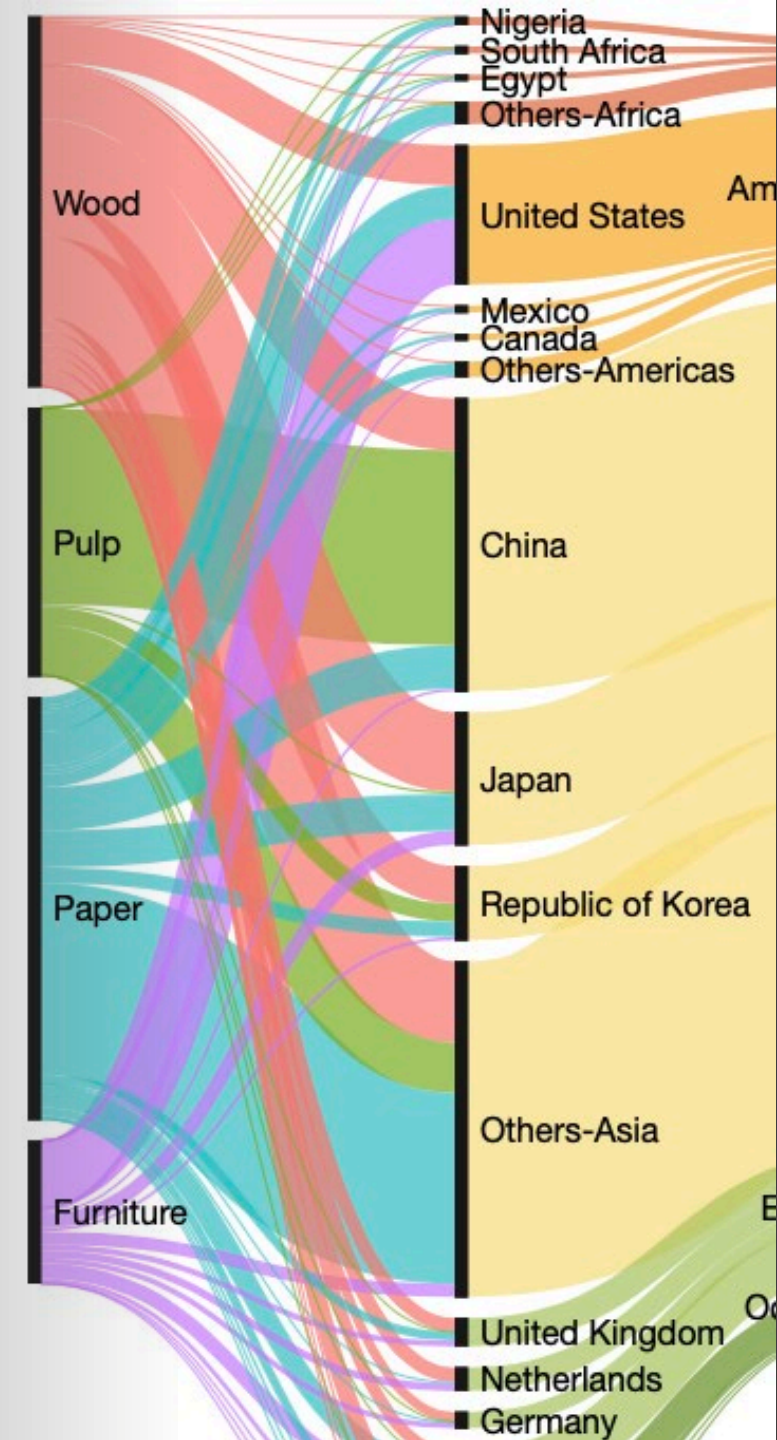
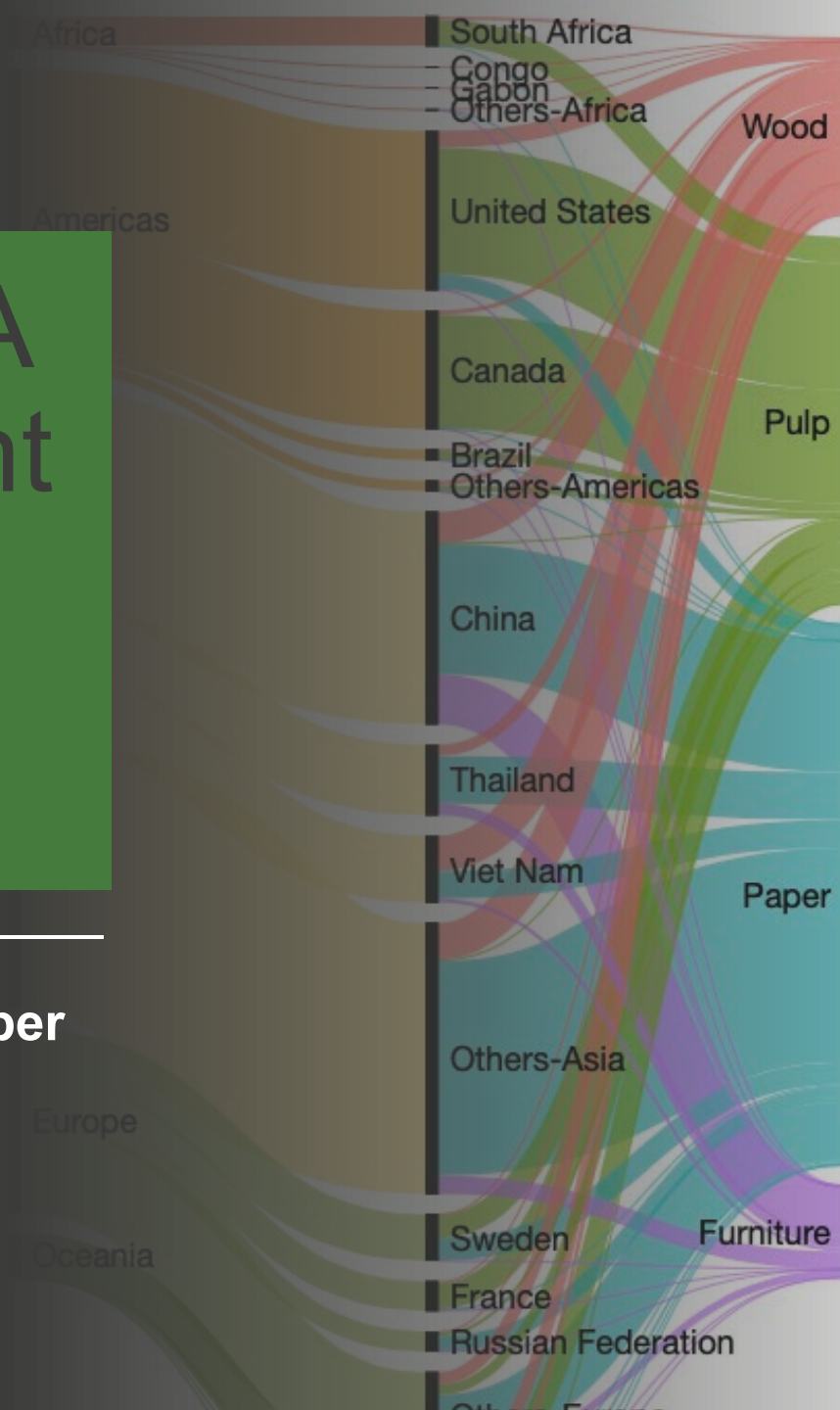
Thank You!



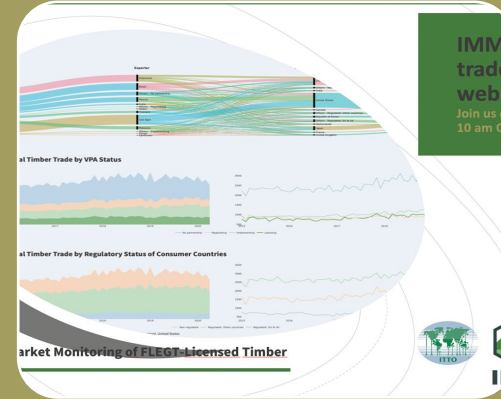
# FLEGT VPA Independent Market Monitoring (IMM)

Presentation for the November  
2020 International Tropical  
Timber Council

Sarah Storck, IMM Lead  
Consultant



# Presentation Outline



**IMM  
Background/  
Methodology**

**IMM 2020  
Special Studies –  
Key findings**

**IMM EU 2020  
Trade Survey –  
Status update**

**IMM Data  
Dashboard and  
tropical timber  
market trends  
(Rupert Oliver)**



# IMM Background



Mandated by FLEGT VPAs

Funded by EC DG DEVCO & managed by ITTO

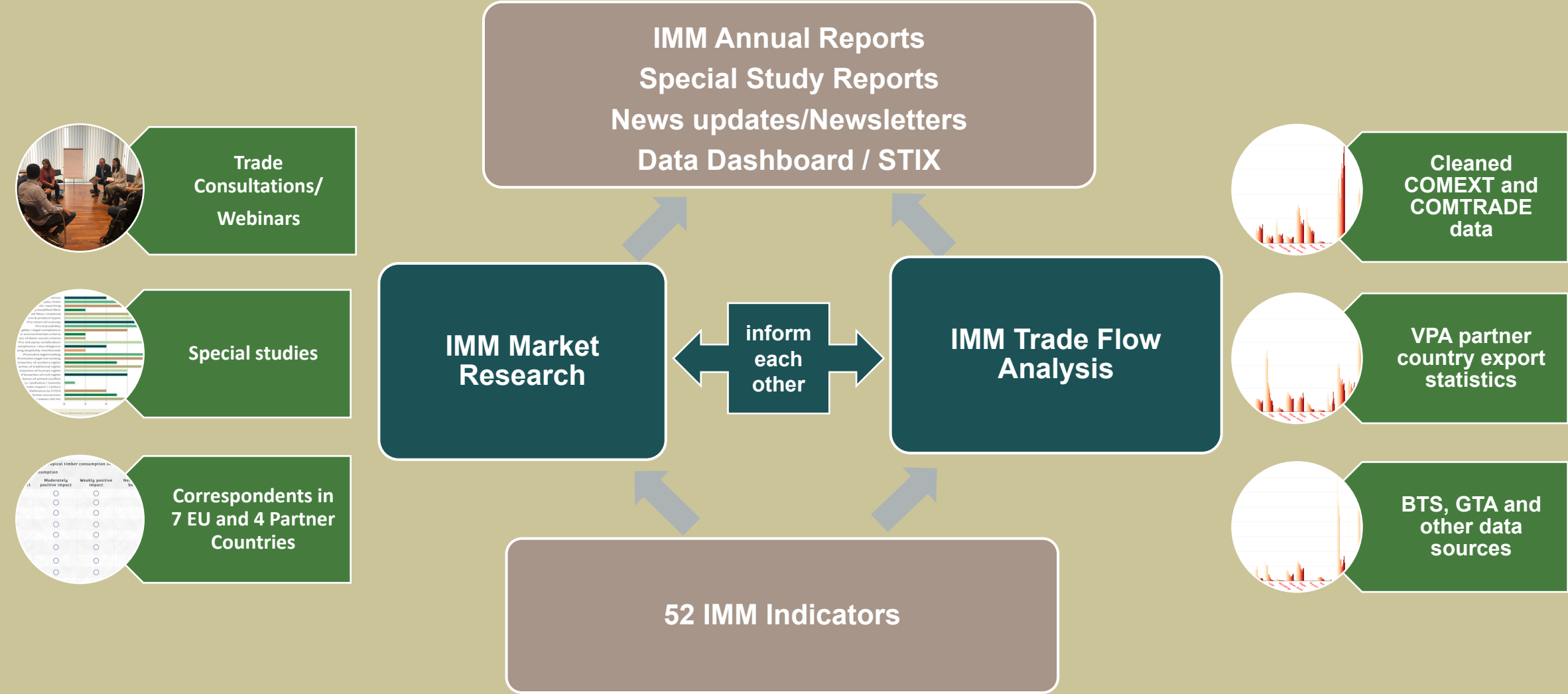
Project term extended to December 31, 2022

## Objectives

- *Independently monitor FLEGT VPA market impacts*
- *Improve understanding of impacts on timber prices, trade and market trends globally*
- *Contribute to monitoring the impacts of the FLEGT Action Plan and to inform its implementation*

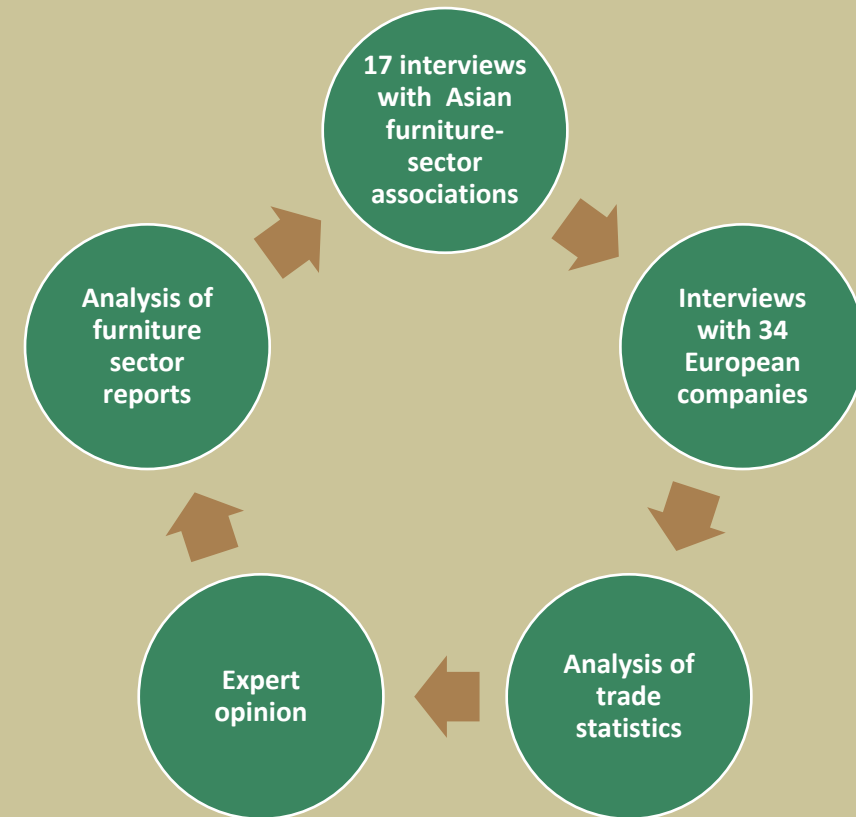
IMM has no mandate to promote FLEGT licenses, but can inform marketing strategies and raises awareness.

# IMM Methodology



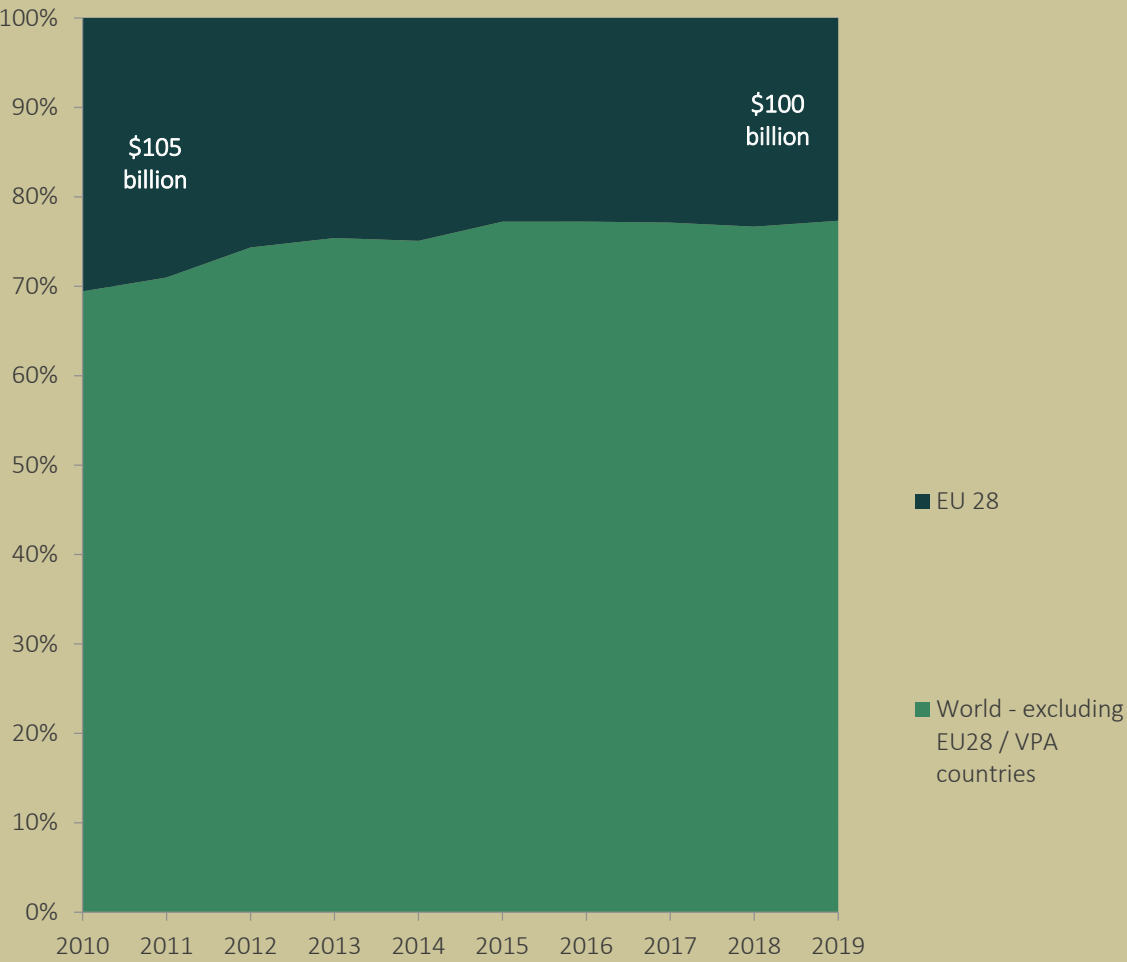
# IMM 2020 Special Studies – Furniture Sector

Study	aims to:
Describe and explain	current market conditions and distribution channels for wood furniture exported by VPA partner countries and direct competitors into the EU
Elaborate and prioritise	the factors determining the relative competitiveness of VPA partner countries in relevant EU furniture market segments;
Elaborate on	VPA partner countries' marketing priorities;
Provide commentary	on the current and potential role of FLEGT Licensing to improve market access in the EU and other regulated markets;
Identify	market trends and developments for the period 2018 – 2020, specifically focusing on market developments in Indonesia, Viet Nam, Malaysia and India.



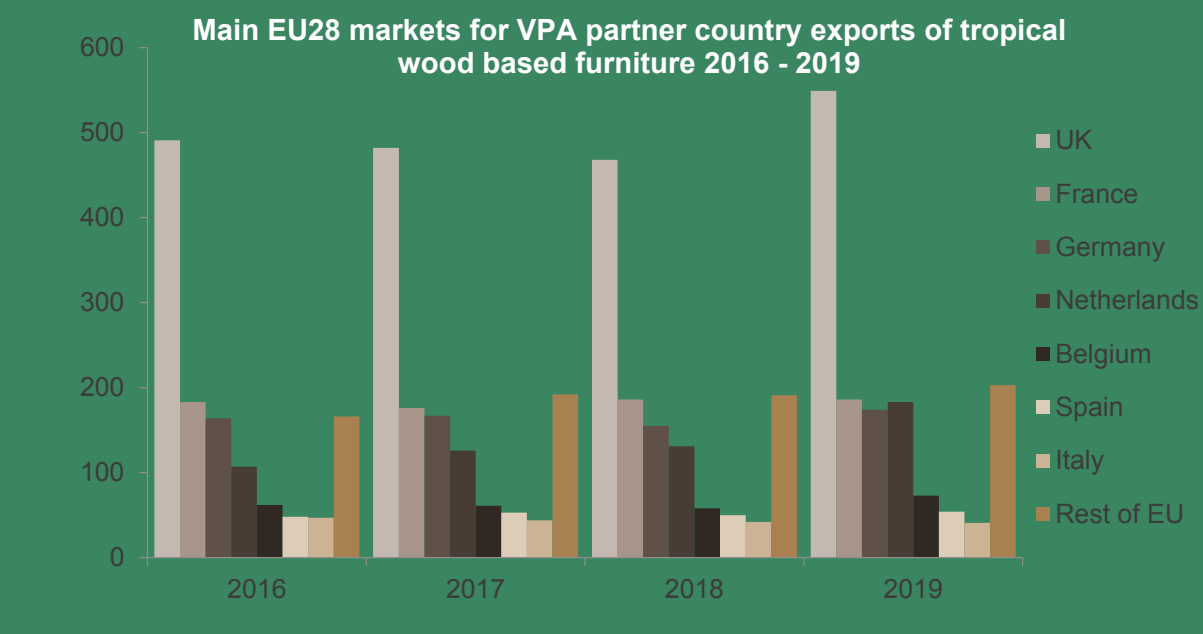
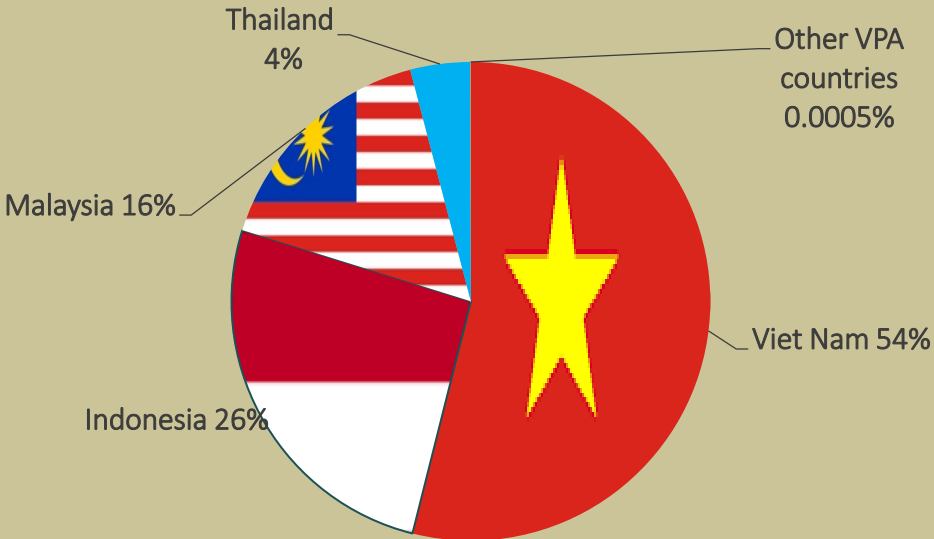


# IMM 2020 Furniture Study– EU market trends

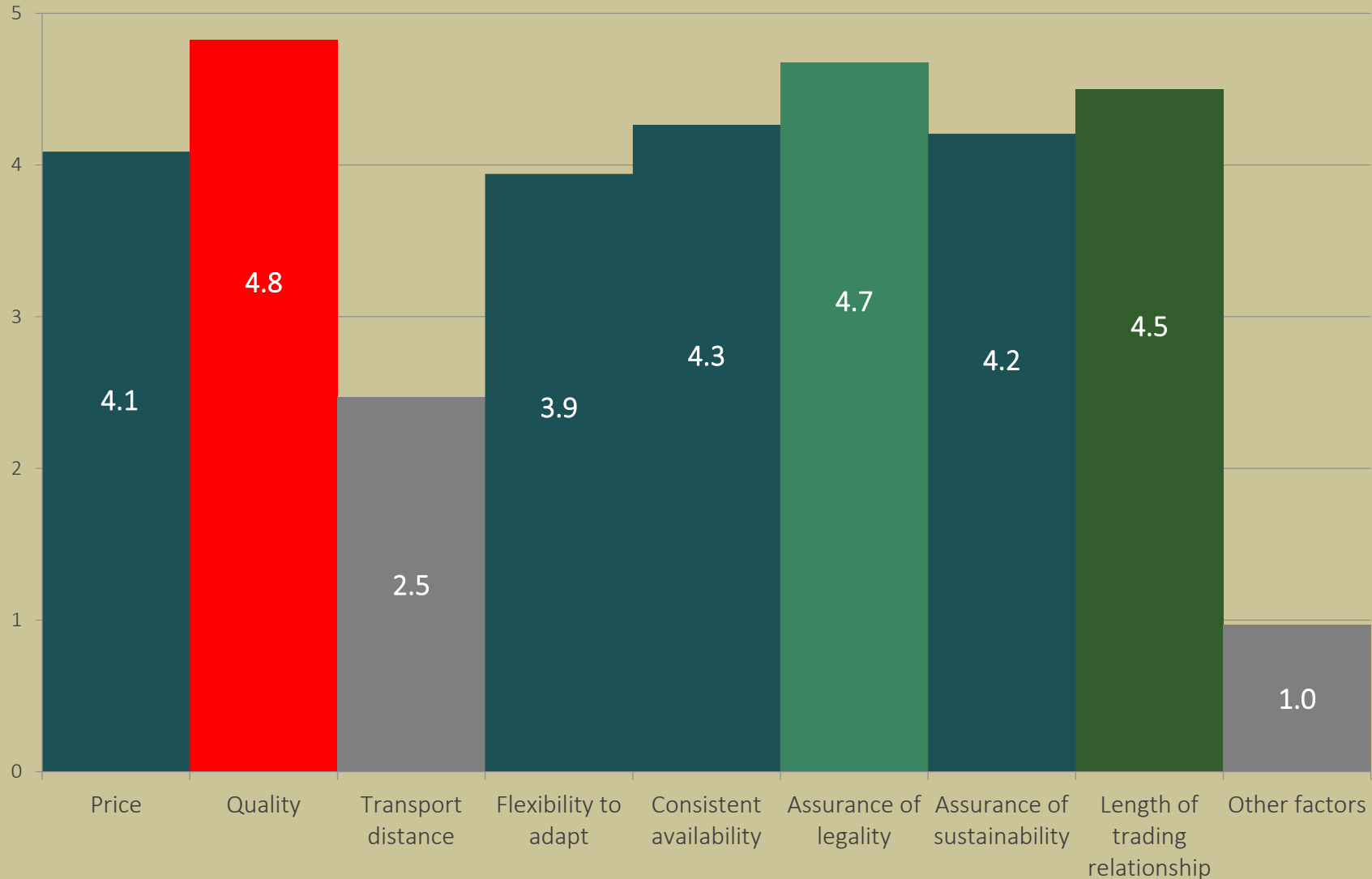


EU28 share of global furniture consumption 2010 – 2019  
CSIL 2019

VPA partner country furniture exports to EU27+UK



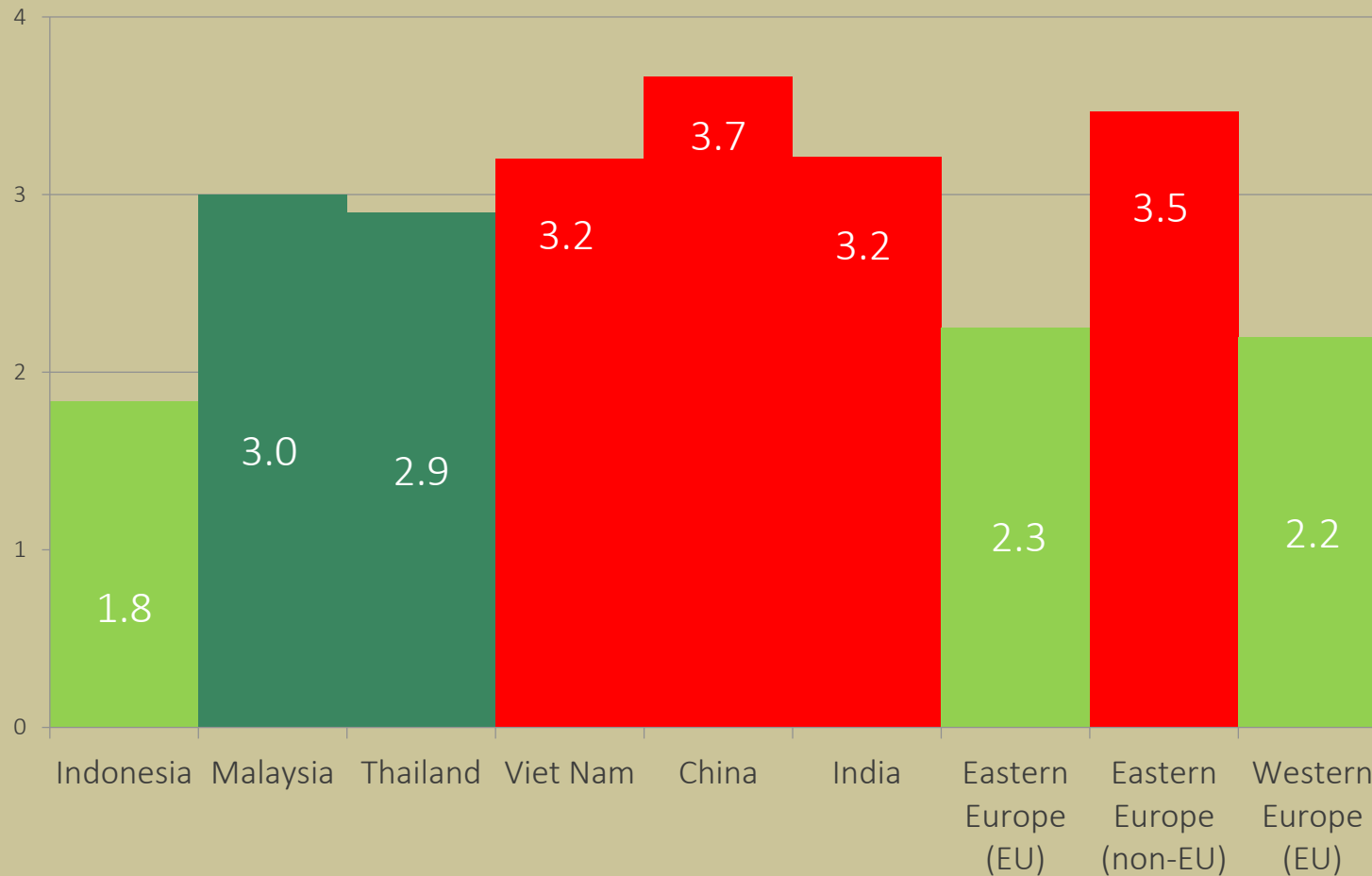
# IMM 2020 Furniture Study – EU purchasing decision making



Interviewees were asked about their decision making priorities when purchasing furniture.

They were asked to consider nine different attributes and to indicate the most and least relevant to them by putting them in order of relevance **1 = lowest priority** and **5 = highest priority**.

# IMM 2020 Furniture Study – Proving negligible risk

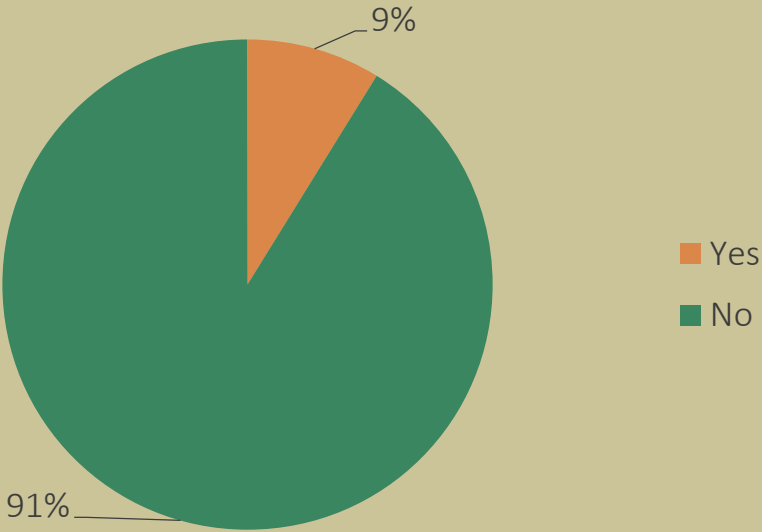


China stands alone as the most difficult country to prove negligible risk, followed by non-EU countries in Eastern Europe.

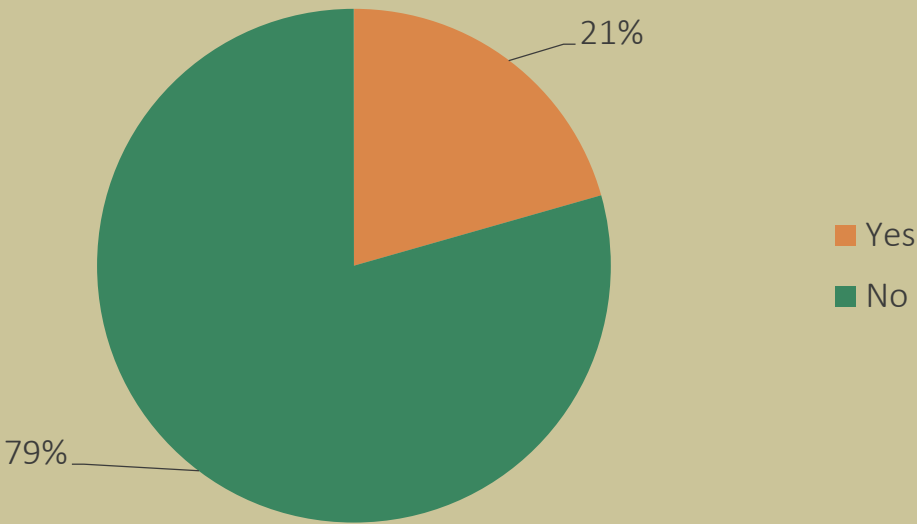
Viet Nam and India also have high levels of perception of difficulty to prove negligible risk. Indonesia has the lowest perception of difficulty of proving negligible risk of illegality from across all countries and regions within the comparison.  
**1 = lowest difficulty and 5 = highest.**

Perceived difficulty of proving negligible risk of illegality for furniture imports from selected countries / regions

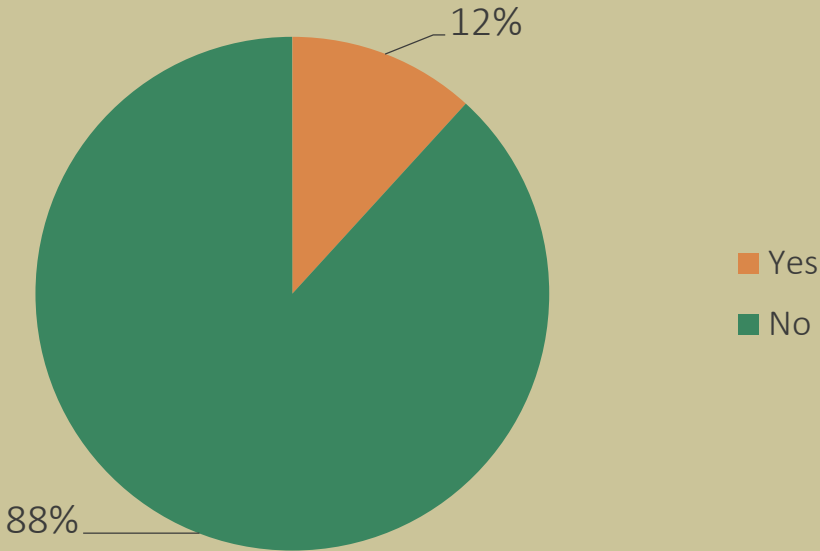
# IMM 2020 Furniture Study – Changes in Purchasing Behaviour



Have you stopped importing furniture from certain countries / regions due to EUTR due diligence?

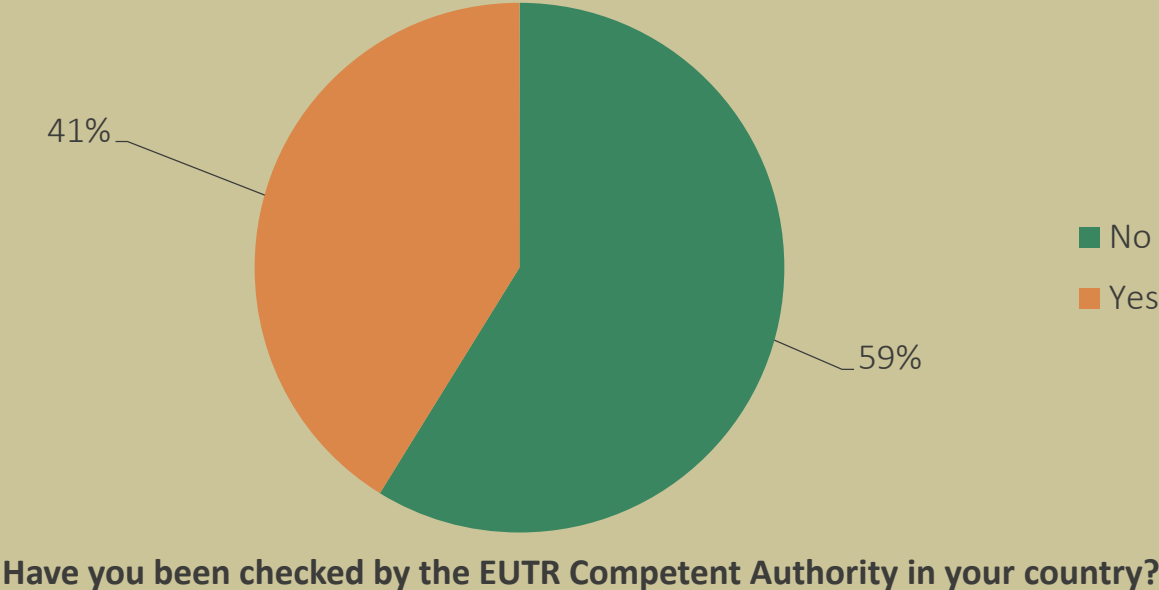
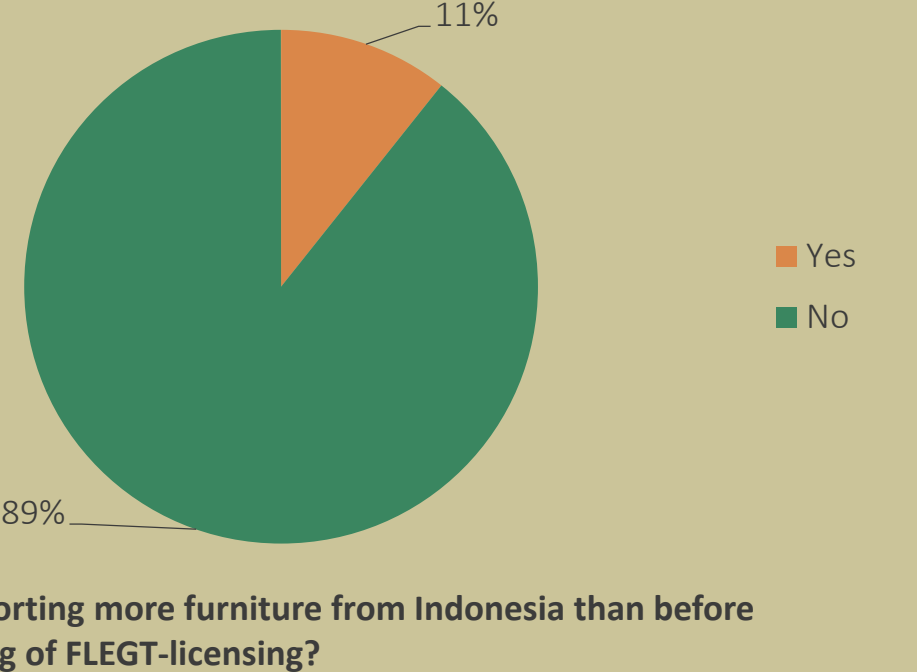
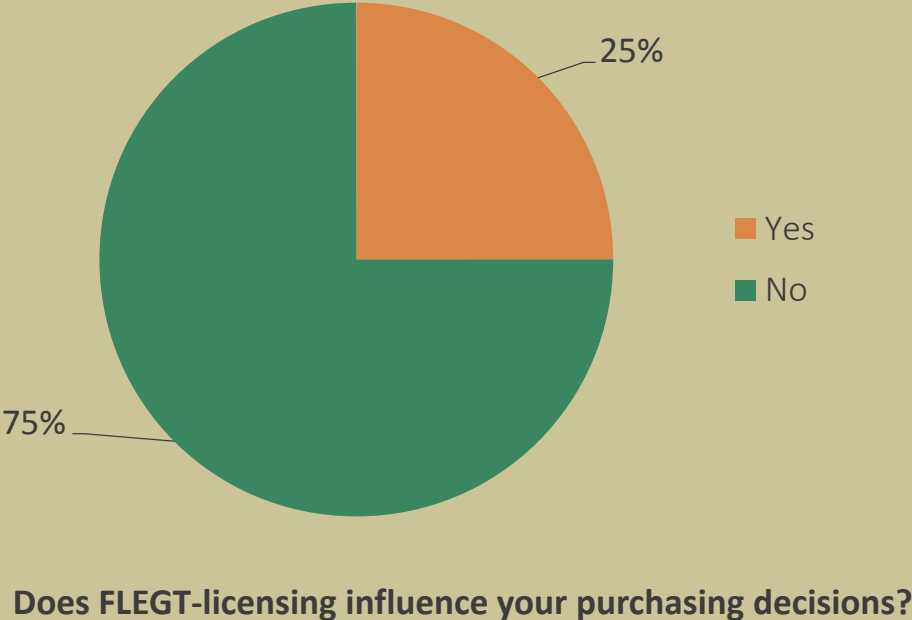


Have you dropped suppliers due to EUTR due diligence?

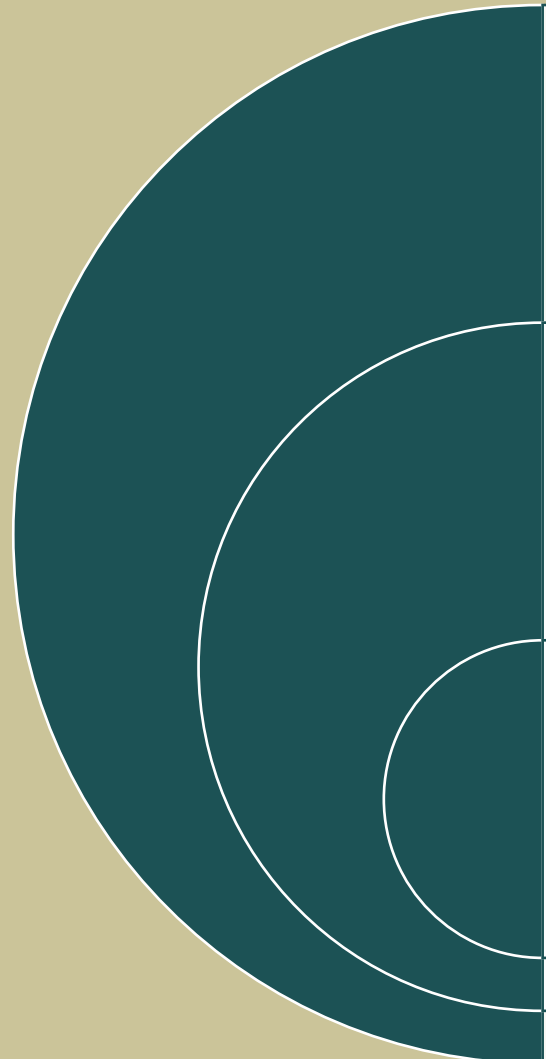


Have you stopped importing furniture containing certain wood species due to EUTR due diligence?

# IMM 2020 Furniture Study – Changes in Purchasing Behaviour



# IMM Investment Study – Objectives



Provide a historical review of forest sector investment and enterprise data and correlation with milestones of the FLEGT VPA process in Indonesia and Viet Nam.
Assess VPA influence on investment decisions pre-2020 through stakeholder survey.
Assess VPA potential to strengthen resilience and risk management during the CoViD-19 pandemic through stakeholder survey.

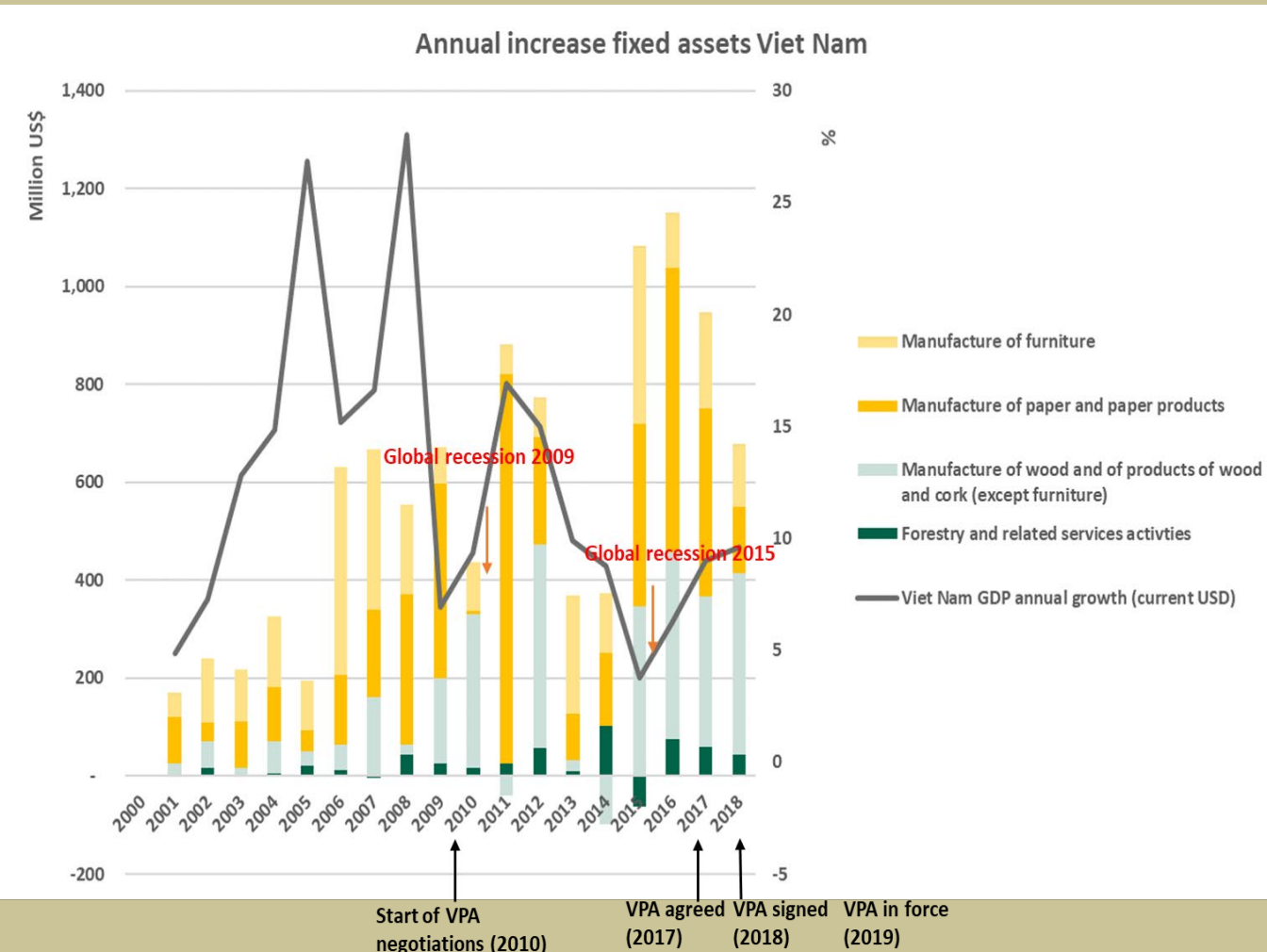
# IMM Investment Study – Viet Nam Overall Impact

In Viet Nam, the in-depth study did not (yet) identify clear correlation between milestones in the Vietnamese VPA process and investment activity in the forest sector.

Comparison of the decades before and after start of VPA negotiations in 2010 shows a significant increase in average investment volumes per year.

Favourable factor costs and economic reforms were identified as the major investment drivers.

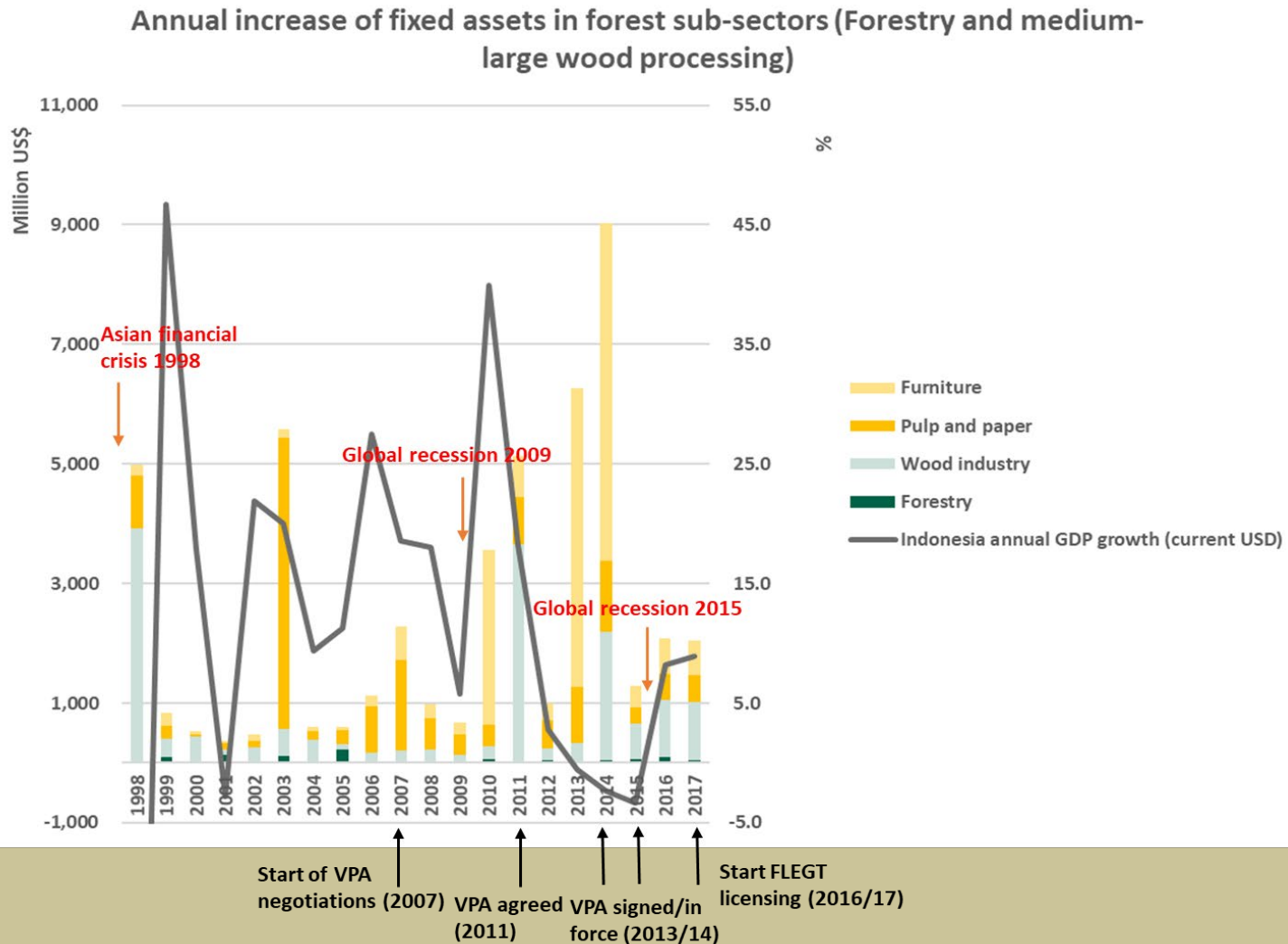
However, **Vietnamese enterprises voiced high expectations in the fully implemented VPA in terms of mitigation of market risk, capital mobilisation and sector governance in the years to come.**



Source: Annual Statistical Yearbooks for Viet Nam



# IMM Investment Study – Indonesia Overall Impact



Average annual forest sector investment in the pre-VPA negotiation period (1998 to 2006) of US\$1.7 billion almost doubled between 2007 and 2017 (US\$3.1bn).

Focus of investment shifted from pulp and paper more towards wood processing and furniture manufacturing.

Survey respondents **attributed this increase in investment volumes in wood industry and furniture operations at least partly to the FLEGT VPA process and related improvements in forest sector governance as well as improved Indonesian market access to the EU, the US, Australia and some Asian markets.**

# IMM Investment Study – Conclusions

**A VPA alone cannot compensate for the lack of market drivers for investments**

However, in countries market drivers exist, as is the case in Viet Nam and Indonesia, **VPAs can be a stimulating factor in the investment-enabling environment** in the forest sector by:

- Creating **improved access to regulated markets**;
- Improving **access to capital and investors** through formalisation/improved credibility of forest sector enterprises;
- **Eliminating market distortions** through unfair / illegal competition;
- Establishing good forest governance, **addressing social and environmental risk factors**;
- Ensuring long term viability of operations by **enhancing sustainable forest management practices**.

# EU 2020 Trade Survey Update

- Five EU countries + UK: Belgium, France, Germany, Italy, Netherlands, UK (83% of all EU imports of tropical timber and timber products)
- 90 interviews completed by 1 November; small number (up to 5) still pending; completion delayed by about 3 weeks due to Covid-19 pandemic
- IMM also interviews associations, EUTR monitoring organisations and CAs.
- Results will be published on the IMM website and newsletter and in the IMM 2020 Annual Report.



# IMM Resources



**FLEGT**  
INDEPENDENT MARKET MONITOR

  
Select Language



Home

About

News

Key EU Countries

VPA Countries

Data Dashboard

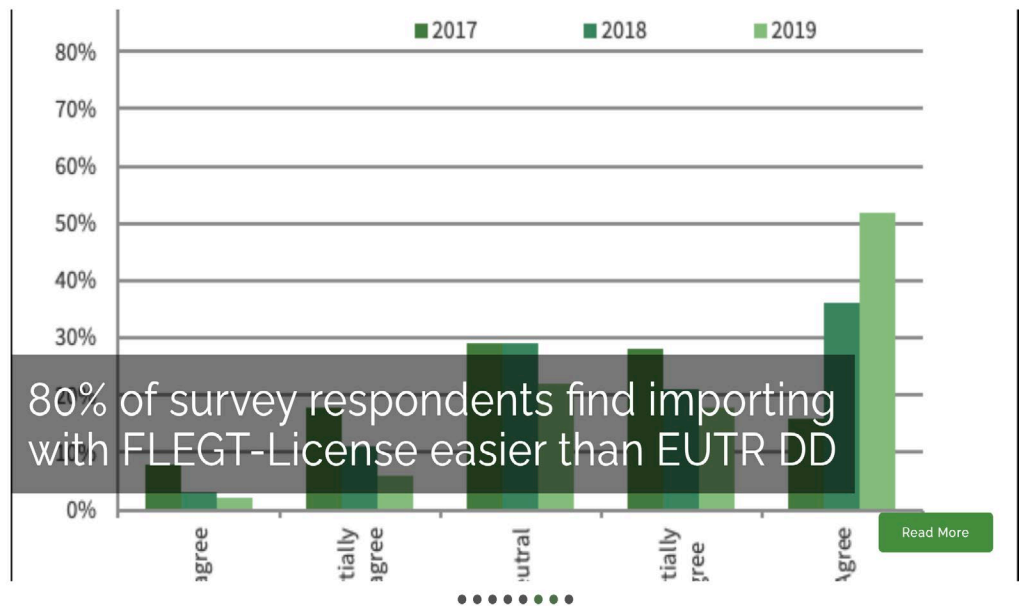
Events

Resources

EU market (May 2020 report)

Latest IMM newsletter (H2 2019)


Latest IMM Annual Report (2018)



Past Events

European Trade Consultation in Barcelona, Spain (7 October 2019)

Written on 16 March 2020.



Workshop 1. Trends in the European tropical timber sector – background, reasons and solutions (summary)


1) Presentation of IMM trade data (Rupert Oliver, IMM)

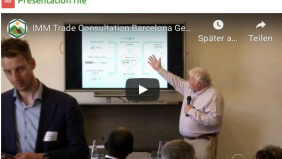





Workshop 2. Recognising priorities and purchase dynamics for tropical wood products. Assessing how supply chain relationships develop and the relevance or impact of FLEGT licenses (summary)

1) Architects' material sourcing practices and priorities (George White, IMM consultant)






2) Indonesian timber products and FLEGT-licensing (Puri Listiyani, Director of Indonesian Trade Promotion Centre, Barcelona)



Indonesia



Last updated: 07 March 2020

Profile

Industry

Trade Overview

Imports

Exports

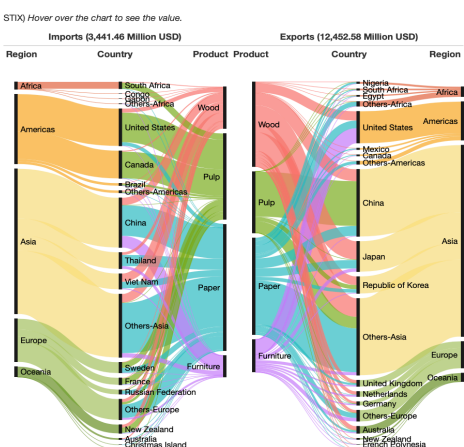
EU Imports

Data Sources and Issues

Trade Overview

Highlights

- Most wood supplied to Indonesia's wood processing sector is from domestic forest sources, with a growing dependence on plantations. Imports of primary wood are limited.
- Indonesia does not allow log exports and limits sawnwood exports to S4S (products surfaced on four sides). As a result, exports include a wide variety of further-processed timber products, ranging from S4S, veneer, plywood, pulp and paper to doors, furniture and handicrafts.
- Indonesia's timber exports were rising in 2017 and 2018 with particularly strong growth in China, but gains were also made in the EU for plywood, doors, charcoal and S4S.
- However, exports of Indonesian wood furniture and decking/moulding to the EU declined during this period, due both to supply side issues and intense competition from other wood suppliers and non-wood materials.



Resources

Written on 10 April 2019.

Background Documents

Title	Published date	Download
IMM Global Indicators	24 November 2017	English
IMM Country-Specific Indicators	24 November 2017	English

Annual Reports

Title	Published date	Download
FLEGT VPA Partners in EU Timber Trade 2018	November 2019	Full report
FLEGT VPA Partners in EU Timber Trade 2017	November 2018	Summary (French)   Summary (Indonesian)   Full report
FLEGT VPA Partners in EU Timber Trade 2014 to 2016	October 2017	Summary   Full report
Europe's Changing Tropical Timber Trade 2004 to 2014	November 2015	Summary   Full report   Supplement 1. Statistical Annexes   Supplement 2. Review of Market Impact Factors


Special Studies

Title	Published date	Download
IMM scoping study of FLEGT impact on forest sector investment	September 2019	Full report
EU wood promotion programmes and their recognition of FLEGT	April 2019	Full report
IMM study of EU Member States green public procurement policies and FLEGT	July 2019	Full report
EU Private Sector Timber Procurement – IMM Study Identifies Attitudes And Priorities	December 2018	Full report
IMM EU Furniture Study	October 2018	Full report

Newsletters

Issue	Download
IMM Summary Newsletter H2/2019	English
IMM Summary Newsletter H1 / 2019	English
IMM Summer 2019 Newsletter	Bahasa Indonesia   Français
IMM Spring 2019 Newsletter	Bahasa Indonesia
IMM Autumn 2018 Newsletter	English   Français
IMM Summer 2018 Newsletter	English   Français
IMM Spring 2018 Newsletter	English   Français
IMM Autumn 2017 Newsletter	English

< Prev



Next >

# Thank you

Sarah Storck  
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Independent Market Monitoring of FLEGT-Licensed Timber

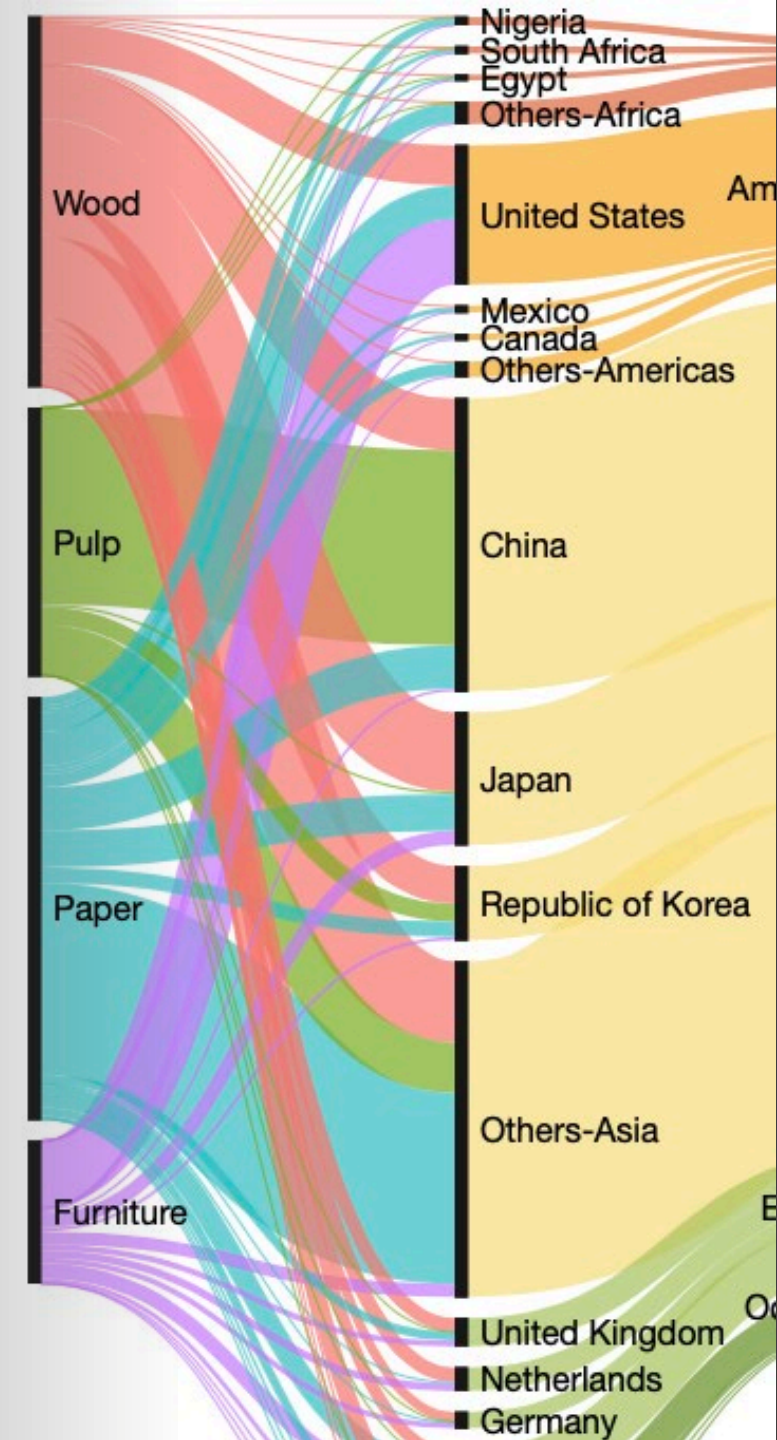
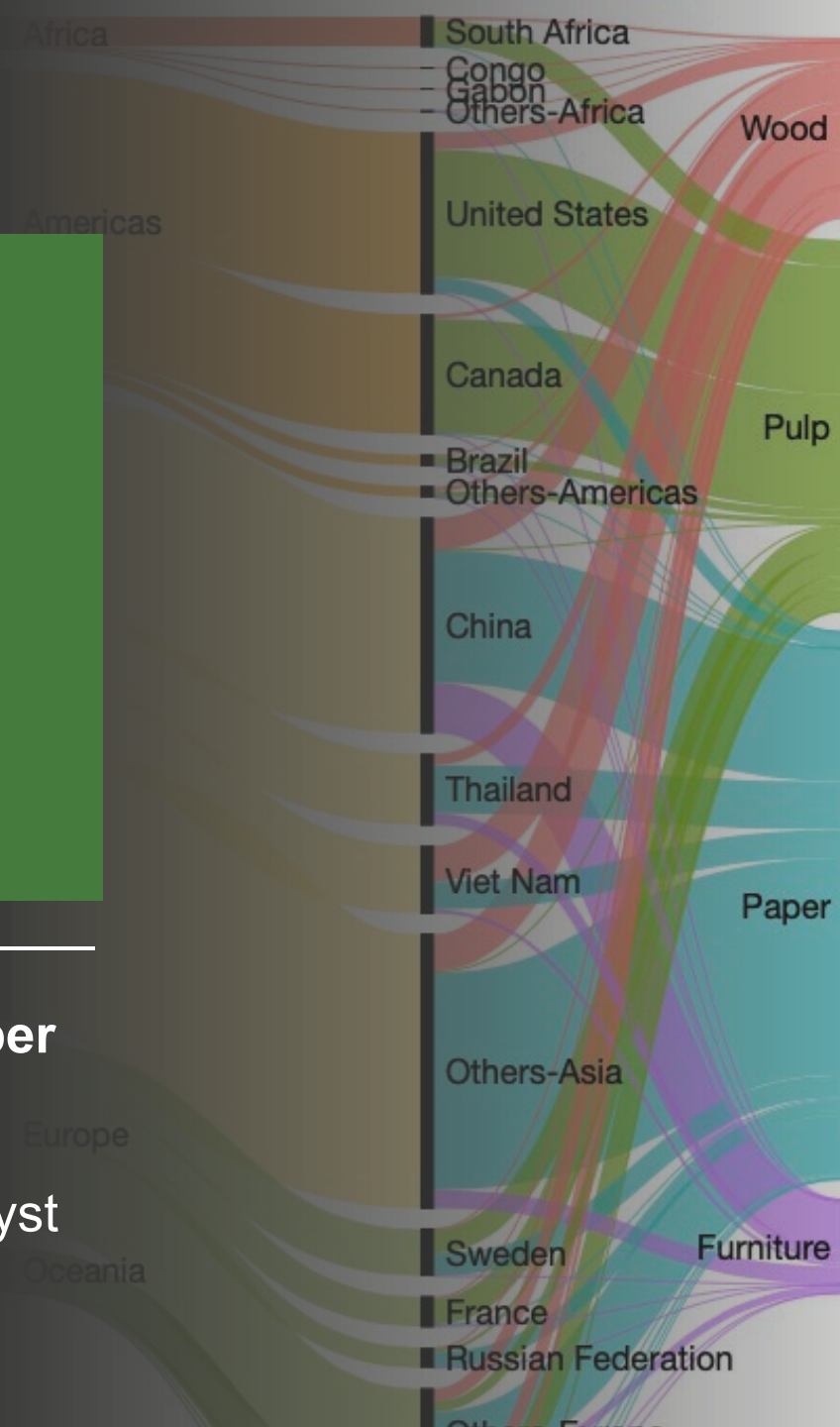




# FLEGT VPA Independent Market Monitoring (IMM)

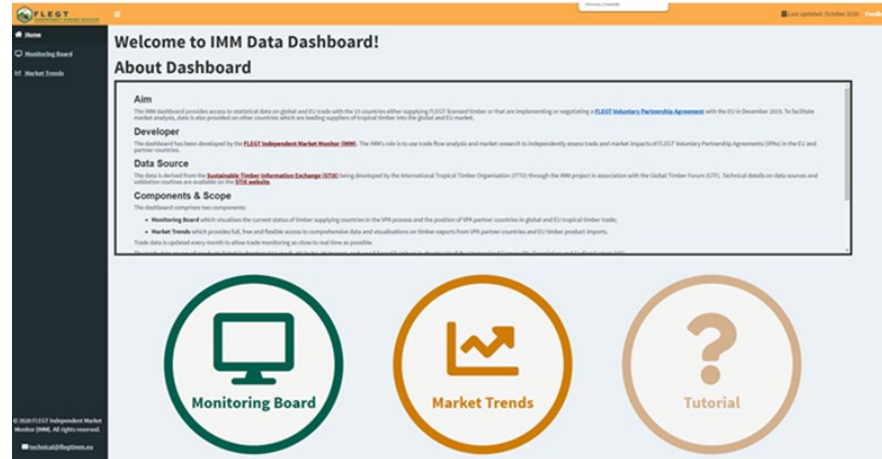
Presentation for the November  
2020 International Tropical  
Timber Council

Rupert Oliver, IMM Trade Analyst

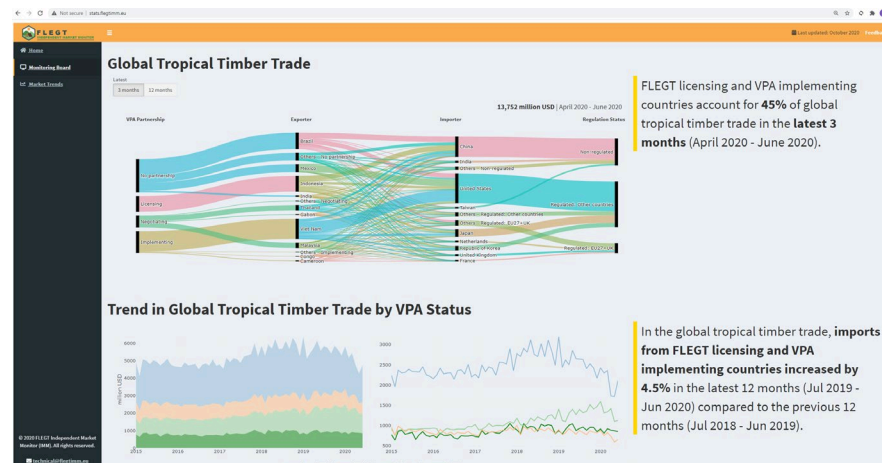


# IMM Dashboard

[www.stats.flegtimm.eu](http://www.stats.flegtimm.eu) Or [www.immstats.org](http://www.immstats.org)



- Statistics on Global and EU trade with 15 VPA partner countries
- 28 EU Member Countries in December 2019
- EU in context of wider VPA partner exports
- VPA partners in context of total EU trade
- Product scope defined by VPAs: Wood (HS 44), Pulp (HS 47), Paper (HS 48), Furniture (HS 94)



# IMM Dashboard Data Source

- Sustainable Timber Information Exchange
- Joint ITTO-GTF initiative
- 46 reporting countries - EU28 + Australia, Brazil, Canada, Chile, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Norway, Russia, South Africa, South Korea, Switzerland, Taiwan, USA
- 90% of global forest products trade
- Highest HS resolution
- Updated monthly



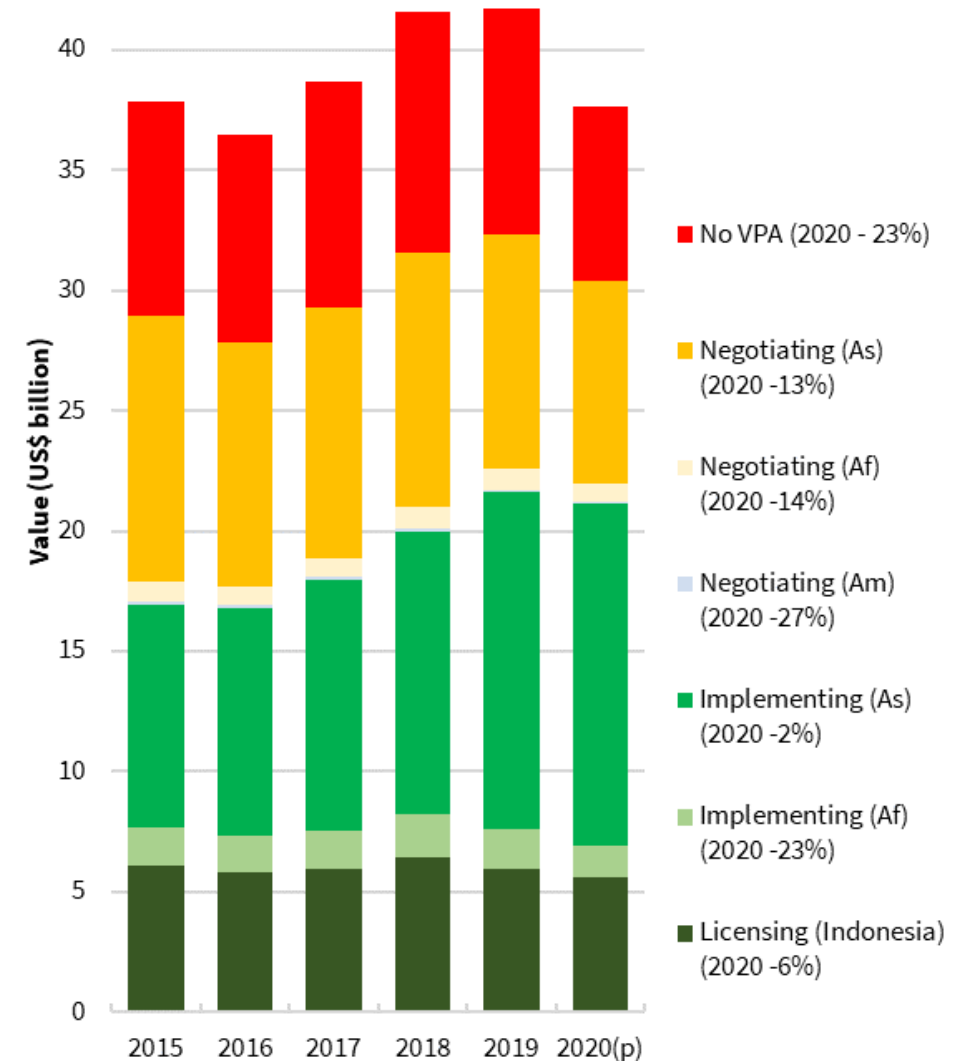
[www.stix.global](http://www.stix.global)



# Tropical trade by VPA status

- Value of global trade in tropical wood & wood furniture +0.2% to US\$41.7b in 2019
- Projected 10% decline to US\$37.7b in 2020
- Rising role for VPA partner wood & wood furniture products in global trade
- FLEGT Licensing/Implementing countries 48% of tropical trade in 2018, 52% 2019, 56%(p) 2020
- Vietnam driving large rise in exports from tropical countries 2016-2019 - led by furniture destined for U.S.
- Indonesia exports rising to 2018 but slight slippage in 2019 - plywood & decking still dominate but share of furniture & joinery rising

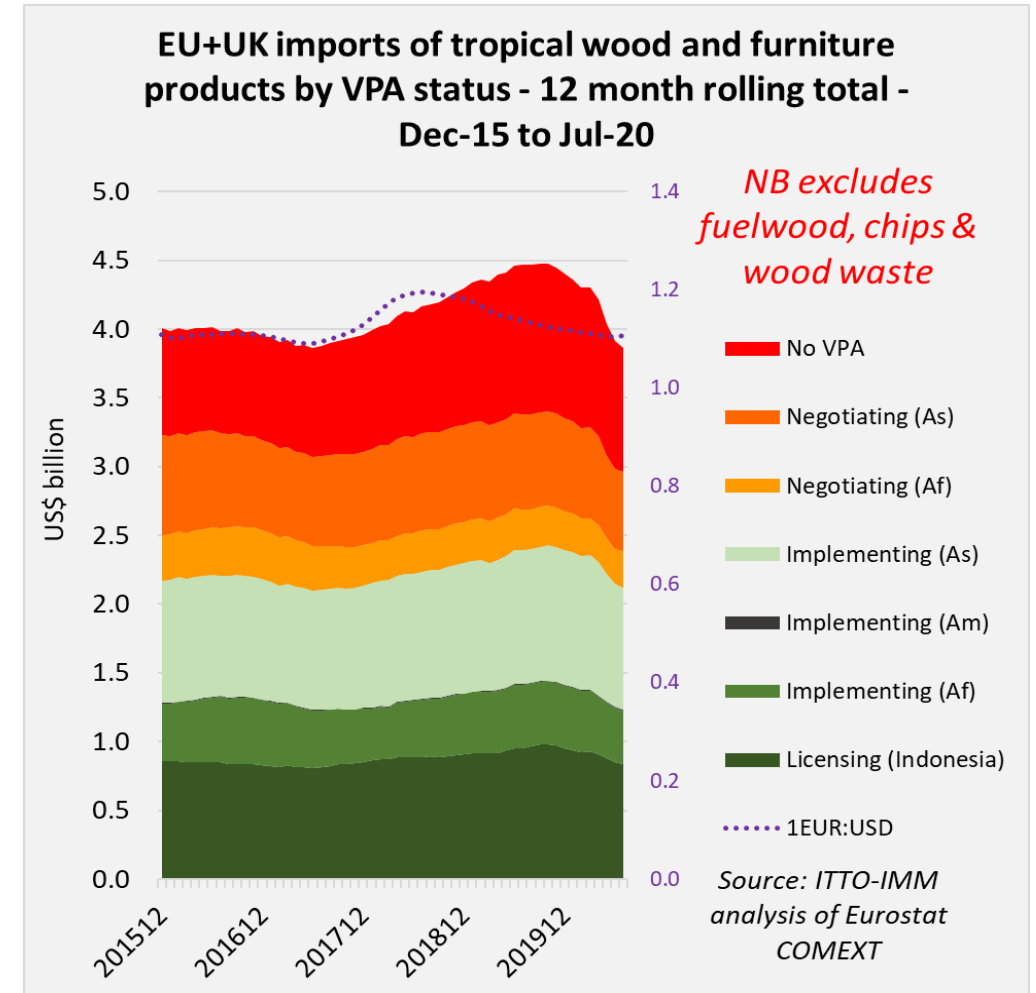
Global trade in tropical wood (HS44) and wood furniture (HS94) by VPA status  
2015-2019, 2020 projected



Source: IMM analysis of STIX

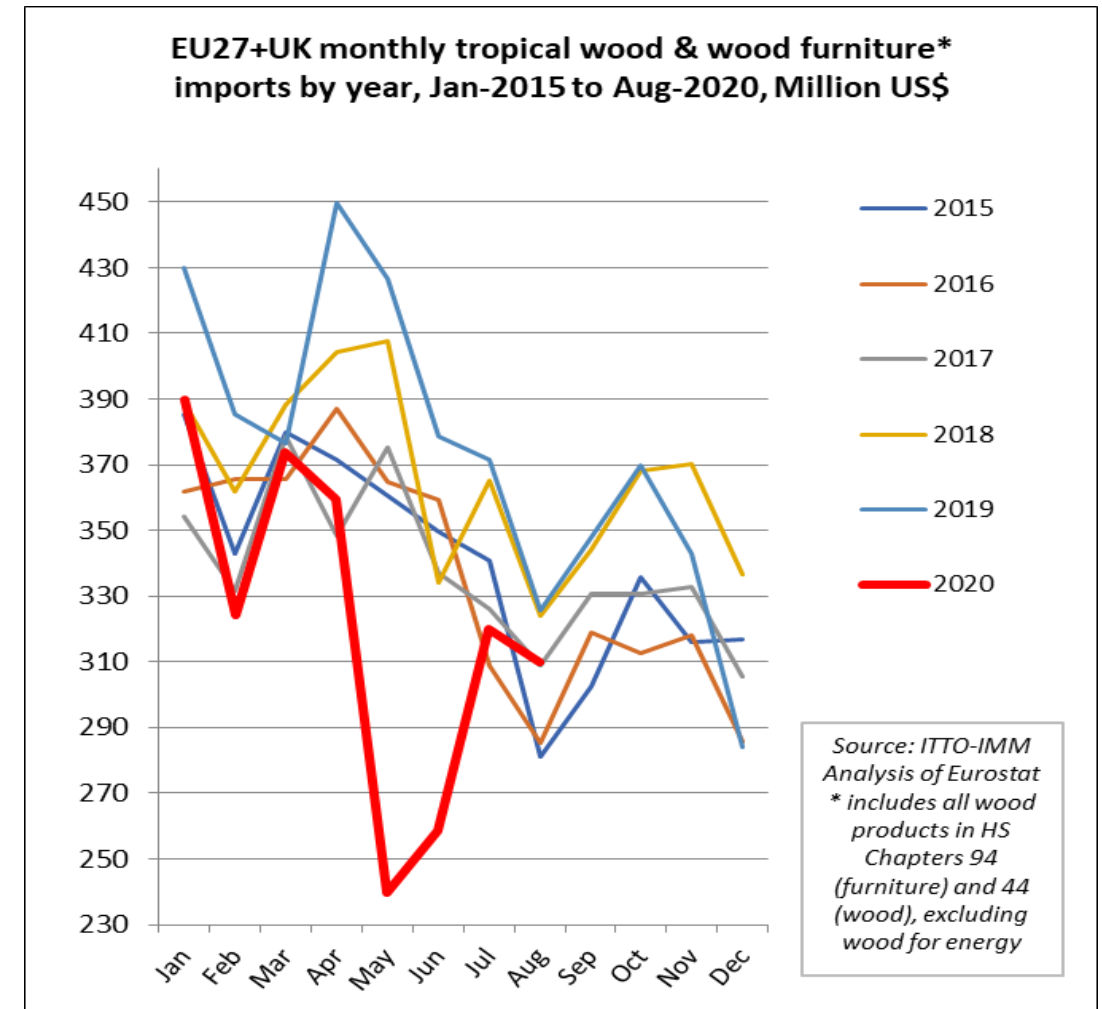
# 2018 & 2019 good growth in EU tropical wood products imports

- Tropical wood & wood furniture imports +1% to US\$4.4 billion in 2019 (follows +6% in 2018)
- Tropical share in total EU imports increased from 22% in 2018 to 23% in 2019
- EU imports from Indonesia +6% to US\$903m in 2019
- EU imports from VPA implementing countries in 2019: Africa +3% to US\$453m, Vietnam +4% to US\$976m
- EU imports of tropical products from Brazil & India also made gains in 2019



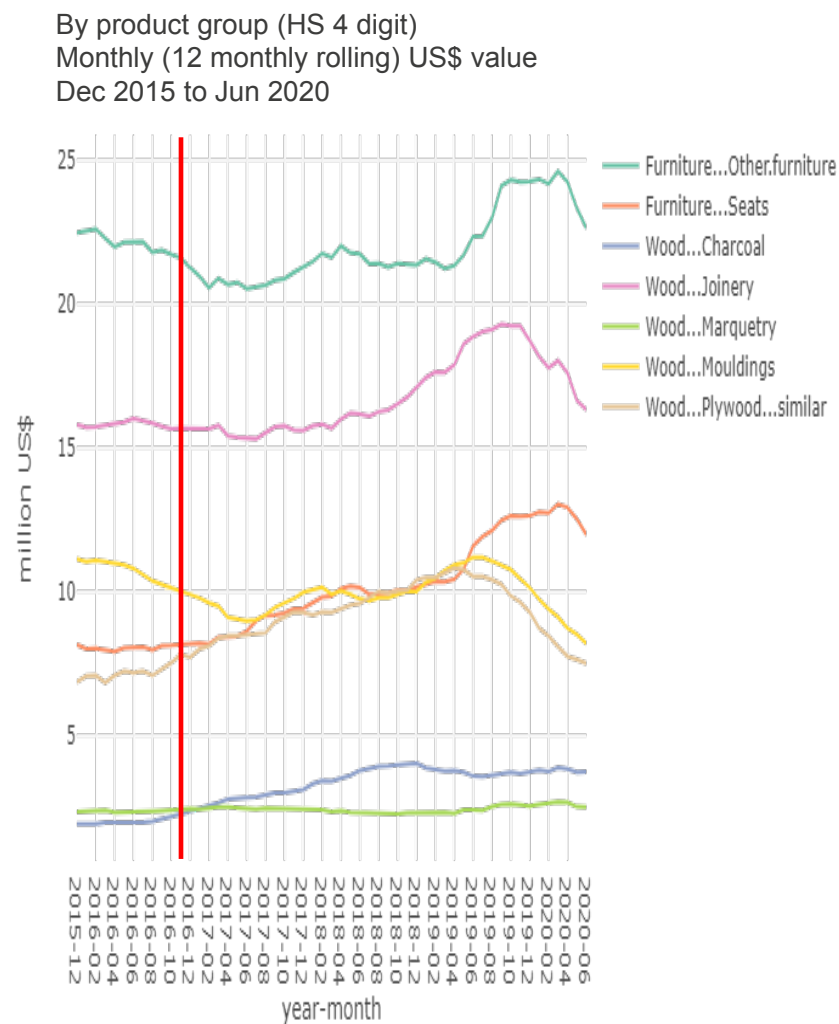
# 2020 - COVID effects on EU27+UK tropical wood products trade less severe than first feared

- May 2020, imports down 1/3<sup>rd</sup> against 5-yr average for the month, but recovery in June & July
- Total imports to end Aug: \$2.58 billion, 18% less than the same period in 2019 (back to 2015-16 levels)
- DIY/garden sector buoyant even during lockdown
- EU countries avoiding full lockdowns, e.g. Netherlands, Sweden
- Very strong fiscal stimulus, including focus on construction
- But concern about long-term fallout as government support is withdrawn and debt mounts

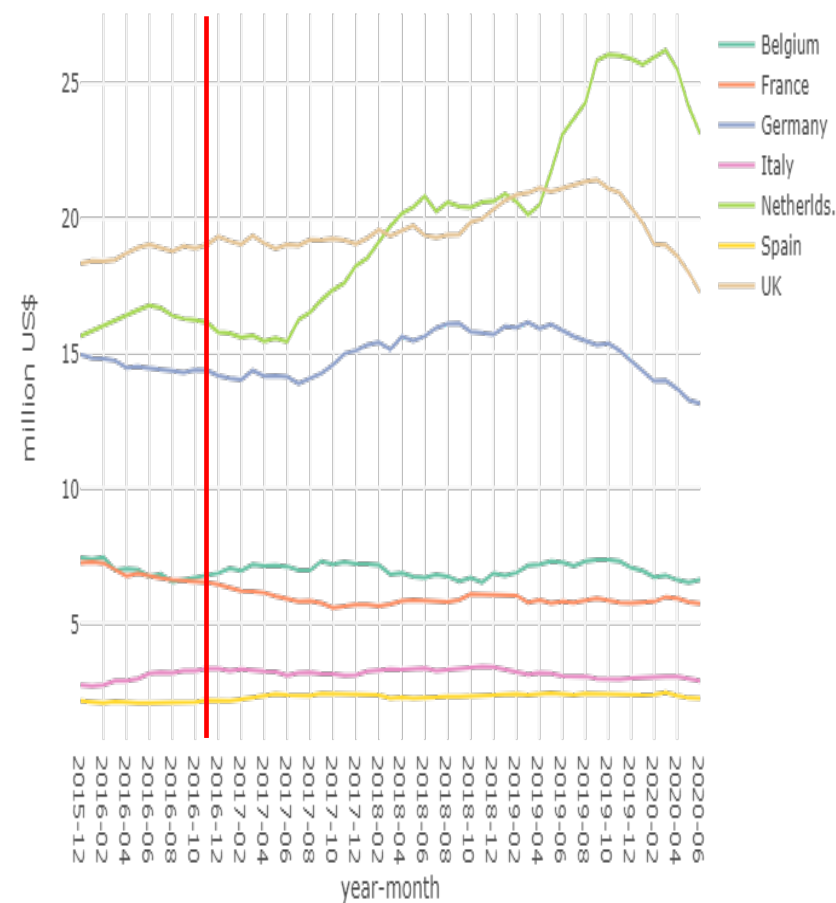


# EU27+UK wood (HS44) and wood furniture (HS94) imports from Indonesia

Licensing begins  
November 2016

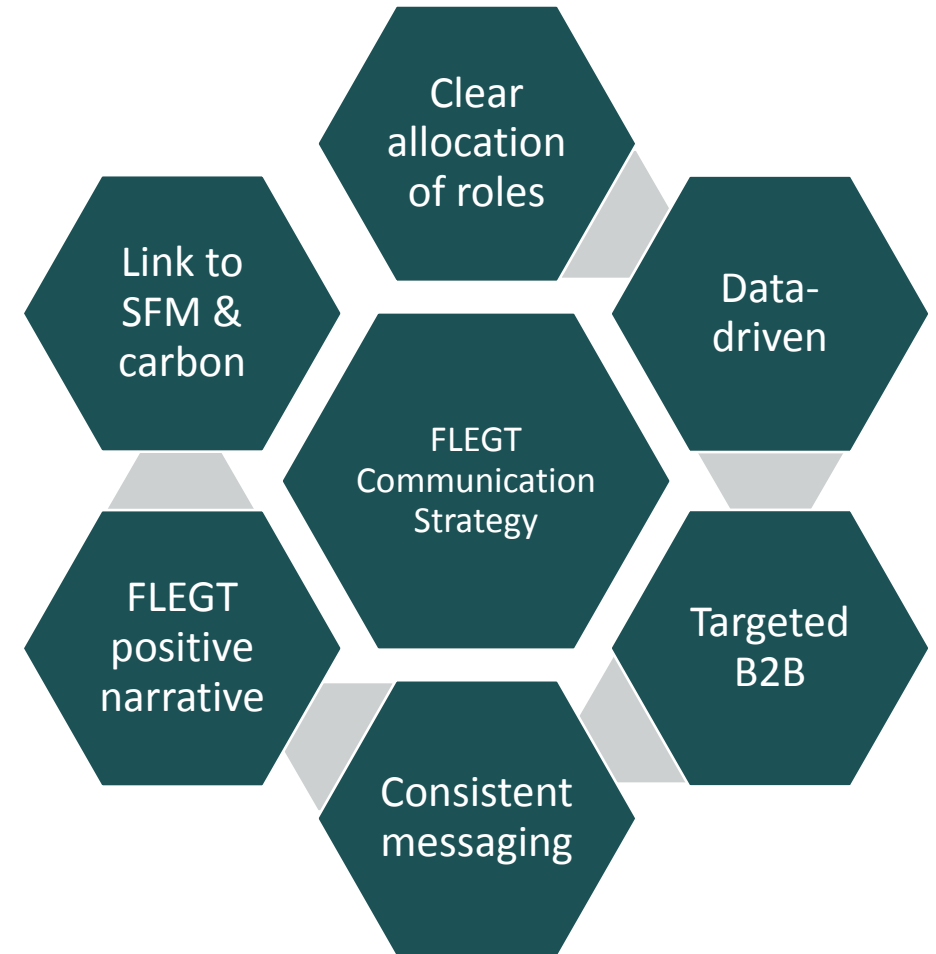


By destination country  
Monthly (12 monthly rolling) US\$ value  
Dec 2015 to Jun 2020



# Concluding comments on FLEGT Market Impacts

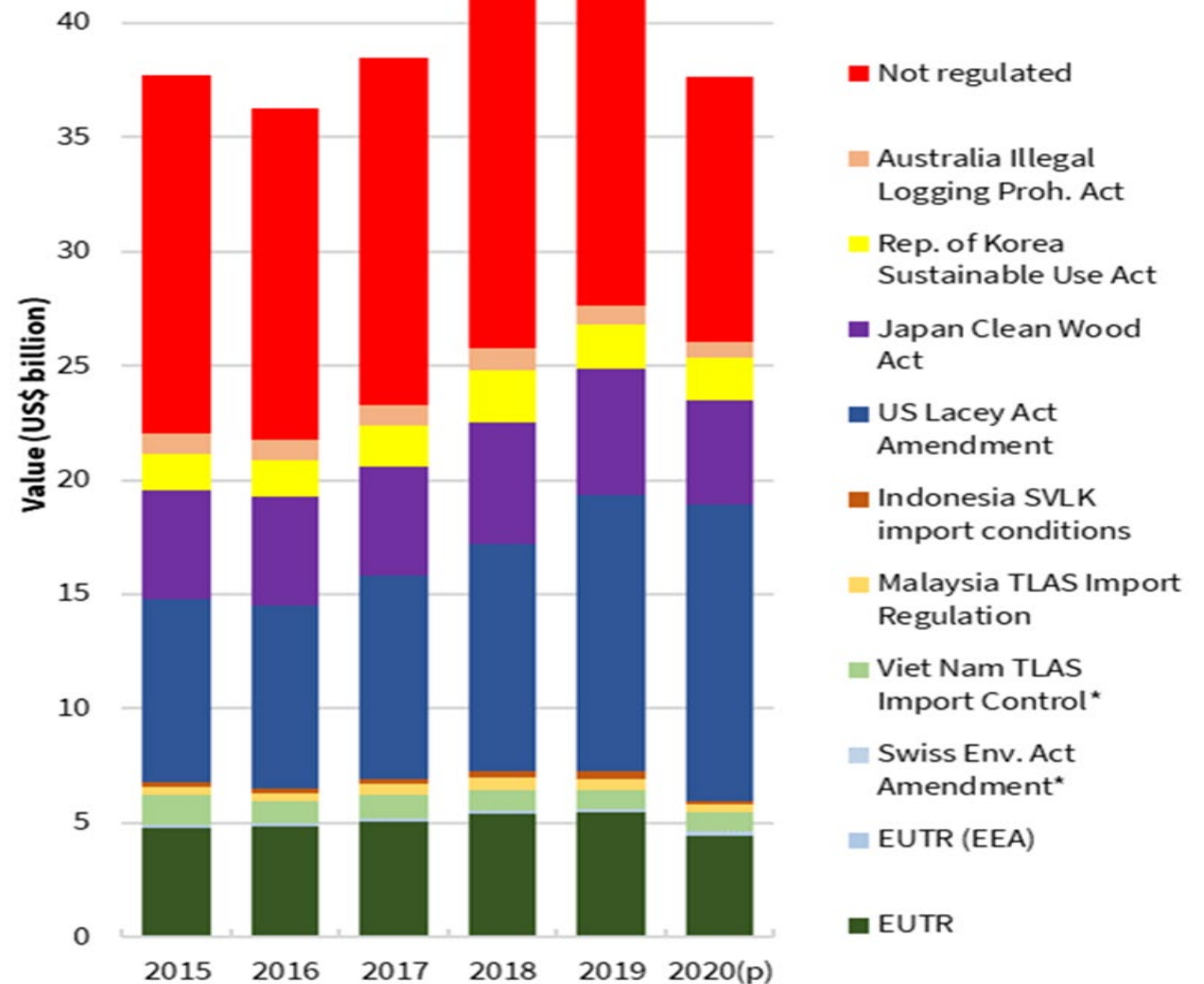
- FLEGT Licensing not the determining factor in market share or able to override other competitiveness issues (price, quality, logistics etc)
- However, IMM Surveys show that FLEGT licensing makes importing from Indonesia easier
- In absence of licensing, suppliers in other countries can struggle to demonstrate negligible risk for EUTR compliance
- Rising Indonesia-EU trade in 2018 and 2019 suggestive of market benefits of FLEGT licensing
- IMM consultations with EU importers: FLEGT/EUTR is best strategy to rebuild tropical wood market share
- Surveys in EU emphasise importance of consistent EUTR enforcement & continuing effort to extend FLEGT licensing
- Much emphasis on need for communication



# Legality verification & environmental assurance

- 67% tropical wood product imports into “regulated” markets in 2019 (2018=62%).
- 84% if China included (2020 Forest law Art 65)
- “Green” measures in crisis recovery packages - OECD estimates these amount to USD 312 billion
- Circular economy, energy efficiency, low carbon, ecosystem restoration, health & wellbeing
- **Many new opportunities for wood products with credible demonstration of legal and sustainable supply supported by effective communication strategies**

Global trade in tropical wood (HS44) and wood furniture (HS94) by import control  
2015-2019, 2020 projected



Source: IMM analysis of STIX

# Thank you

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Independent Market Monitoring of FLEGT-Licensed Timber

