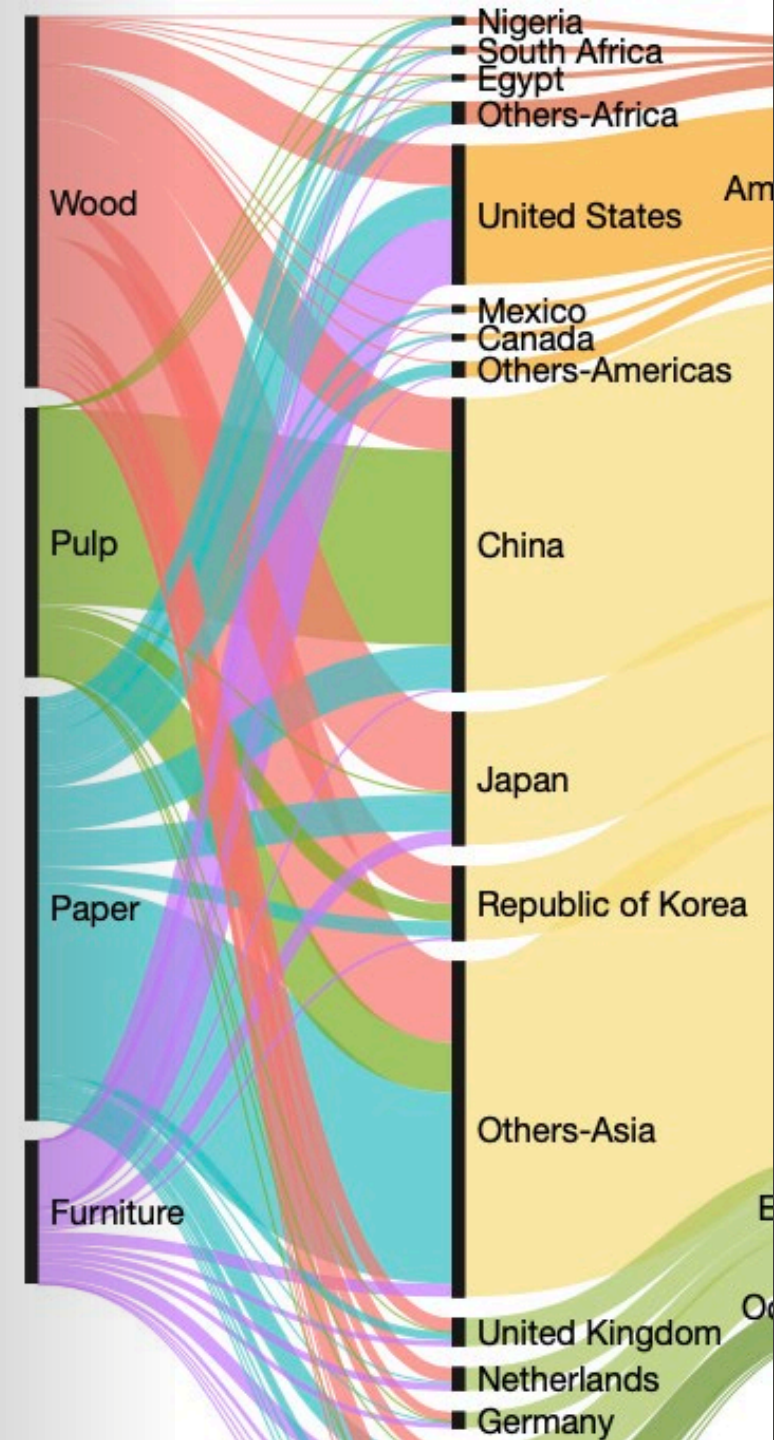


FLEGT VPA Independent Market Monitoring (IMM)

Rupert Oliver, IMM Trade Analyst

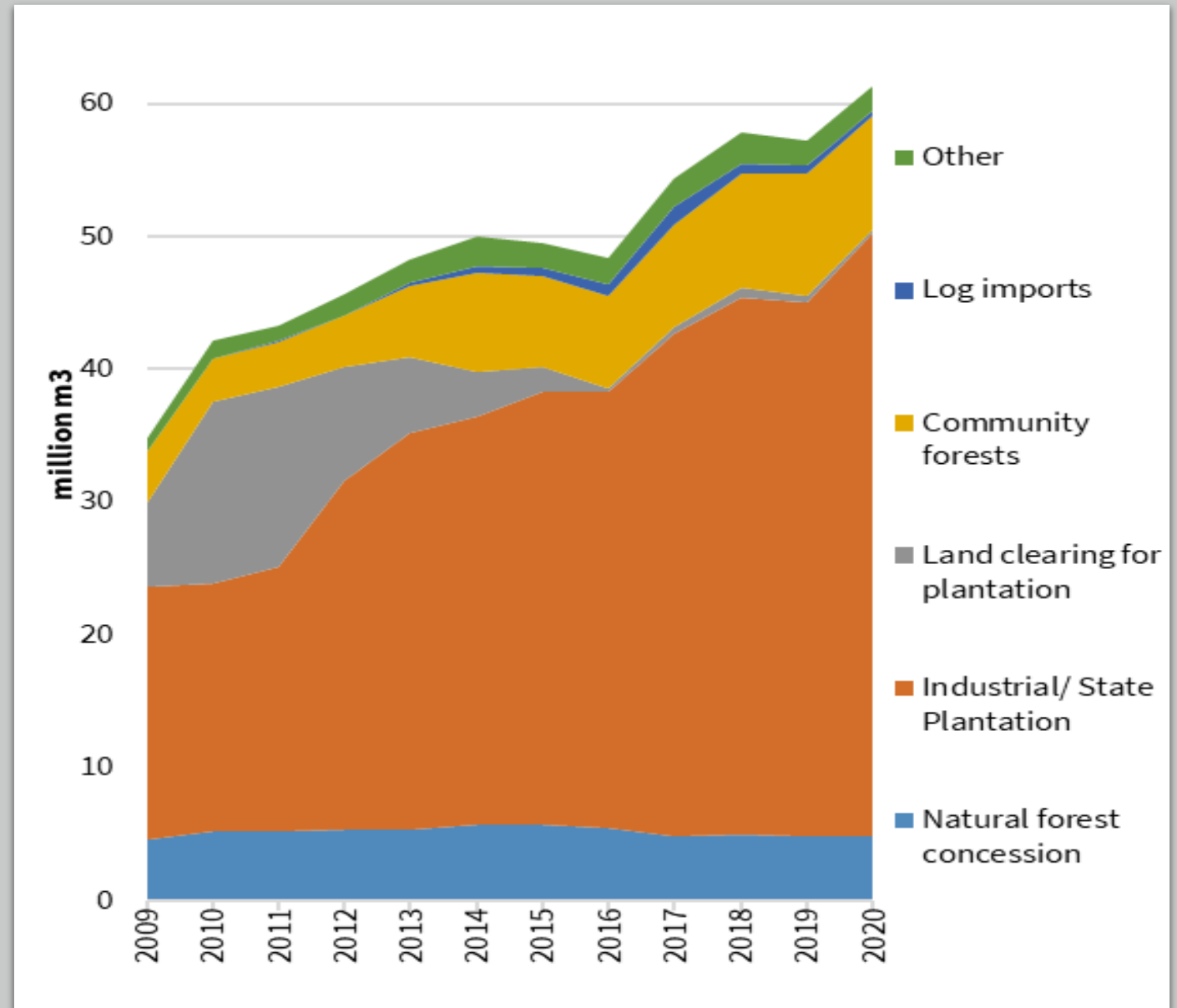


FLEGT licensed & VPA partner timber products trade trends

- Indonesia timber products exports & trade with EUTR countries
- FLEGT VPA partners in global trade
- Comment on policy implications

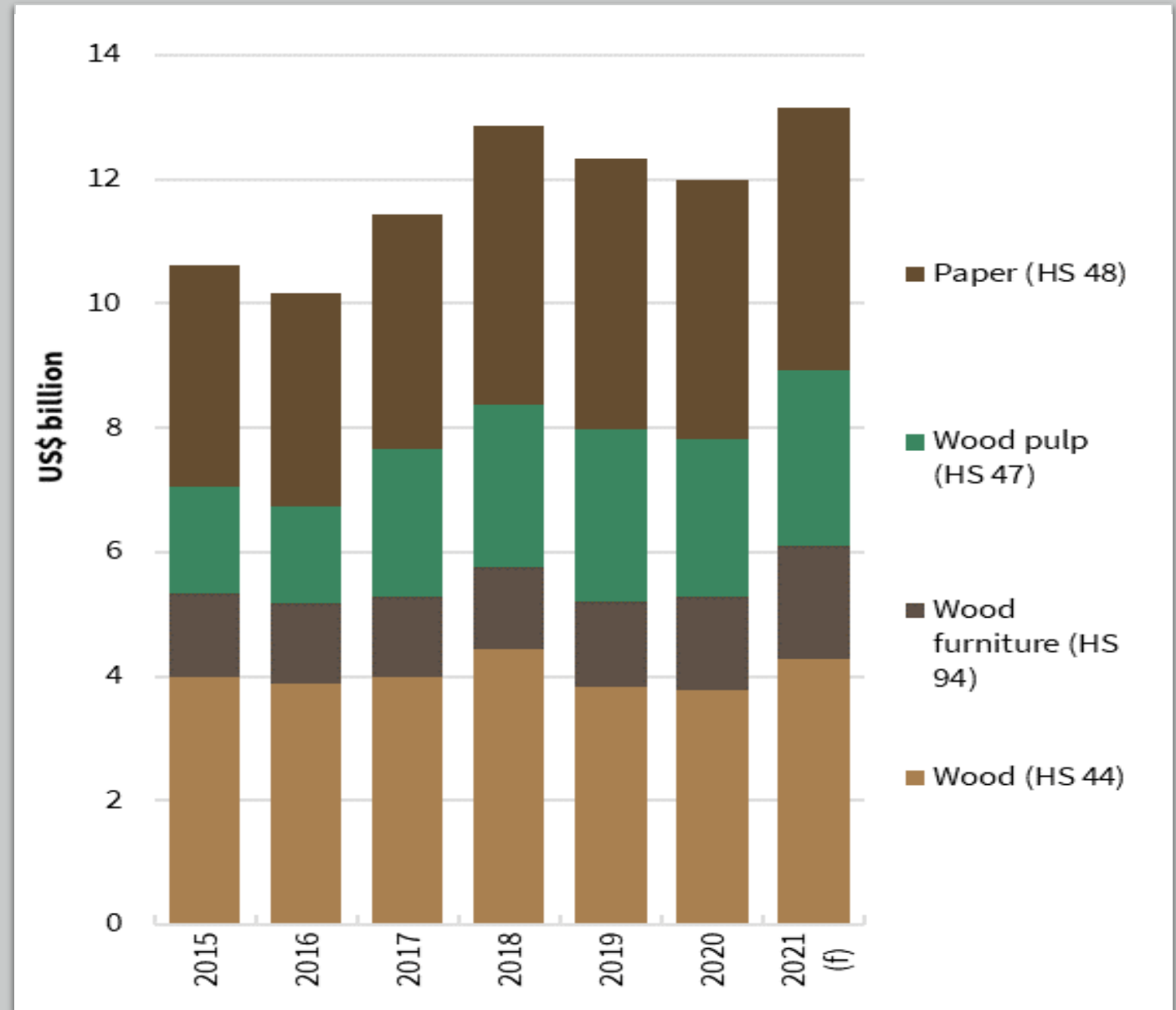
Indonesia log supply

- 61.3 million m³ in 2020, +7% due to rise in plantation production destined for P&P
- Big shift in sources of supply in the last decade with major implications for product mix & target markets
- Share 2020 (2010):
 - 74% (44%) industrial plantations
 - 14% (8%) community forests
 - 8% (13%) forest concessions
 - 1% (0%) log imports
 - 1% (32%) land clearance
 - 3% (3%) other domestic sources



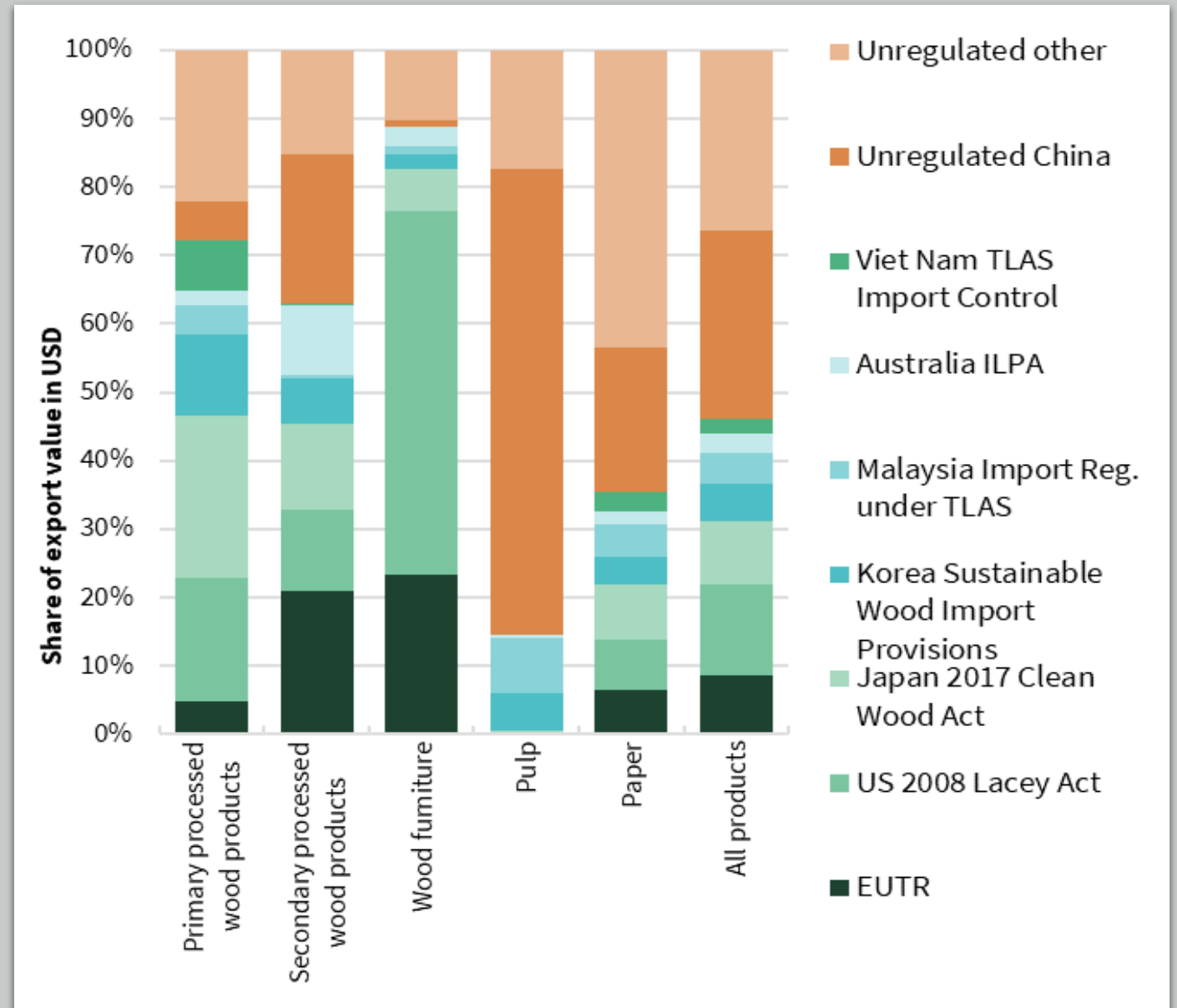
Indonesia timber product exports

- Resilient despite pandemic
- HS44 wood and wood furniture particularly robust
- 2020:
 - Total -3% to USD12 billion
 - Pulp (-9%), paper (-4%), wood (-1%), wood furniture (+10%)
- 2021 forecast:
 - Total +10% to USD13.2 billion
 - Pulp (+12%), paper (+1%), wood (+13%), wood furniture (+21%)



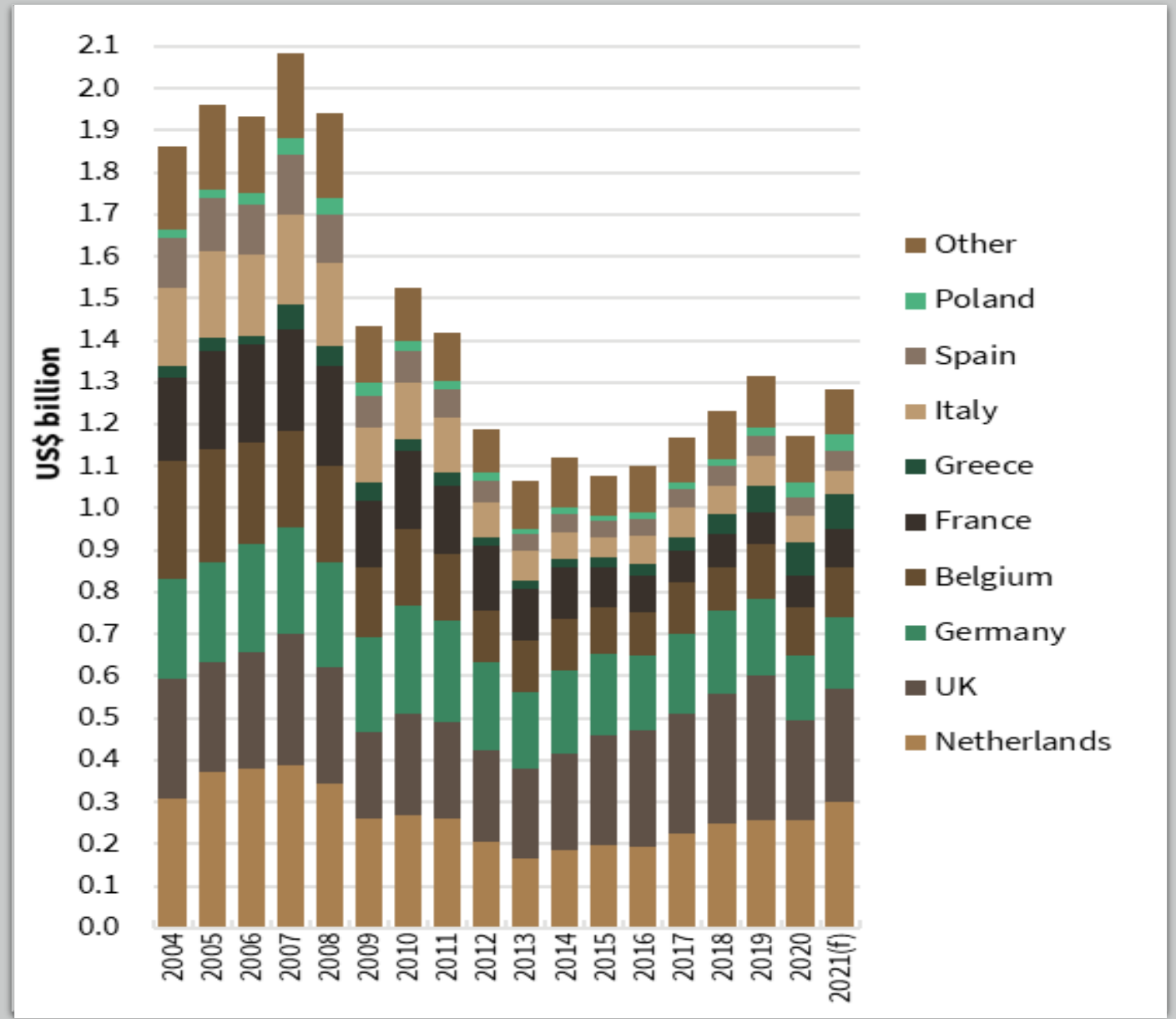
Indonesia timber exports

- In 2020, EUTR countries <10% of total timber products exports by value
- EUTR countries share of exports: ~20% SPWPs & furniture, 4% PPWPs, 6% paper, 0% pulp
- 46% total exports destined for “regulated” markets
- China by far largest “unregulated” destination



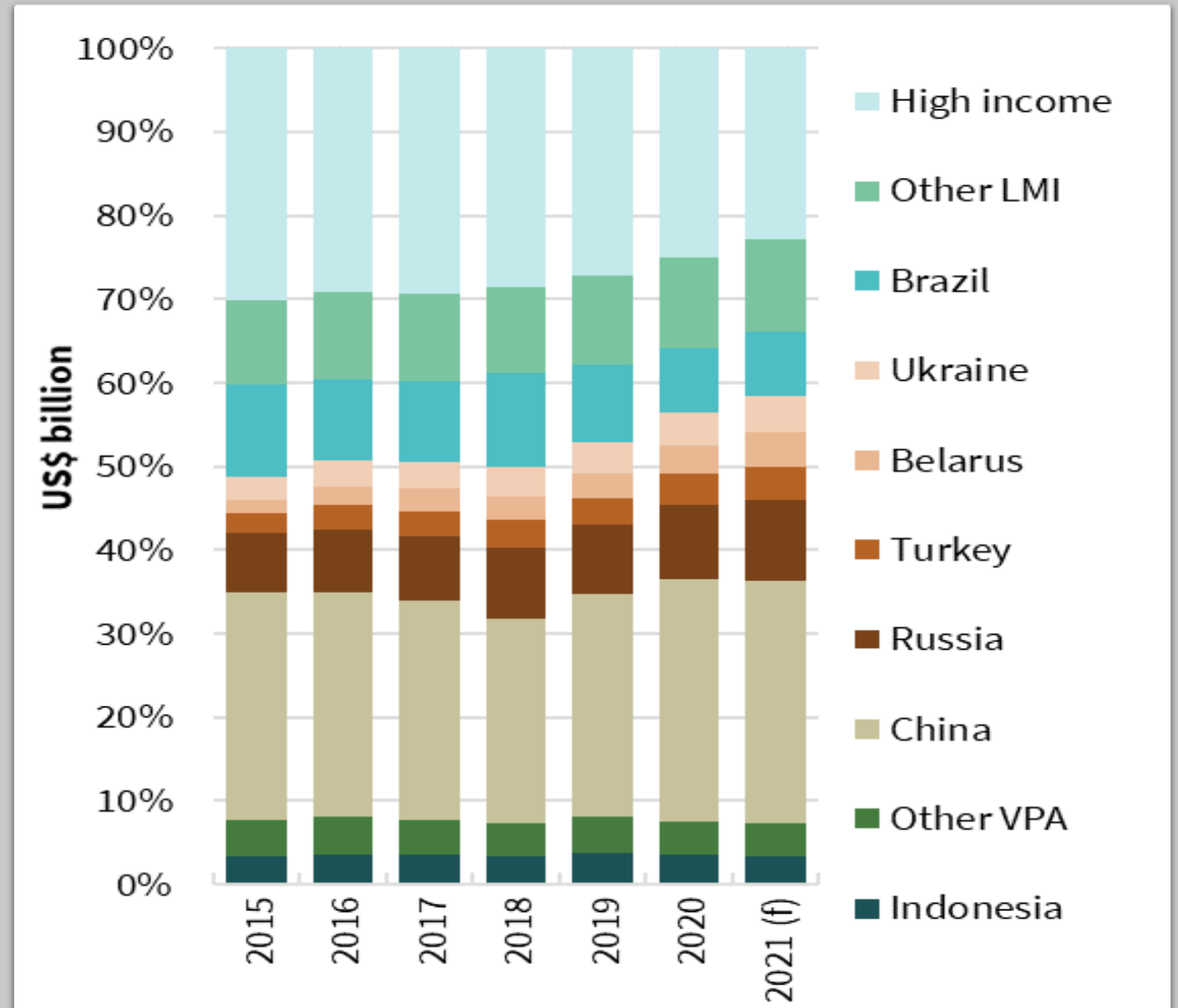
EUTR-country timber product imports from Indonesia 2004-2020, 2021 (f)

- Just before FLEGT licensing began in 2015, imports from Indonesia at historic low
- Numerous factors constraining growth in trade with Indonesia at that time: currency, weak construction activity, competition from European & CIS suppliers, substitution, fashion, strong demand for Indonesian products elsewhere, logistics...
- Many constraining factors still exist & are unaffected by licensing
- But encouraging rise in trade between 2017 and 2019, particularly in the Netherlands and UK
- Pandemic led to 11% downturn in EUTR country import value to USD1.17 billion in 2020
- Forecast 10% rebound to USD1.28 billion in 2021



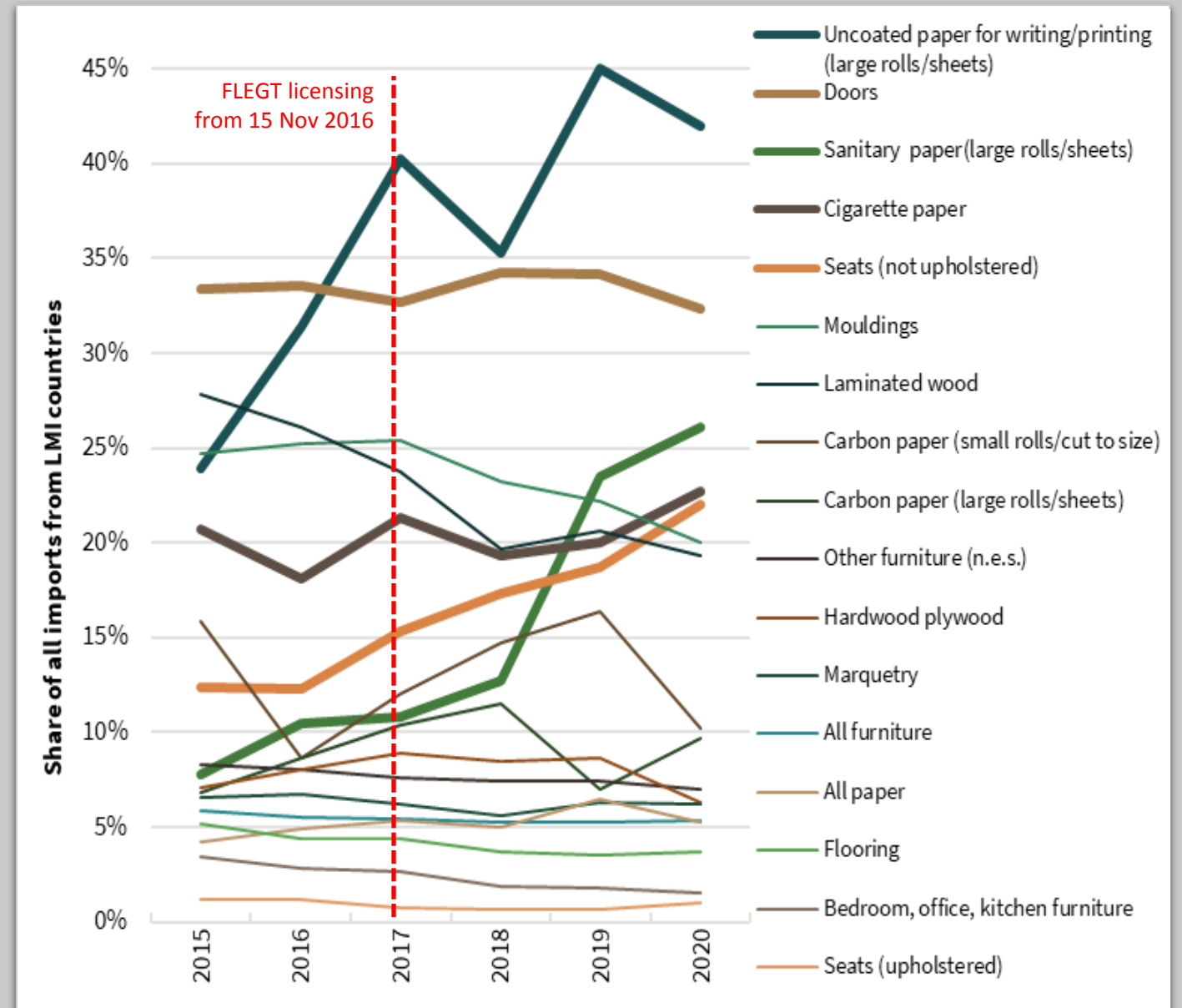
Share of total EUTR-country timber product imports

- Indonesia's overall share little changed in recent years
- Growth in imports from Indonesia coincided with even bigger increase from other countries
- Notably Russia, Turkey, Belarus, Ukraine
- China lost share in 2016-2017 and regained share 2018-2020



Indonesia share of EUTR-country import from LMI countries by product type

- No strong signal of significant market benefit due to FLEGT licensing
- Noticeable gains in share in only a few niche markets
- Certain paper types, particularly in UK & Greece
- Doors in the UK
- Non-upholstered (garden) wood seating destined for Germany, UK and Belgium



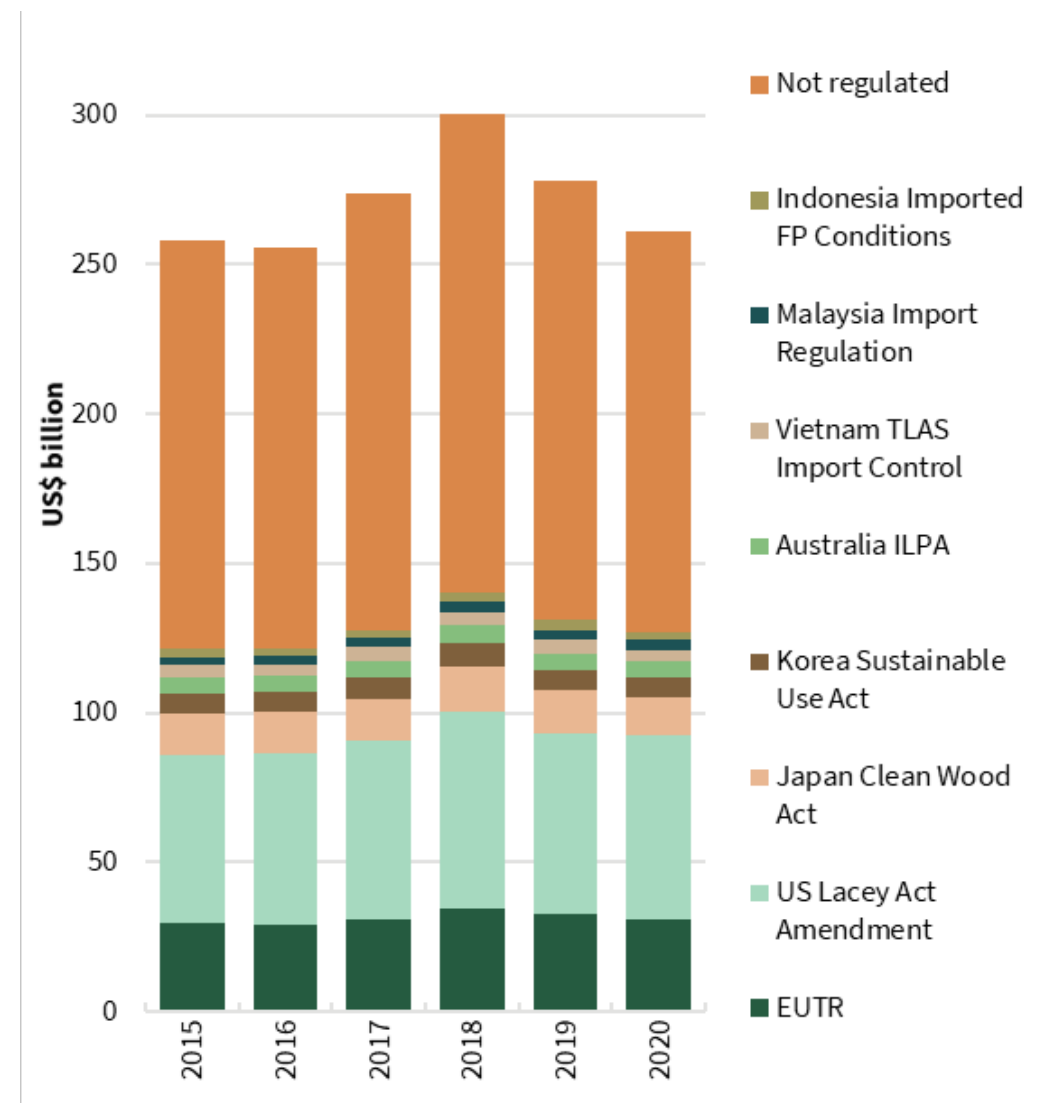
Global timber products trade by FLEGT VPA status & income group 2015-2020

- In 2020, VPA partners accounted for:
 - 11% of total value of global timber products trade
 - one fifth of timber products export value from all Lower and Middle Income (LMI) countries
- Share rising due to increasing exports from Vietnam to the US at the expense of China



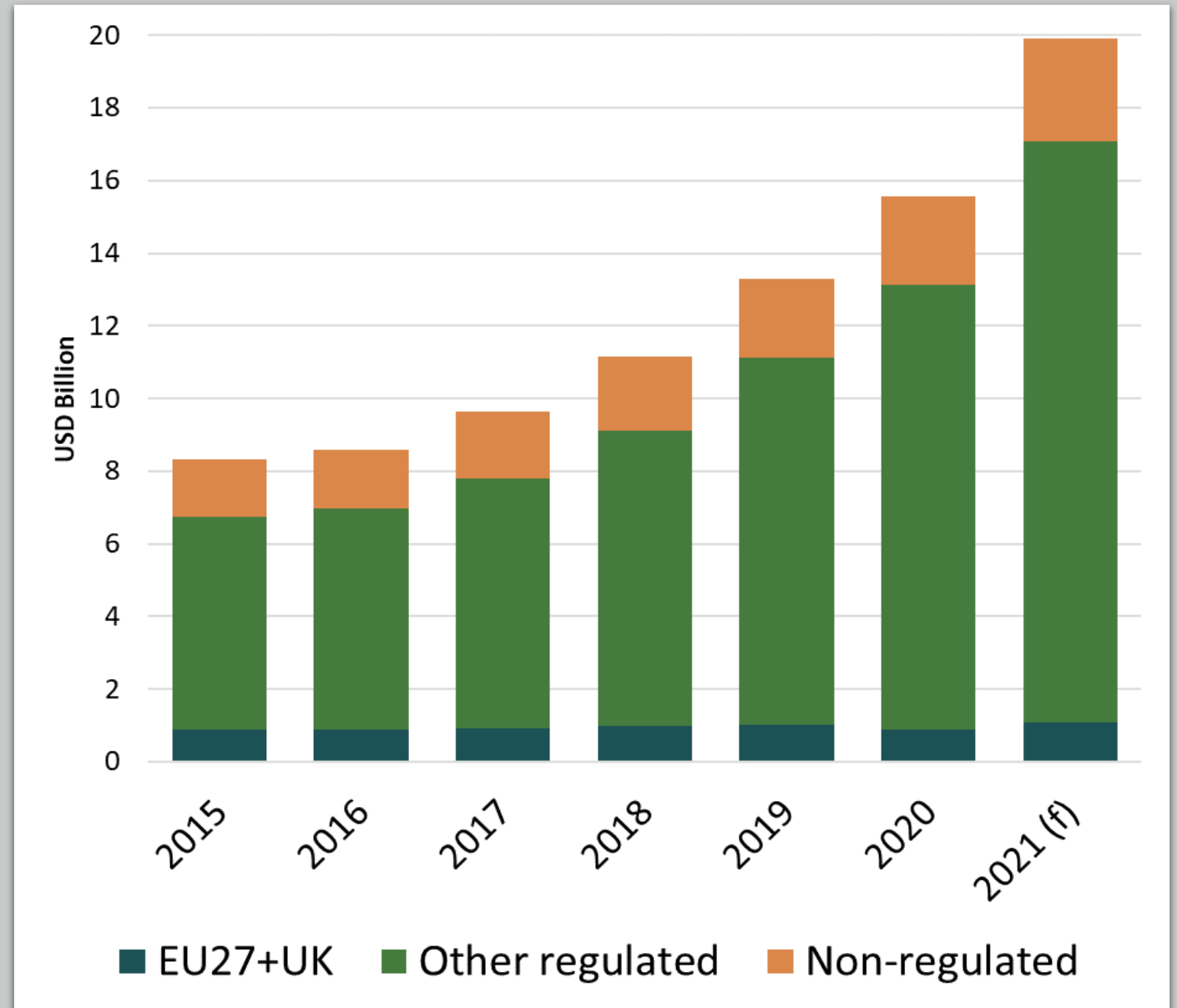
Global timber products trade by regulatory status of importing country 2015-2020

- In 2020, EUTR-countries accounted for 12% of global imports (excludes internal EU trade)
- All regulating countries together accounted for 49% of global timber product imports
- China accounted for around 1/3rd of non-regulated imports



Timber products exports* from Vietnam by regulatory status of importing country

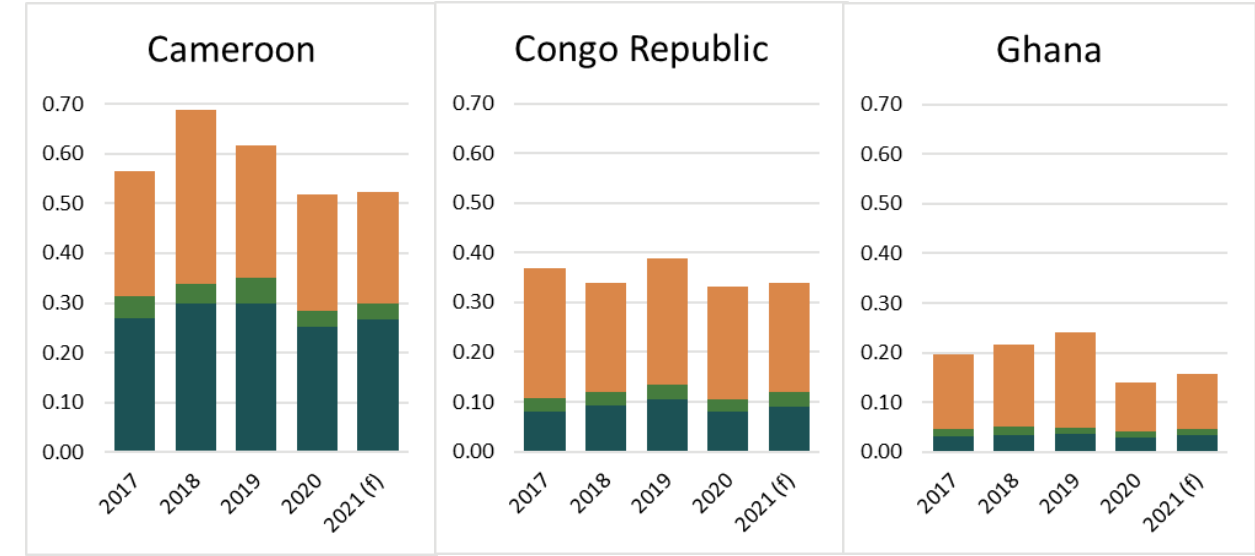
- Exports to US > USD 1 billion per month in H1 2021
- Vietnam overtakes China as US largest supplier of interior furniture
- Rising demand for raw material this year:
 - Jan-Jul - domestic plantation supply +6% to 9.5 million m3
 - Jan-Aug - imports +27% to 4.73 million m3, rising logs & sawn from EU & N. America, panels from Thailand, sawn from Cambodia & Laos. Declining from Africa.
- Sept 2020: Government Decree No. 102 to implement Timber Legality Assurance System (VNTLAS Decree)
- US agreement with Vietnam Oct 2021:
 - Section 301 (US Trade Act) Investigation
 - Improve TLAS; keep confiscated timber out of supply chain; verify legality of all domestically harvested timber; work with high-risk source countries on FLEG etc..
 - Subject to USTR oversight
 - [https://ustr.gov/sites/default/files/files/Vietnam%20Timber/VN%20Timber%20Agreement%20Text%20\(9-30-21\).pdf](https://ustr.gov/sites/default/files/files/Vietnam%20Timber/VN%20Timber%20Agreement%20Text%20(9-30-21).pdf)



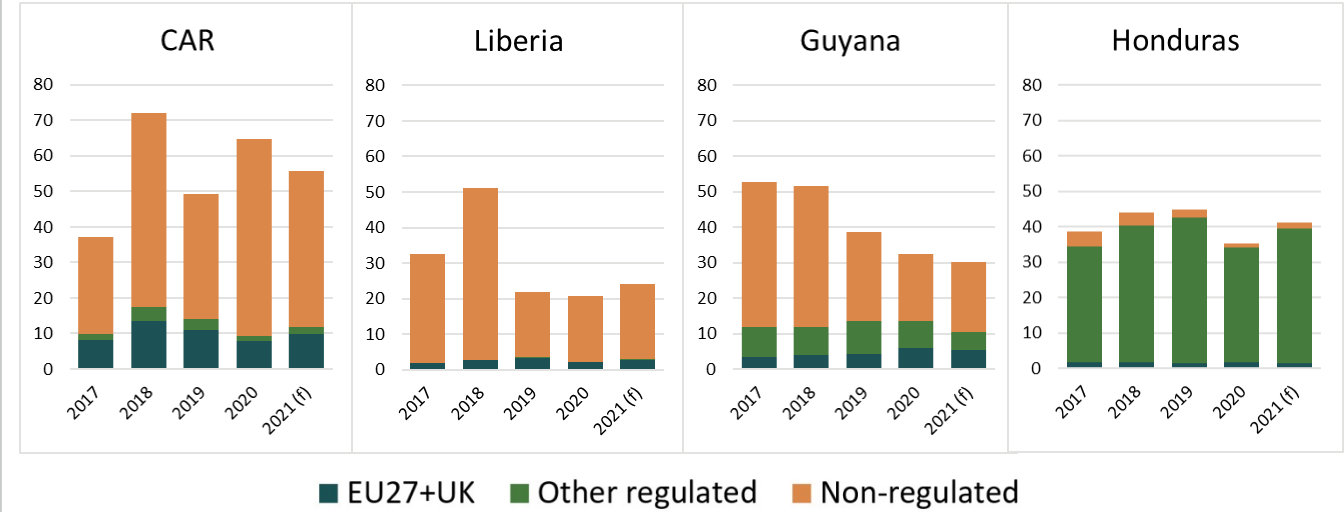
African & Latin American VPA partner timber products exports*

- Exports from all African and Latin American VPA partners low & often declining before pandemic
- Disproportionately impacted by pandemic
- Challenges of moving staff & materials, maintaining equipment, lack of containers & other freight problems
- Challenges likely to persist in LMI countries with low level of access to economic support measures, vaccines and other health services
- **Significant steps towards TLAS implementation in Ghana & Congo**

Timber product exports in US\$ billion



Timber product exports in US\$ million



Source: IMM analysis of www.stix.global data & www.immstats.org
 * Compiled from import data of trading partners

Conclusions

- FLEGT process has achieved considerable reach and influence in global forest products trade and this needs to be built on
- Alongside Indonesia, the role of Vietnam as a globally significant processing hub, and of Cameroon in the context of African trade, should be highlighted
- For market development, FLEGT licensing is a slow burn and not a silver bullet
- Efforts to further develop TLAS must be responsive to significant competitiveness challenges of timber industries in VPA partner countries
- VPA Partner progress needs to be rewarded with concerted efforts to promote a favourable market position for licensed timber
 - Efficient and effective enforcement of EUTR, UKTR and similar legislation
 - Positive communication of the contribution to sustainable forest management in VPA partner countries

Thank you

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Independent Market Monitoring of FLEGT-Licensed Timber

