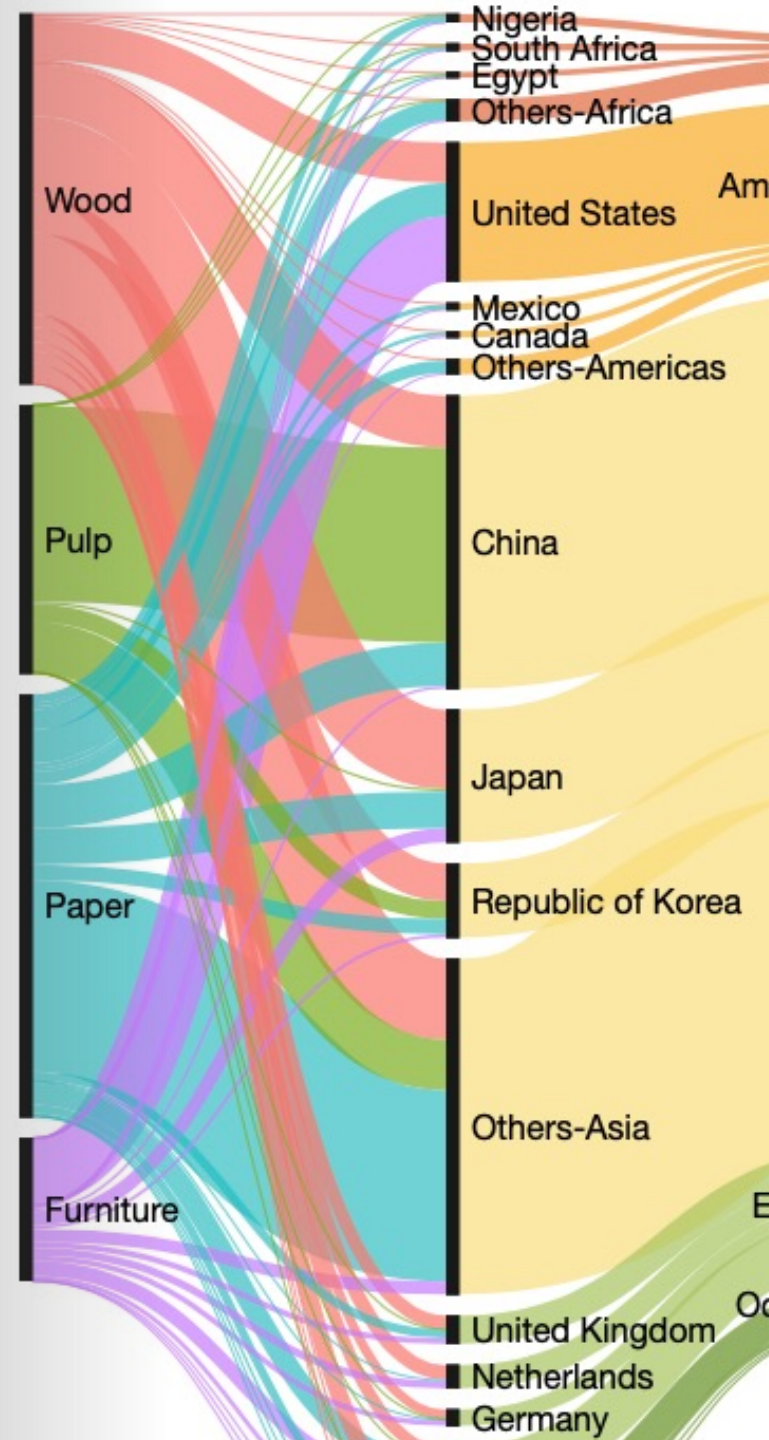
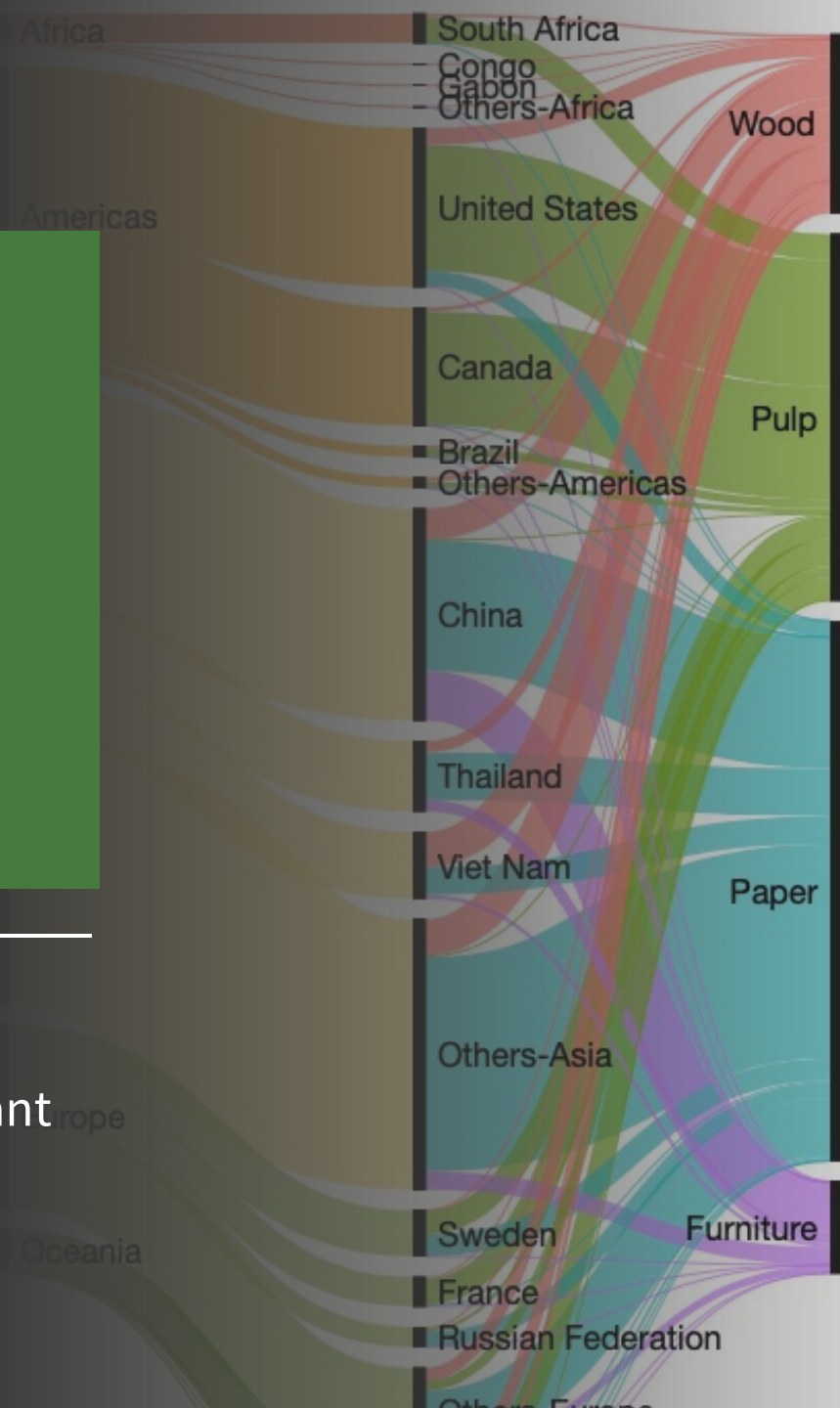


FLEGT VPA Independent Market Monitoring (IMM)

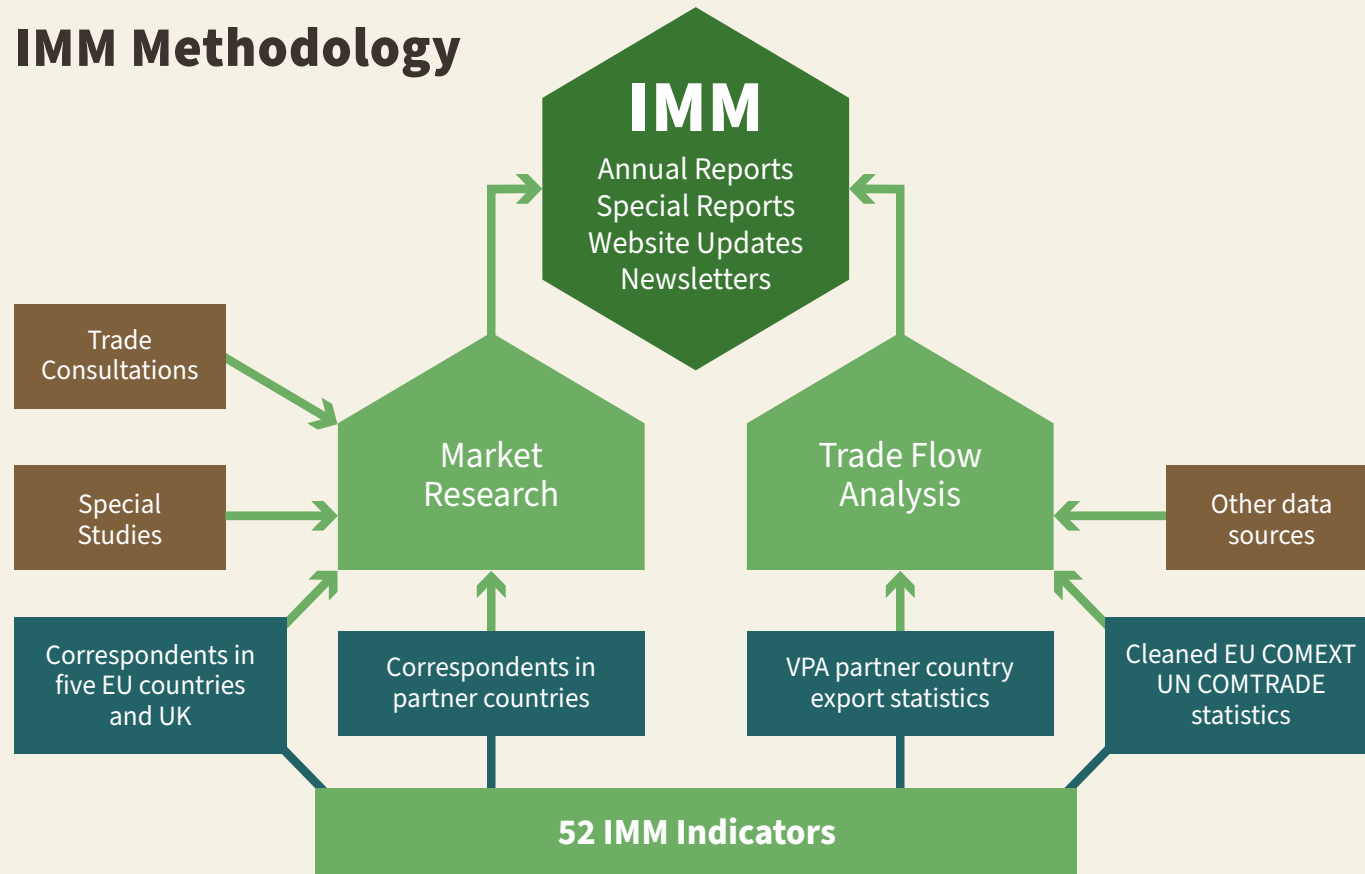
ITTC 2022

Sarah Storck, IMM Lead Consultant



IMM mandate and methodology

IMM Methodology



Embedded in the EU-IND VPA:

Article 15 b:

“the Union, in consultation with Indonesia, shall engage the services of an Independent Market Monitor to implement the tasks as set out in Annex VII.”

Annex VII

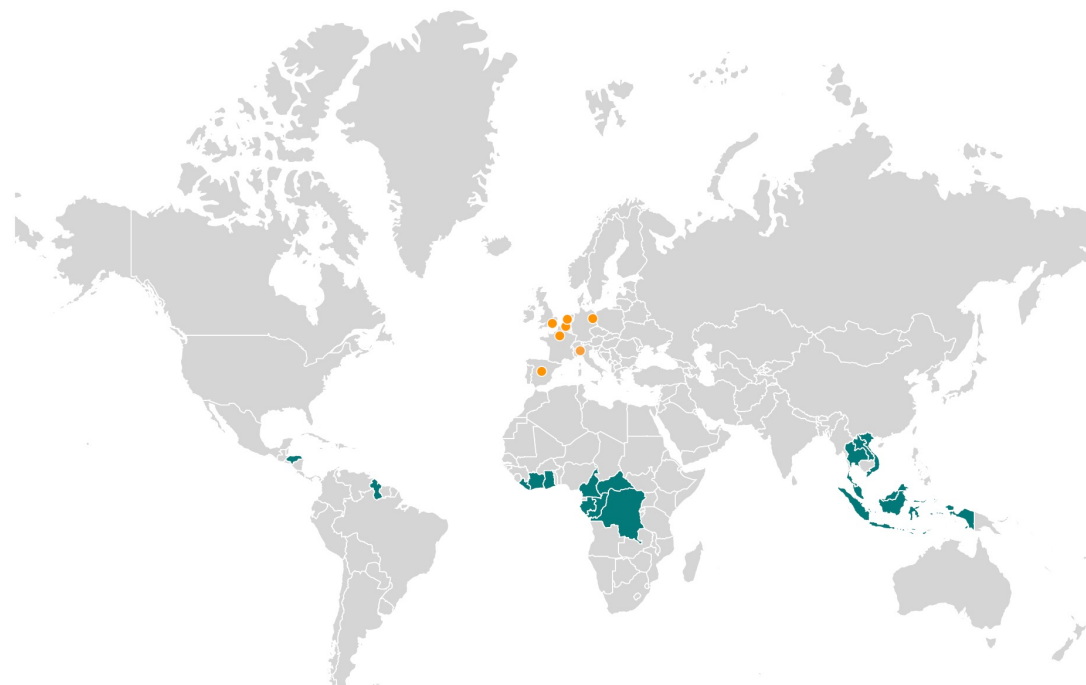
2. Scope:

“IMM shall cover:

- The release for free circulation of Indonesian FLEGT-licensed timber at points of entry in the Union;*
- The performance of Indonesian FLEGT-licensed timber in the Union market and the impact of market-related measures taken in the Union on the demand for Indonesian FLEGT-licensed timber;*
- The performance of non-FLEGT-licensed timber in the Union market and the impact of market-related measures taken in the Union on the demand for non-FLEGT-licensed timber;*
- Examination of the impact of other market-related measures taken in the Union such as public procurement policies, green building codes and private sector action such as trade codes of practice and corporate social responsibility.”*

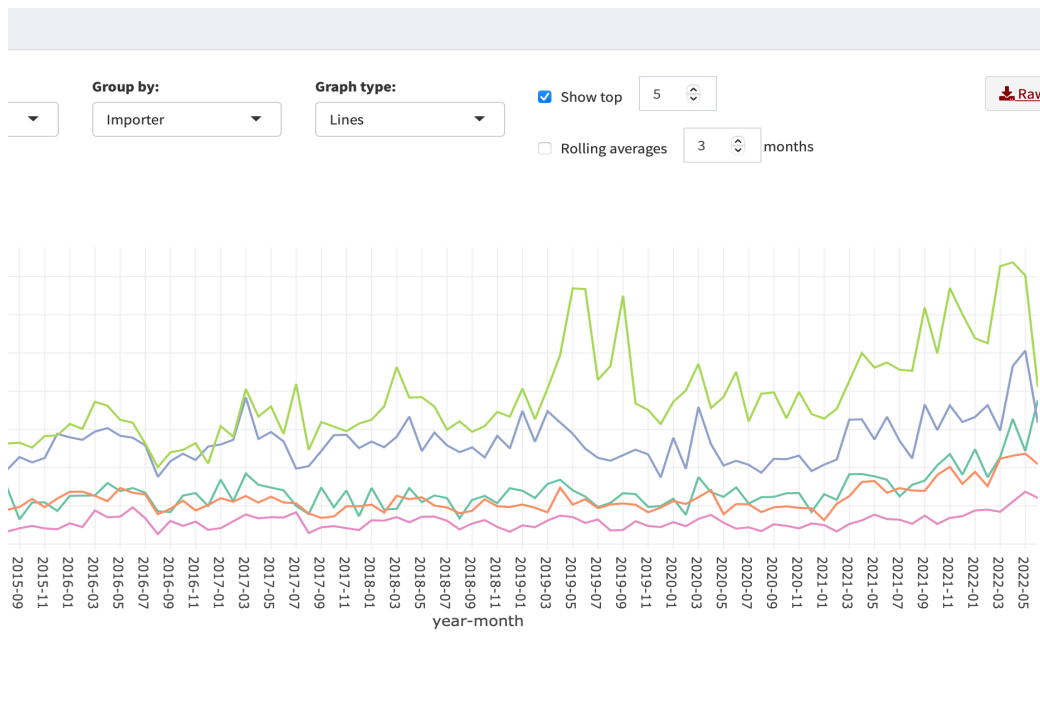


IMM Market Research 2017-2022



- **Around 800 interviews with timber importers & traders** as a part of annual standardised surveys in key EU countries + UK between 2017-2022.
- **Interviews with 80+ furniture importers and traders** for the 2018 and 2020 furniture special studies.
- **Interviews with architects** for the 2020 special study on architects' perceptions of FLEGT and use of tropical timber
- **Interviews with finance and investment specialist** for the special studies on FLEGT impact on forest sector investment in 2019 and 2020.
- **Annual interviews with Competent Authorities, associations and Monitoring Organisations in key EU countries.**
- **Direct consultation of 200+ timber imports & traders +other stakeholders** at IMM trade consultations in 2018 /2019.
- **2022 Stakeholder consultations** in Jakarta (May), Nantes (June), Ghana (online, August), and Viet Nam (online, scheduled for 14 November).
- In VPA partner countries: **interviews with 20-40 companies/year/country + associations, CSOs, government agencies.**

IMM outputs



Explore up-to-date data on timber trade flows across the world

You can get a bird's eye view on global timber trade! Plus, customize tables and charts for your own analysis.

[EXPLORE](#)



Latest News

FLEGT awareness raising key, say Ghana consultations

Oct 24, 2022 [READ MORE](#)

Jakarta consultation highlights usefulness of IMM data

Aug 5, 2022 [READ MORE](#)

Nantes consultation backs ongoing FLEGT and tropical trade market monitoring

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Modular Reports

VPA partner timber trade and market perceptions update
October 2022

FLEGT-licensed timber trade and market perceptions update
May 2022

Annual Reports

FLEGT VPA Partners in EU Timber Trade 2020
October 2021

FLEGT VPA Partners in EU Timber Trade 2019
November 2020

FLEGT VPA Partners in EU Timber Trade 2018
November 2019

FLEGT VPA Partners in EU Timber Trade 2017
November 2018

FLEGT VPA Partners in EU Timber Trade 2014 to 2016
October 2017

Europés Changing Tropical Timber Trade 2004 to 2014
November 2015

Special Studies

Study of EU public timber procurement policies, private sector policies and related guidance
September 2021

Assessing the impacts of timber legality on the European Union's wood-furniture sector and the associated VPA partner country timber trade
December 2020

The impact of FLEGT VPAs on forest sector investment risk in Indonesia and Viet Nam
December 2020

Forest sector investments in FLEGT VPA countries
September 2019

A study of EU public timber procurement policies, related guidance and reference to FLEGT
July 2019

EU wood promotion programmes and their recognition of FLEGT
April 2019

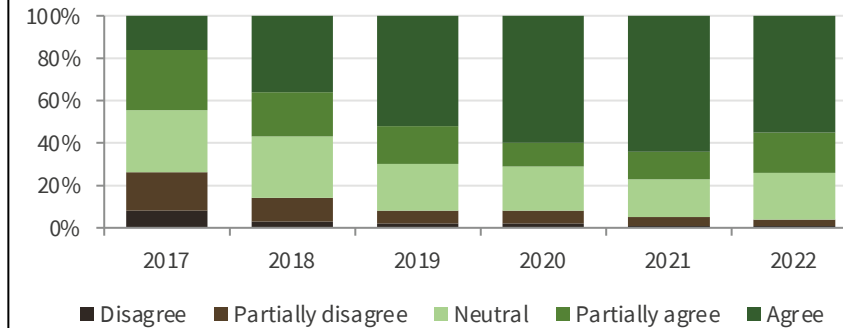
EU voluntary private sector timber procurement policies & the role of FLEGT licensing
December 2018

Scoping study for assessing the impacts of timber legality on the European Union's wood-furniture sector and the associated tropical timber trade
October 2018

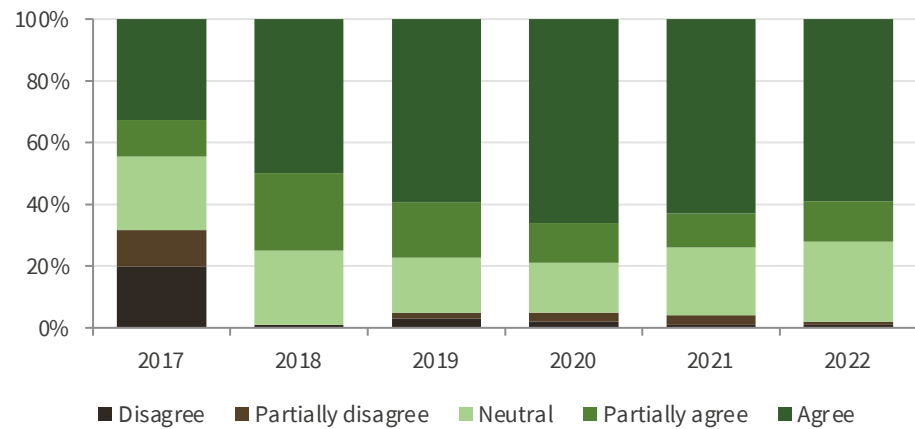
Market advantages for FLEGT-licensed timber - IMM EU trade surveys* 2017-2022

Strong evidence that FLEGT Licensing provides advantages in terms of reduced administration, bureaucracy and operators' own risk under EUTR.

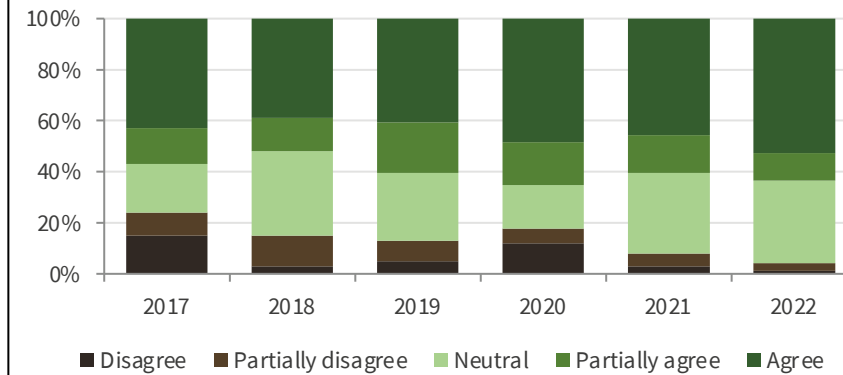
The administrative process of importing FLEGT Licensed timber is easily manageable and understandable



FLEGT Licenses are making importing from Indonesia easier



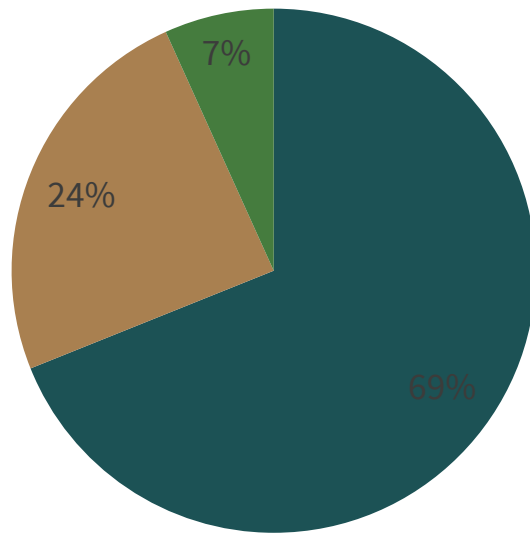
Where possible I give preference to FLEGT licensed timber over unlicensed timber



*Around 75-125 interviews per year in 5-7 countries. 2017-2019: Belgium, France, Germany, Italy, Netherlands, Spain and UK; 2019-2020: Belgium, France, Germany, Italy, Netherlands, and UK; 2021/2022 Belgium, France, Germany, Italy, Netherlands.

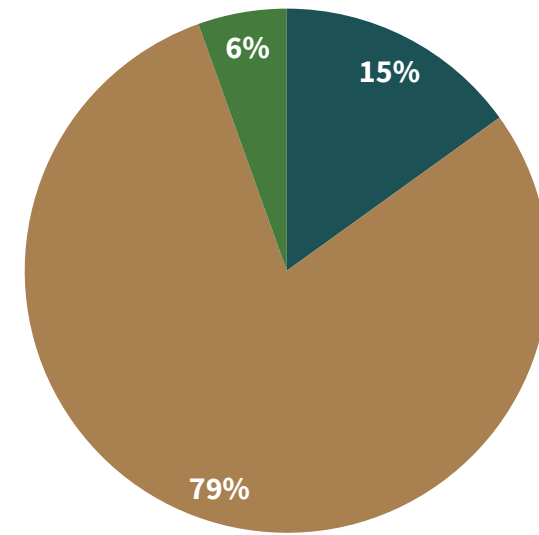
FLEGT in decision-making

Has the COVID pandemic had an impact on your supply chains and product mix?



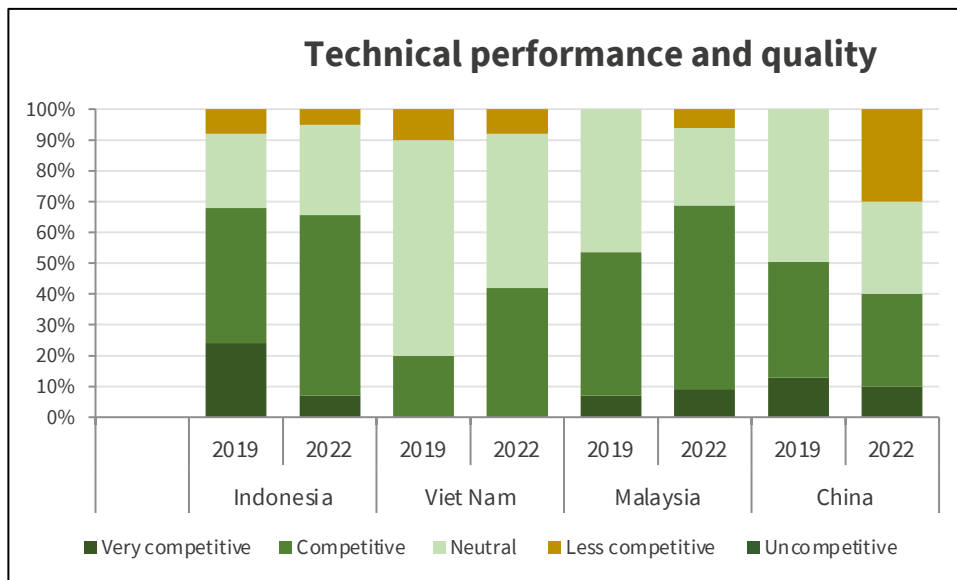
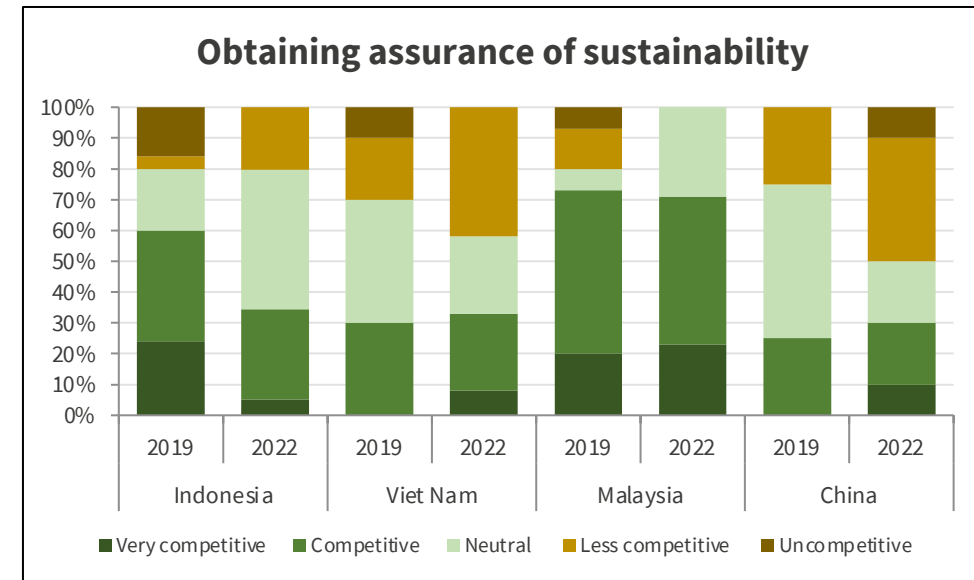
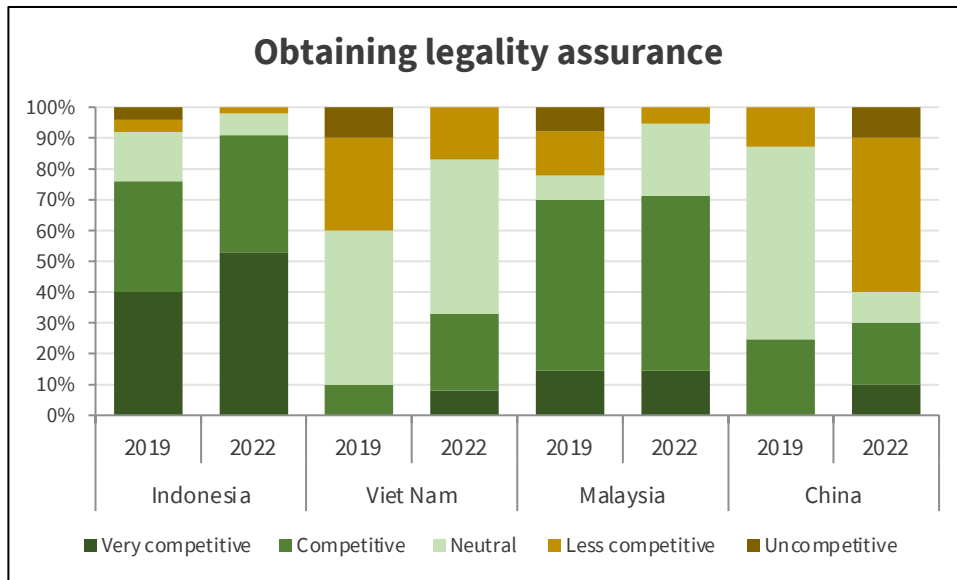
■ Yes ■ No ■ Not sure

Have your supply chains and product mix changed due to FLEGT Licensing over the last few years?



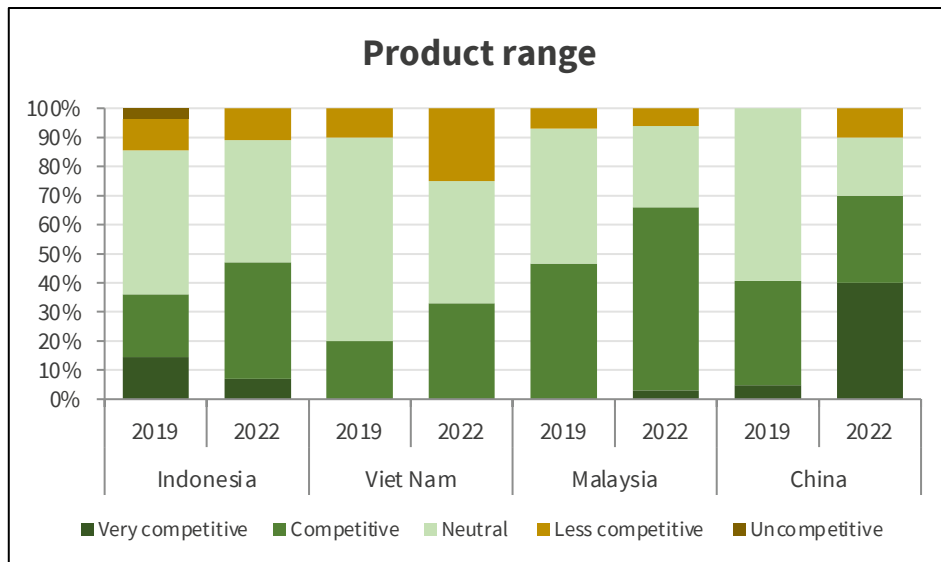
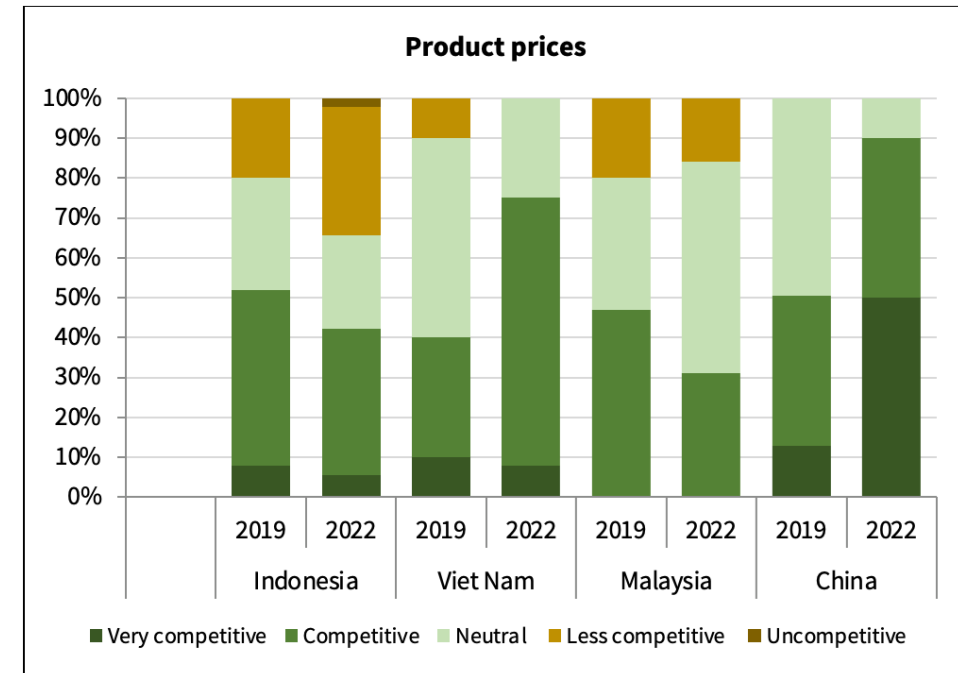
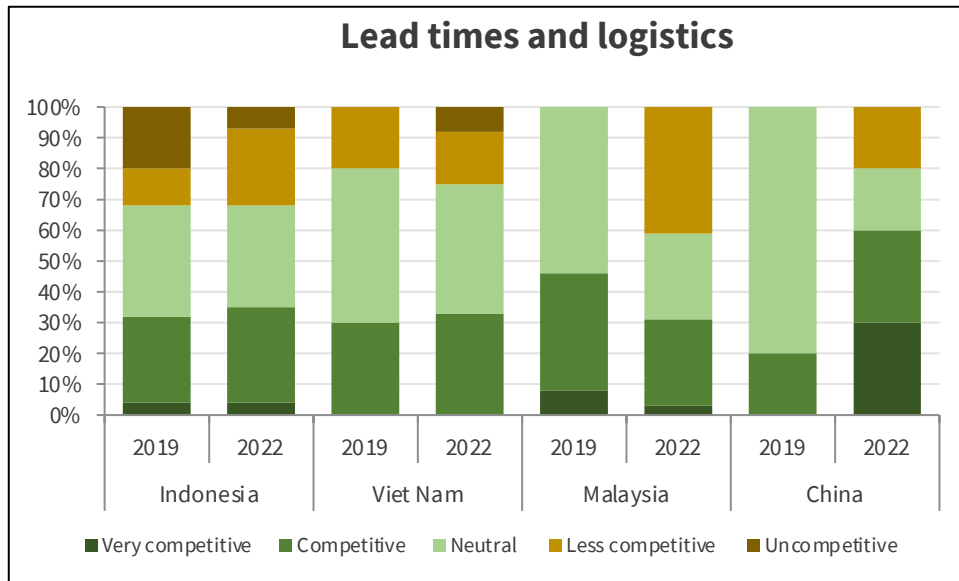
■ Yes ■ No ■ Not sure

Indonesia regional competitiveness



- Indonesia has a clear perceived regional competitive edge in providing proof of legality in 2019 and 2022.
- The quality and technical performance of Indonesian timber products is perceived highly competitive.
- Indonesia has lost some ground in competitiveness perception for providing proof of sustainability since 2019. Malaysia is now rated much higher after being only slightly ahead in 2019.

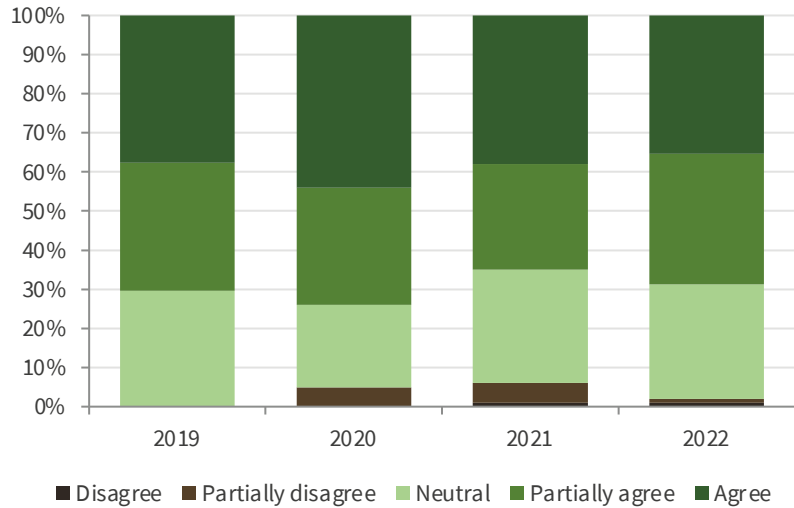
Indonesia regional competitiveness



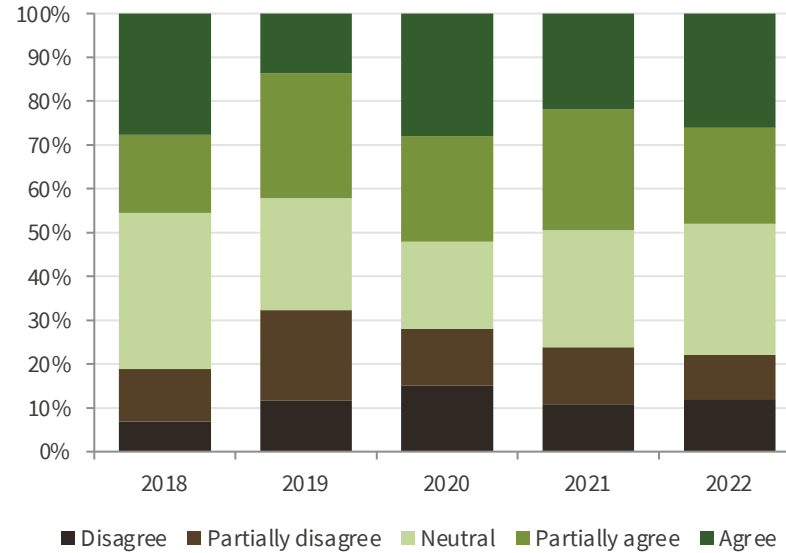
- On price, product range and logistics, China has a strong perceived competitive lead that has grown from 2019-2022;
- Viet Nam is also perceived very competitive on price and Malaysia on product range;
- Indonesia's perceived competitiveness in product range and logistics has improved since 2019, while competitiveness in terms of price has deteriorated.

Perceived wider benefits of FLEGT

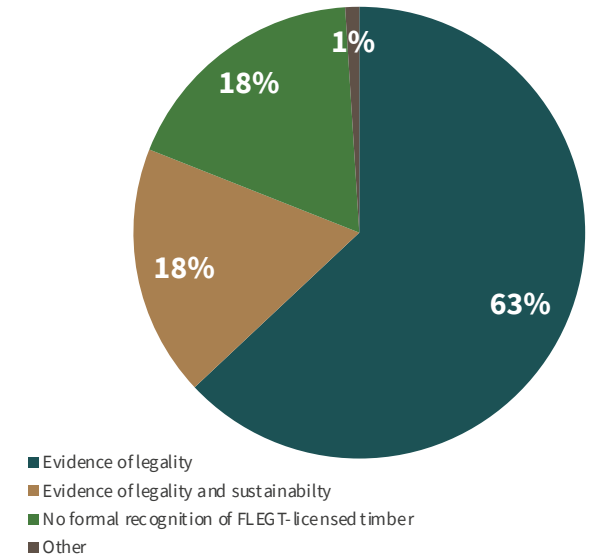
Implementation of a FLEGT VPA can trigger far-reaching positive changes and improvements in VPA partner countries



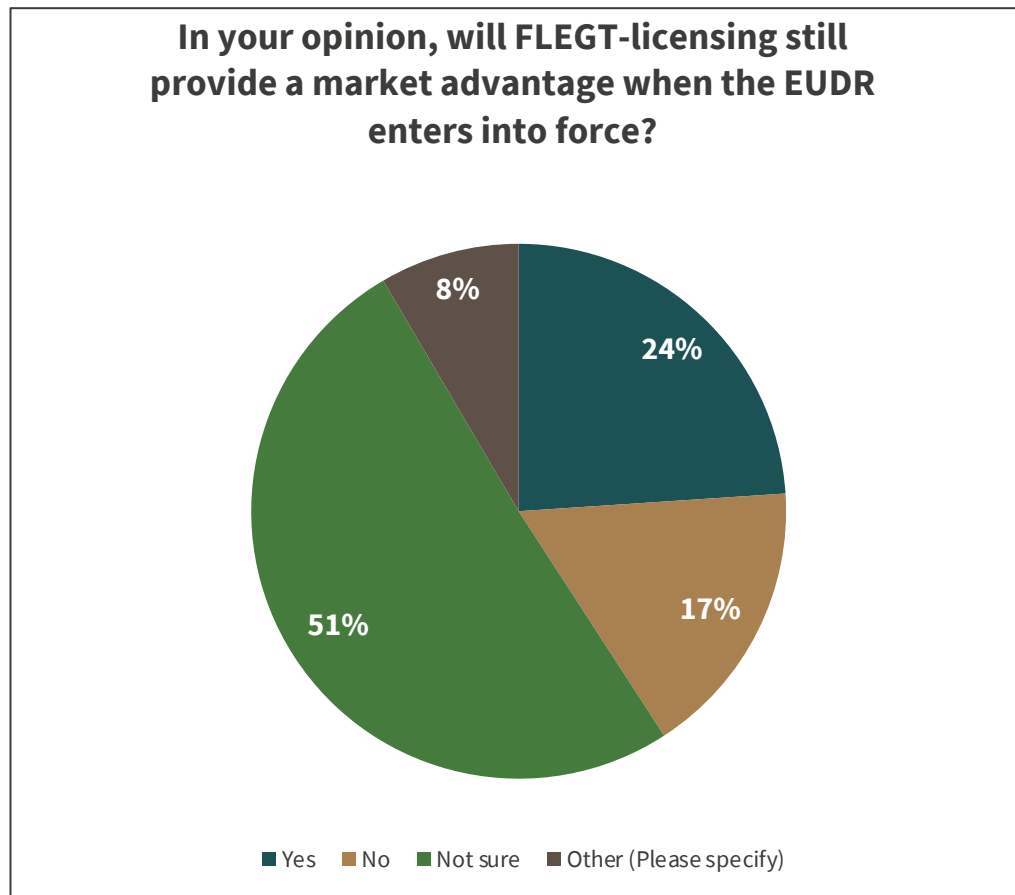
FLEGT only means legality and has nothing to offer in terms of sustainability



How is FLEGT-licensed timber recognised in your company's procurement policy?



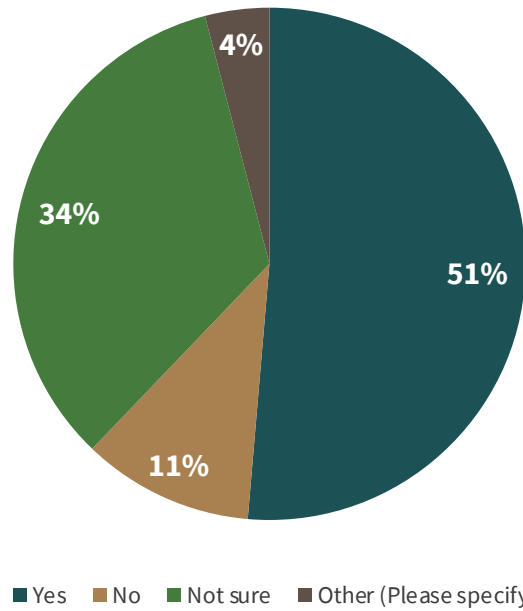
Expected EUDR impacts on FLEGT market advantages



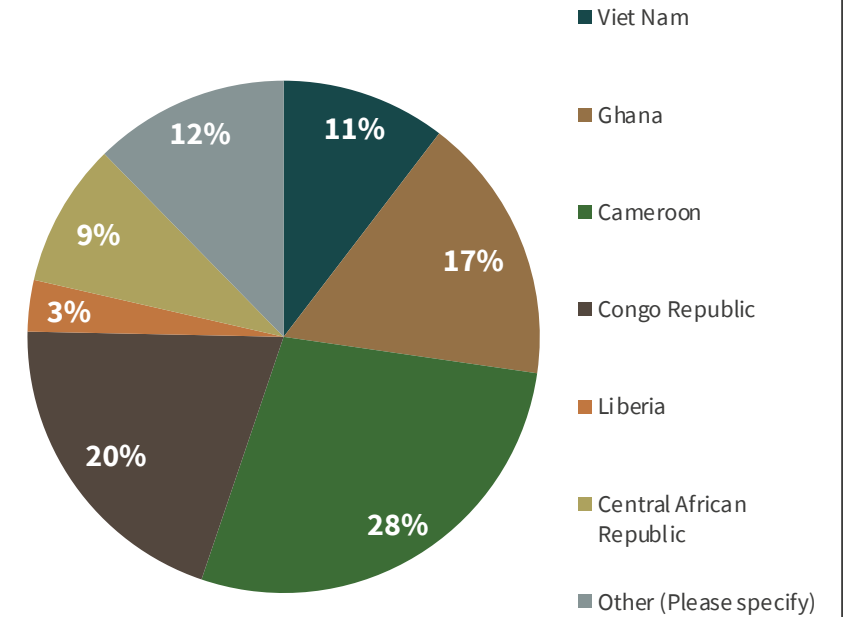
- Awareness of details of draft EUDR was relatively low at time of survey;
- Many of “not sure”/“other” respondents believe that a future market advantage would depend on continuation of the “green lane” status;
- Some (especially companies importing from Africa) say that fulfilling the legality requirements alone would also be useful, even if further due diligence is necessary to demonstrate deforestation free.

FLEGT VPAs under EUDR

If the EUDR enters into force, would you still find it useful if more countries started issuing FLEGT Licenses?



In which countries would you find FLEGT Licensing most useful?



FLEGT VPA Independent Market Monitoring (IMM)

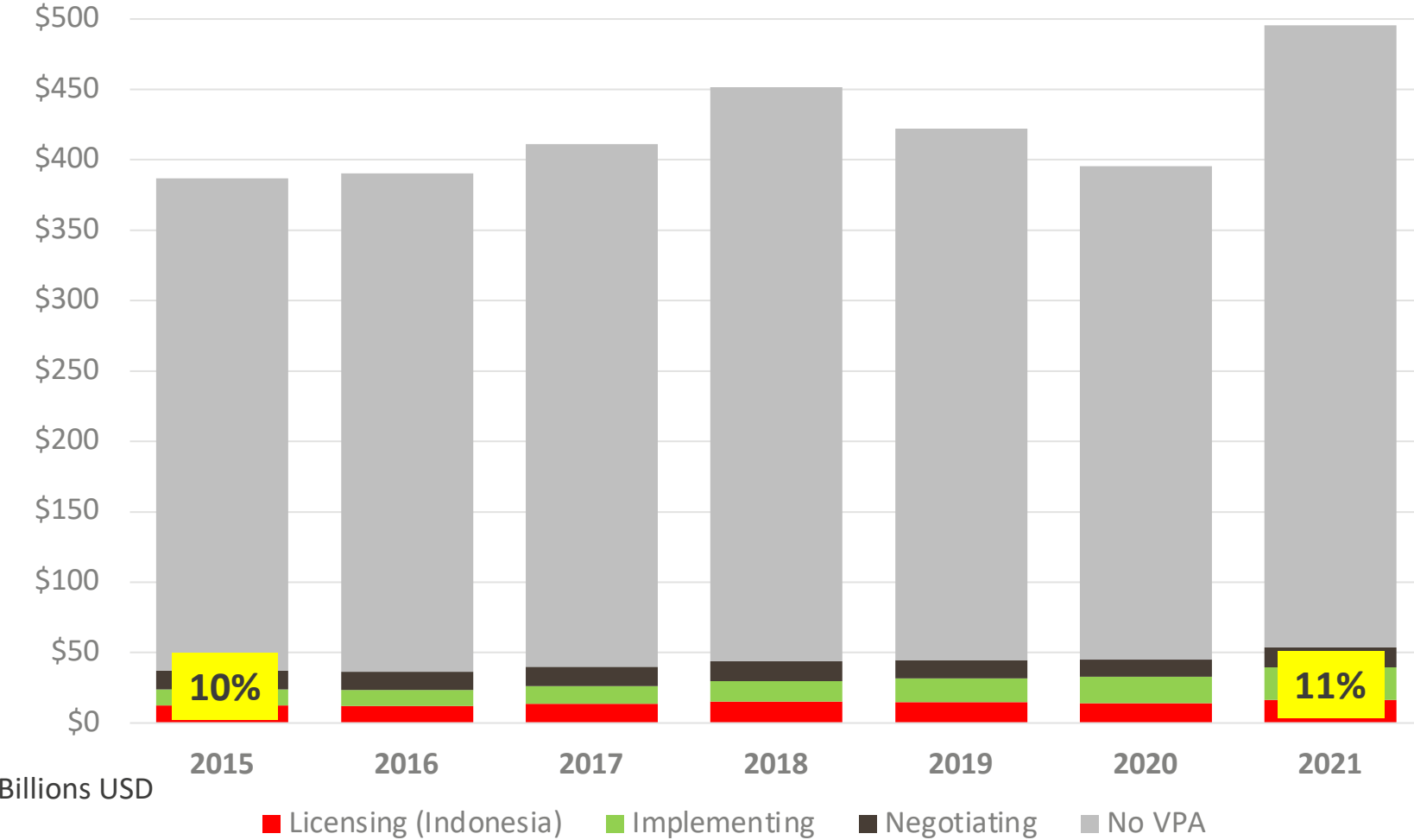
FLEGT trade flows 2021

ITTC58 November 2022

George White, IMM Market Analyst



EU-FLEGT Partners in global export trade for all wood based products 2015-2021



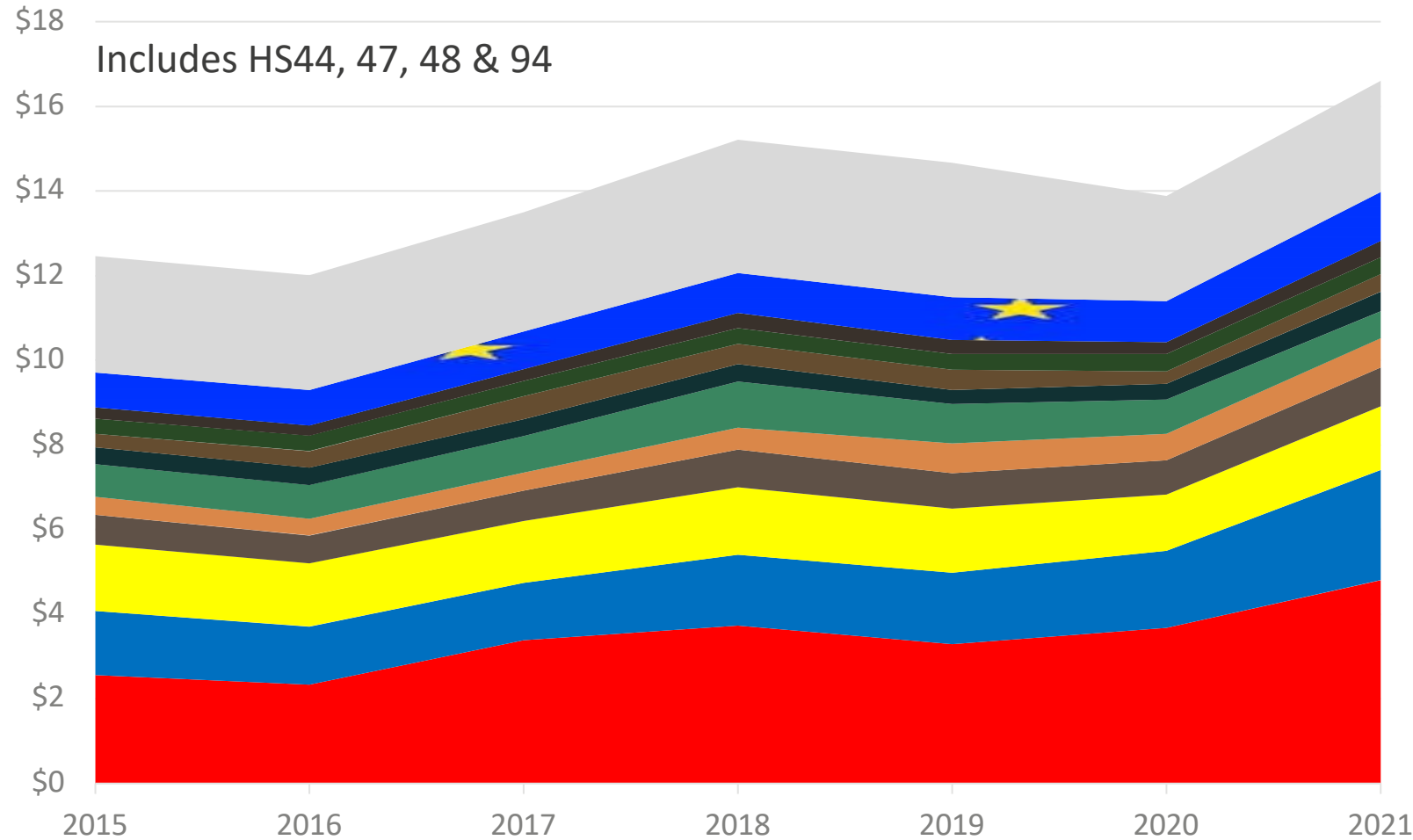
Global export trade value grew from \$387 billion in 2015 to \$496 billion in 2021 – 26% growth in value

VPA partner country export value grew from \$37 billion in 2015 to \$54 billion in 2021

VPA partner country share of the global export market grew from 10% to 11% in the same period

Includes HS44, 47, 48 & 49

EU-FLEGT Licensed material in global export trade for all wood based products 2015-2021

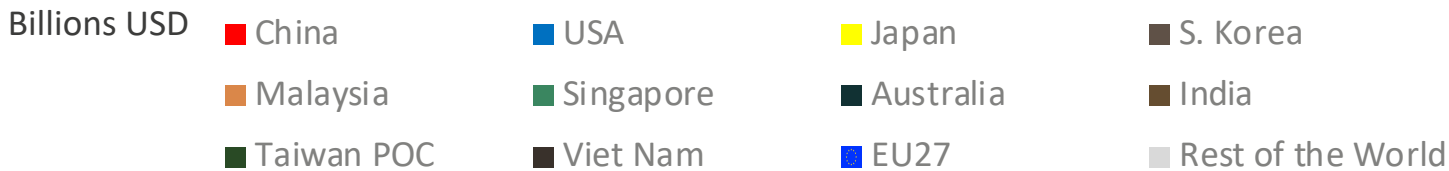


The largest markets for FLEGT Licensed material (i.e. **Indonesia**)

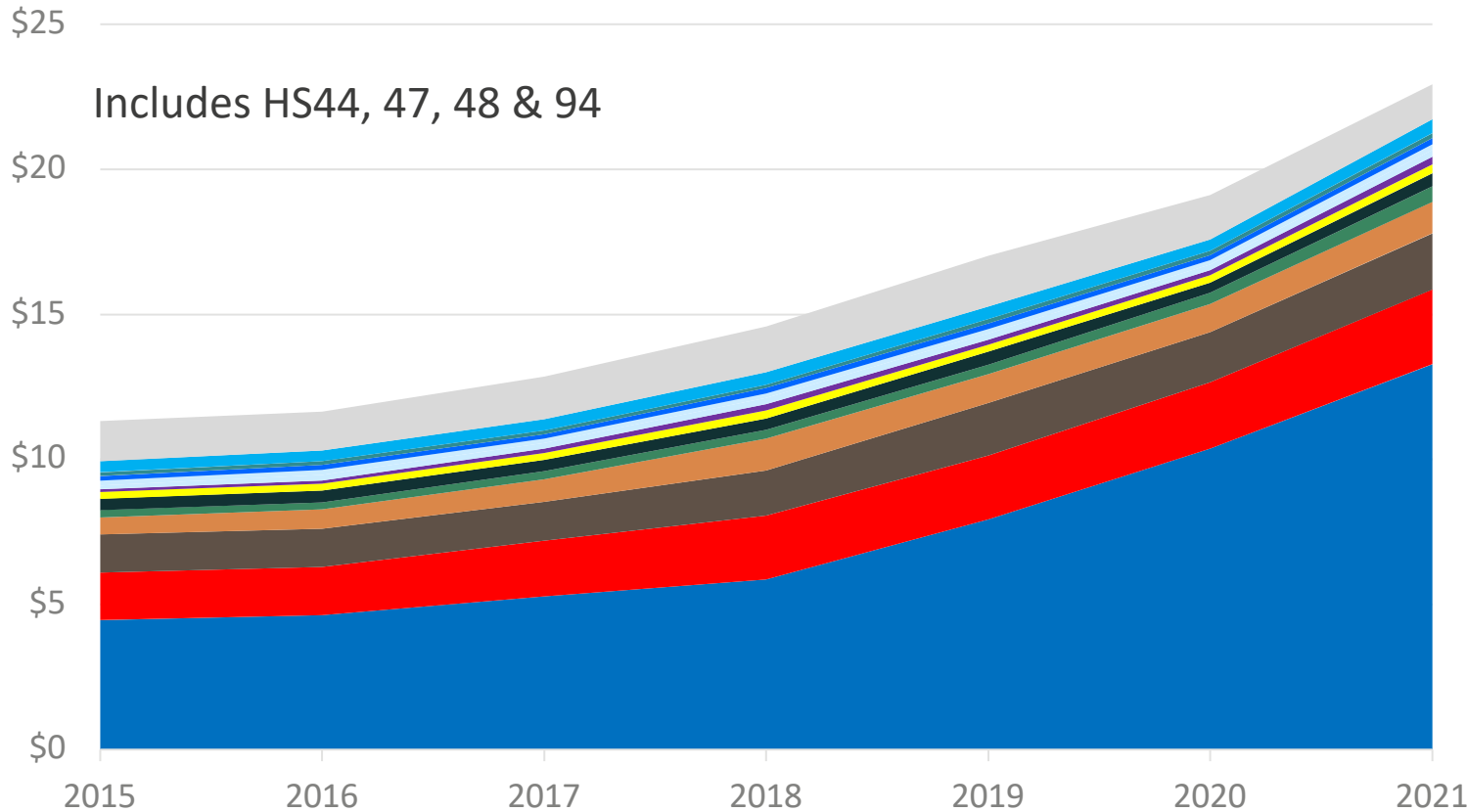
- China (2015 20.5% -- 2021 28.9%)
- USA (12.2% -- 15.7%)
- Japan (12.5% -- 9.1%)
- Korea (5.7% -- 5.5%)

The EU27 Member States are the 11th largest market for FLEGT Licensed materials by value

- (2015 6.6% -- 2021 7.0%)



EU-FLEGT Implementing country material in global export trade for all wood based products 2015-2021



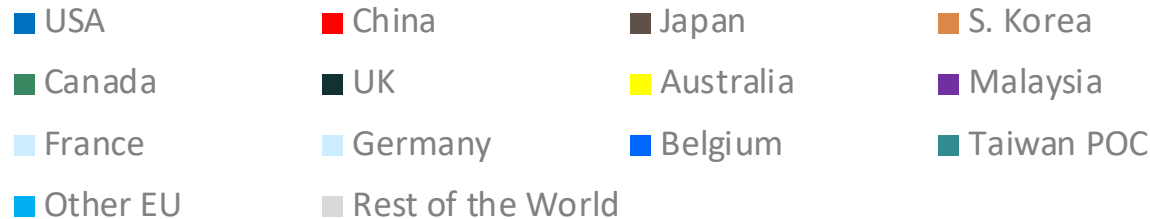
The largest markets for countries implementing EU-FLEGT

- USA (2015 39.4% -- 2021 57.9%)
- China (14.4% -- 11.3%)
- Japan (11.6% -- 8.4%)
- Korea (5.2% -- 4.8%)

The leading EU27 Member States that imports from these countries are

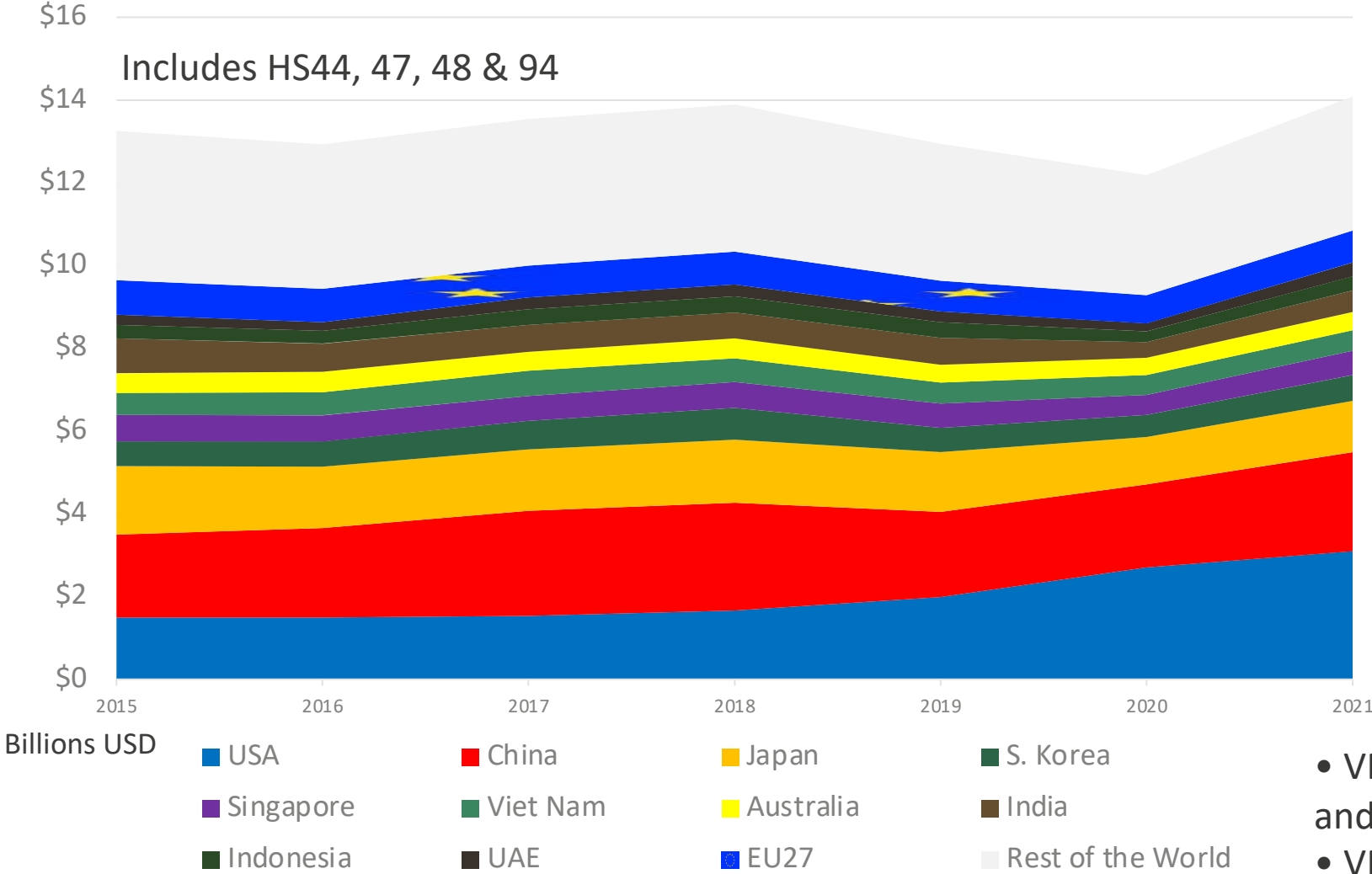
- France (1.1% -- 1.0%)
- Germany (1.5% -- 0.8%)
- Belgium (1.4% -- 1.0%)
- Other EU (3.3% -- 2.1%)

Billions USD



- VPA implementing: Cameroon, Central African Republic, Republic of Congo, Ghana, Liberia, and Viet Nam

EU-FLEGT Negotiating country material in global export trade for all wood based products 2015-2021



The largest markets for countries negotiating EU-FLEGT

- USA (2015 1.3% -- 2021 22.0%)
- China (15.1% -- 17.0%)
- Japan (12.5% -- 8.8%)
- Korea (4.6% -- 4.4%)

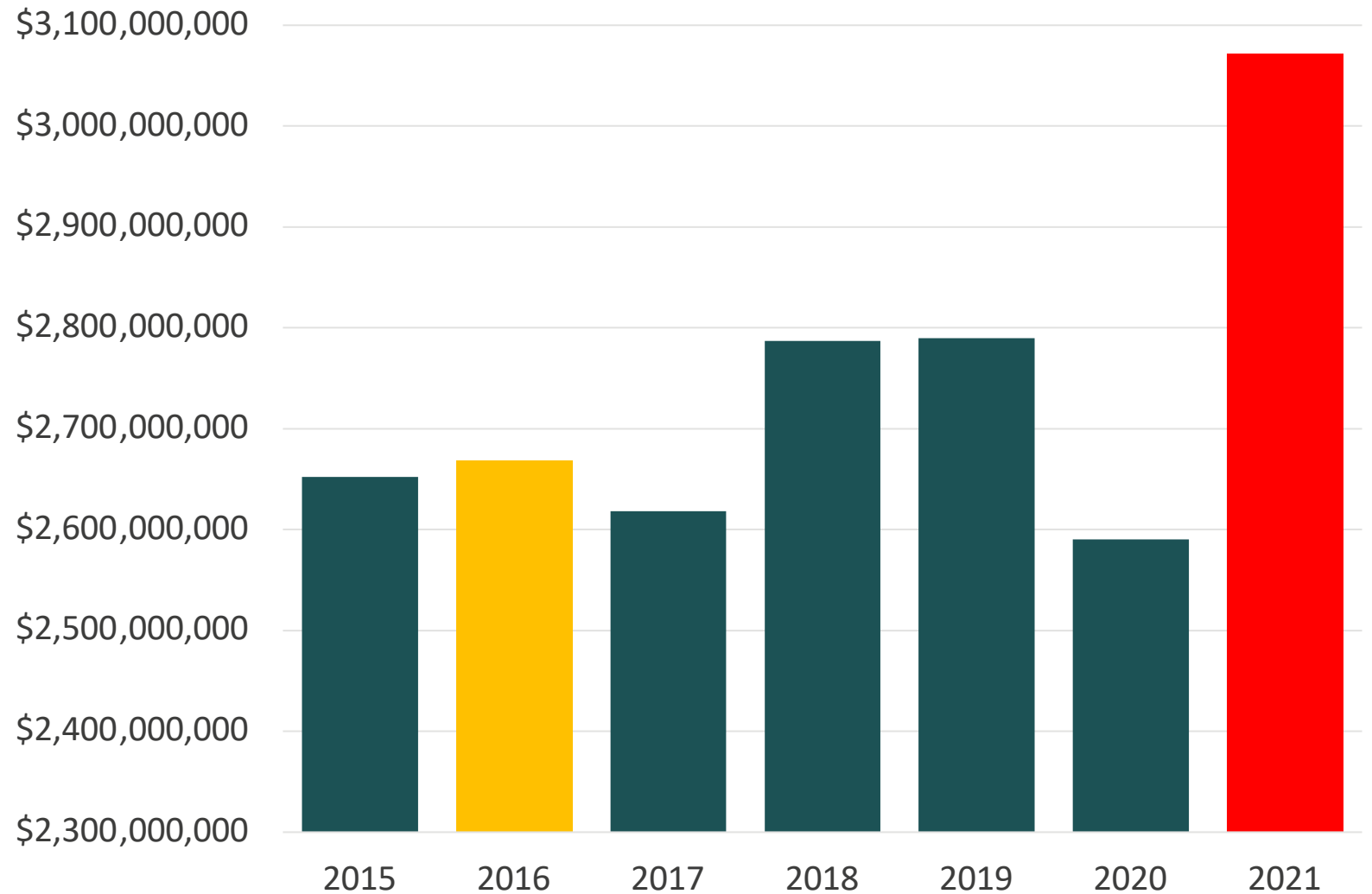
The EU27 Member States that imports from these countries account for:

- EU27 (2015 6.2% -- 2021 5.5%)

- VPA signed and awaiting ratification: Guyana and Honduras.
- VPA negotiating: Côte d'Ivoire, Gabon, DR Congo, Laos, Malaysia and Thailand.

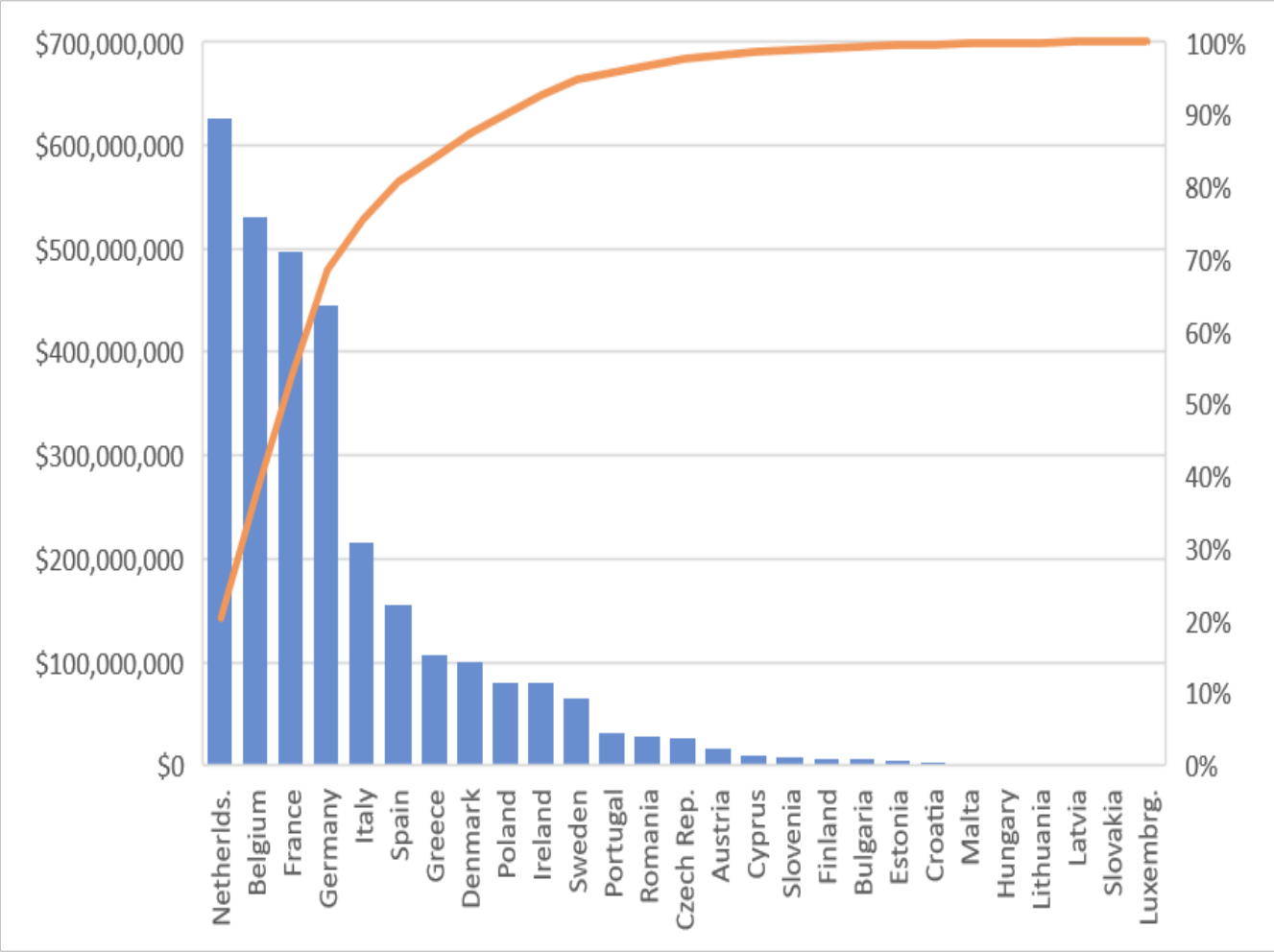
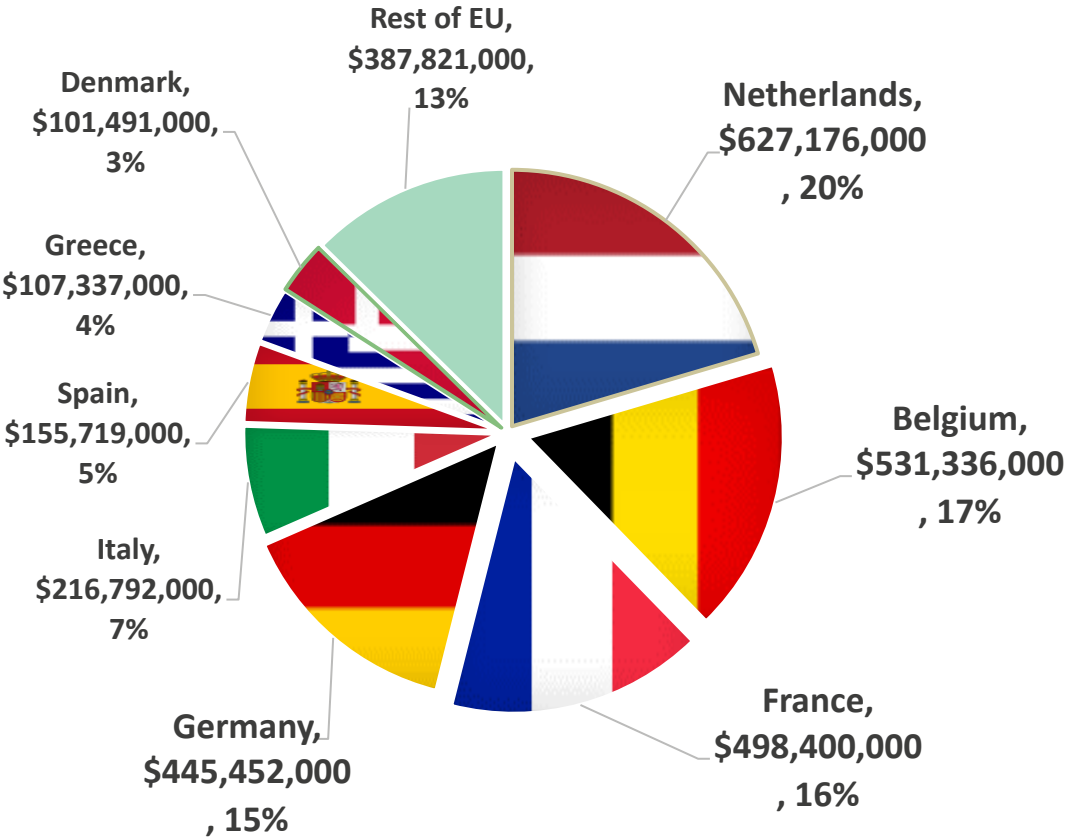
EU imports from all FLEGT partner countries – total value

- EU imports from VPA partners grew to over USD \$3 billion in 2021
- The total value of EU imports from VPA partner countries in 2021 stood 15% higher in value than it was in 2016.
- Figures include chips, pulp, paper, ply, veneer, timber products and furniture.



Includes HS44, 47, 48 & 94

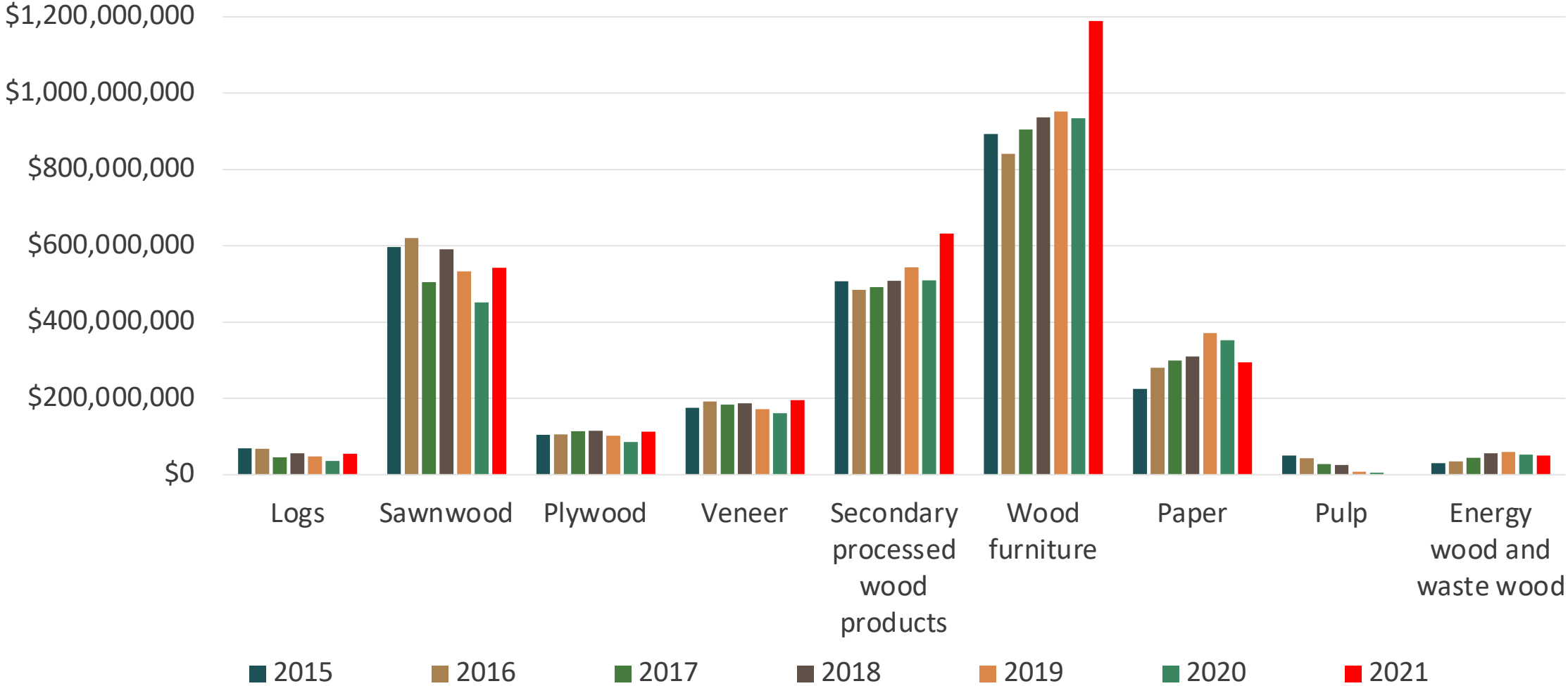
EU imports from FLEGT partner countries – by Member State in 2021



Includes HS44, 47, 48 & 94

Source: IMM STIX

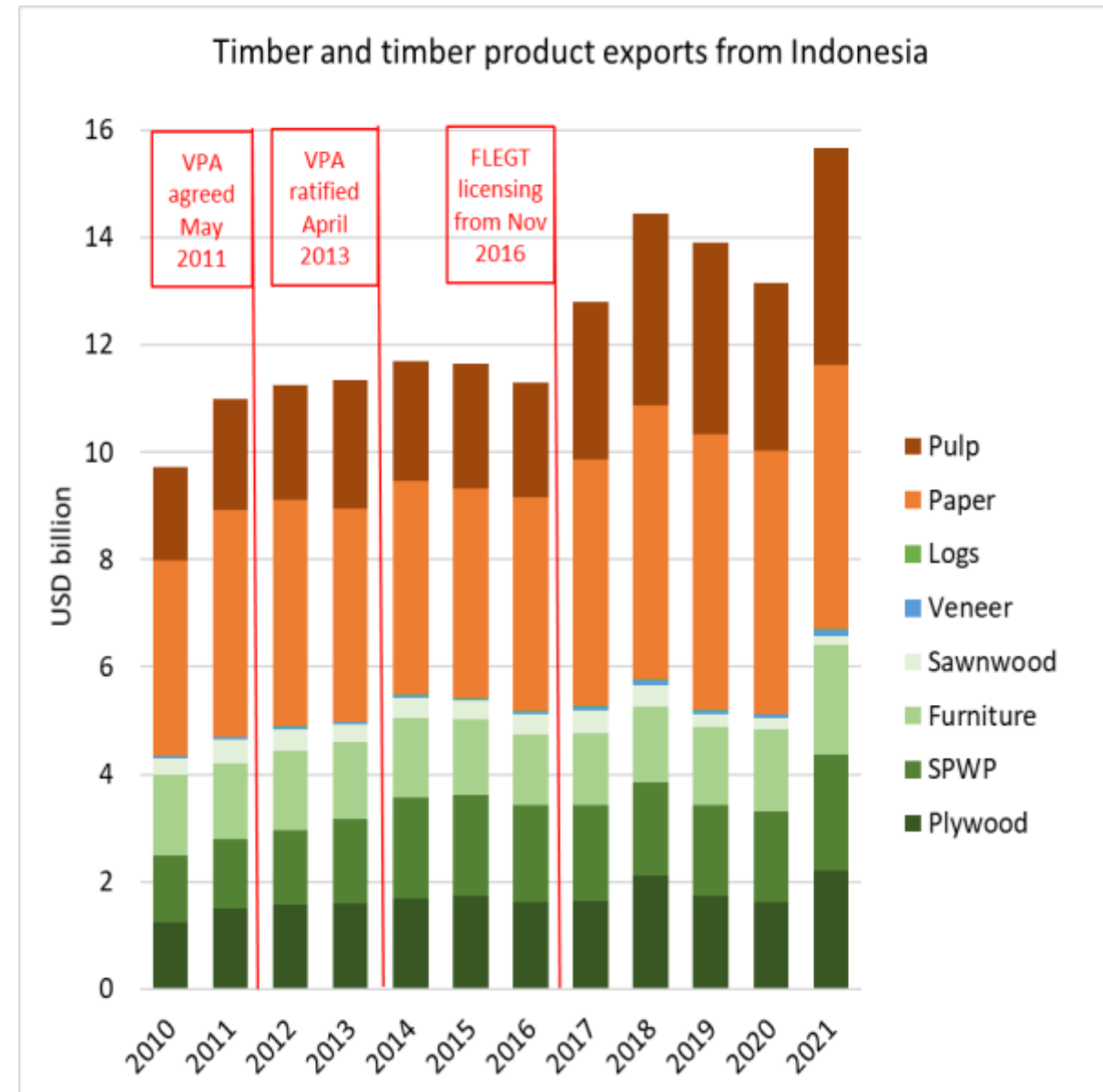
EU imports from FLEGT partner countries – by product type



Source: IMM STIX

Value of Indonesian timber products export by main HS chapter - 2015 to 2021

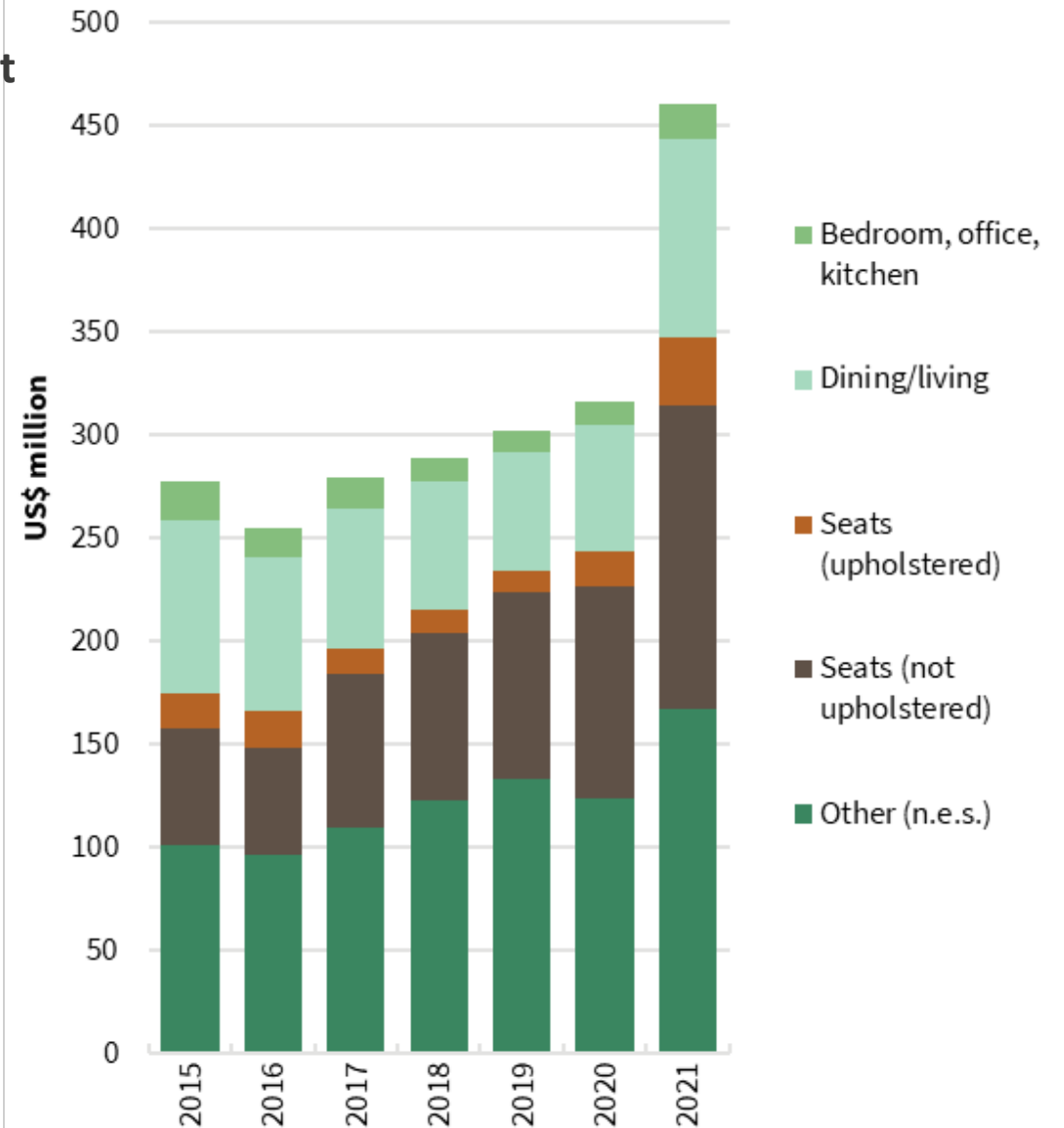
- The **total value of timber product** exports increased 19% in 2021 following a 3% decline the previous year.
- The export value of **HS 44 wood products** increased 30% in 2021 after declining 1% the previous year.
- **Wood furniture** exports increased 31% last year after a 10% gain the previous year.
- **Paper** exports remained flat overall.
- **Pulp** increased 28% in 2021, nearly all comprising chemical pulp destined for China.
- Of total Indonesian timber products export value, the proportion for the **EU27 was 6% in 2021** down from 7% the previous year.
- The proportion destined for **China was 29%** in 2021, the same as the previous year.
- The proportion destined for the US increased from 14% in 2020 to 17% in 2021.
- The rise in Indonesian export value to the US and Vietnam meant that the proportion destined for **"regulated" markets increased** from 47% in 2020 to 50% in 2021.



Source: IMM analysis of stix.global, UN COMTRADE & Eurostat

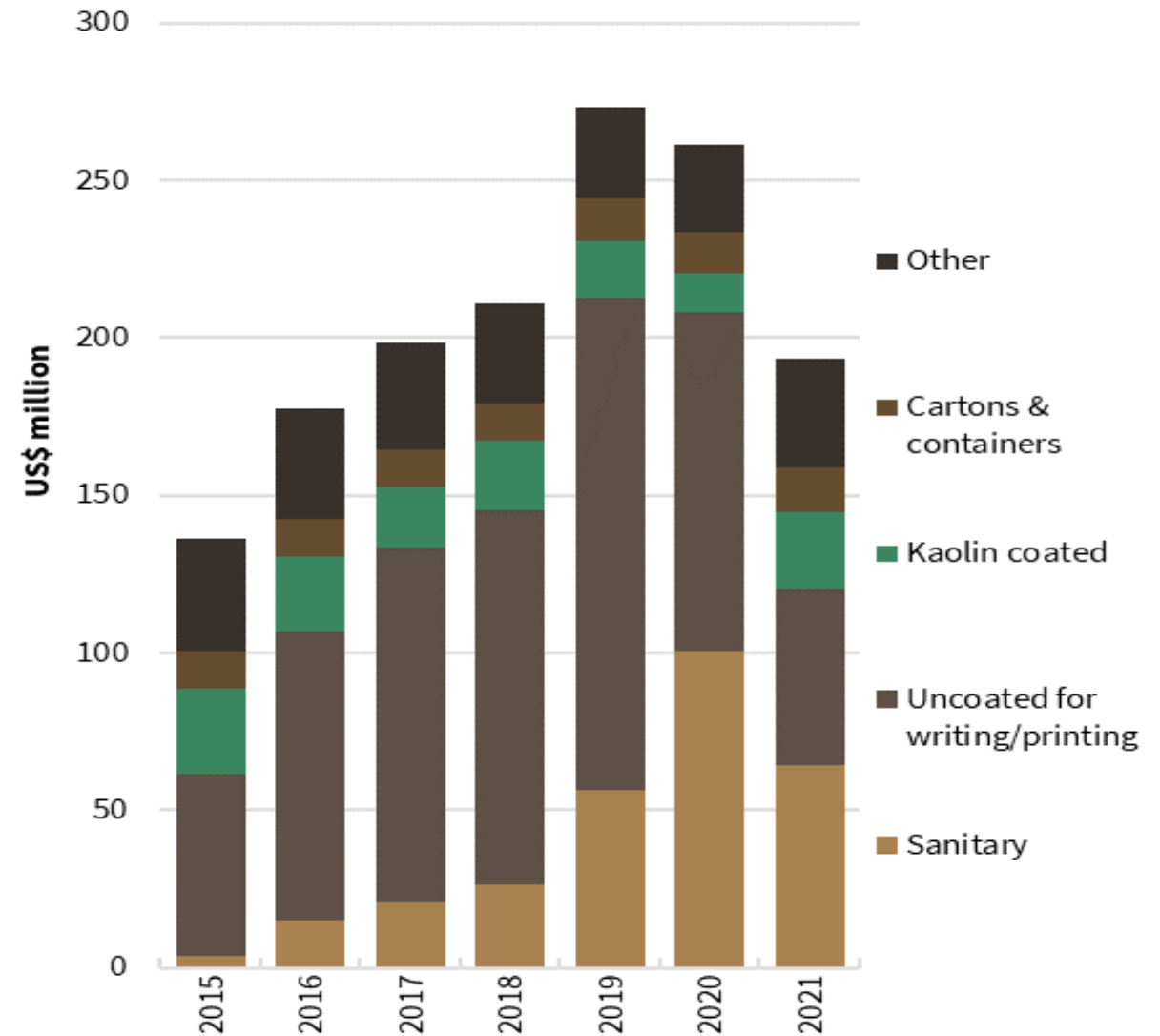
EU27 import value of wood furniture from Indonesia by product type - 2015 to 2021

- The overall trend for Indonesian **wood furniture** in the EU27 in 2021 was positive, with **encouraging signs for future development** of this market.
- The value of EU27 wood furniture imports from Indonesia **increased 46% in 2021** following a 5% gain the previous year.
- As for other products, the rise in import volume was partly owing to rising prices and freight costs.
- Import quantity increased 12% to 84,000 tonnes after a slight 1% decline in 2020.
- The average unit value for Indonesian wood furniture in EU27 imports **increased 30%** from USD 4226/tonne in 2020 to USD 5476/tonne in 2021.
- Indonesia's share of EU27 import value from LMI countries fell during the pandemic, from 12% in 2019 to 10%. Share was lost primarily to China, India, Turkey, and Ukraine.
- Indonesia's share of EU27 import value of **non-upholstered seating** from LMI countries increased from 20% in 2019 to 24%.
- Much of the gain was made at the expense of Malaysia.
- Of **interior furniture products**, Indonesia is beginning to make headway in the EU27 dining/living room and upholstered seating sectors.

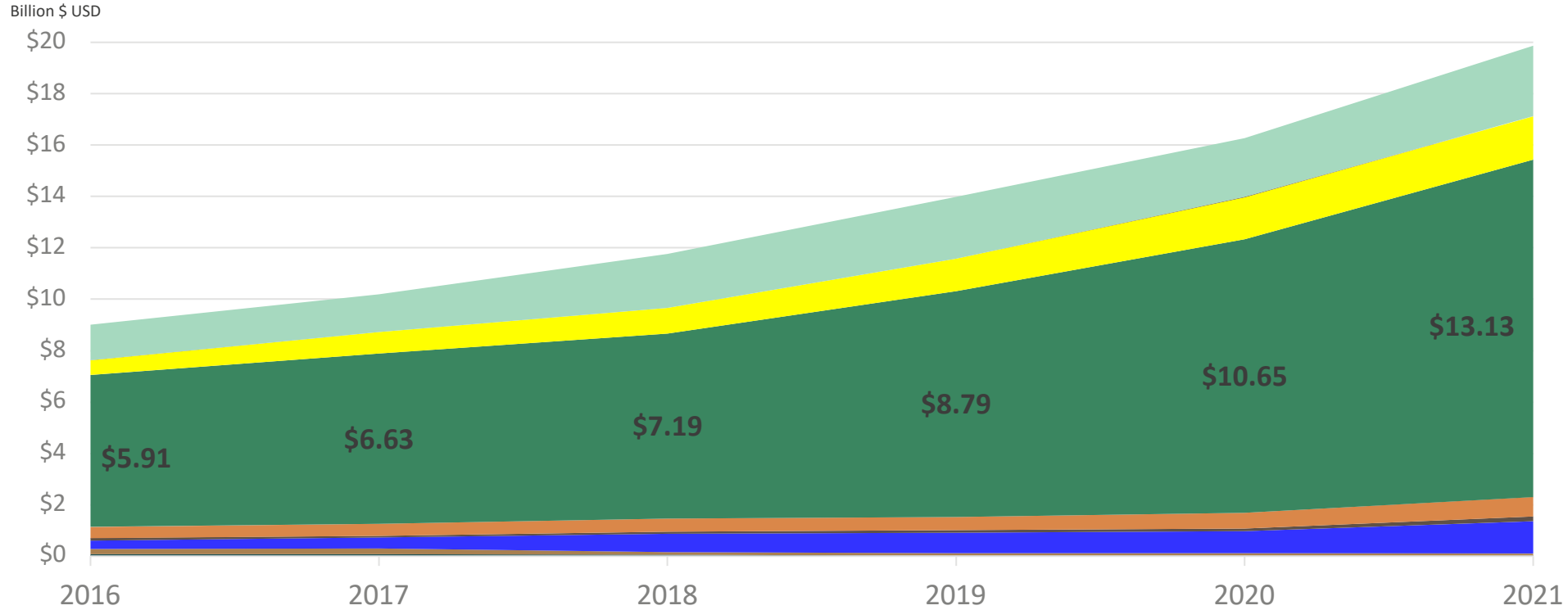


EU import value of pulp and paper from Indonesia - 2015 to 2021

- EU import value of **paper products** from Indonesia fell 26% in 2021.
- This followed a 4% fall the previous year.
- In quantity terms, imports fell 38% to 158,000 tonnes in 2021.
- Indonesia's share of total EU import value of paper products from Lower and Middle Income (LMI) countries fell from 6% in 2020 to 3% in 2021.
- **Share was lost primarily to China** which accounted for half of all EU27 import value of paper products from LMI countries during the year.
- Paper imported from Indonesia into the EU27 consists primarily of **uncoated papers** (in large sheets or rolls for writing and printing) and **sanitary paper products**.
- Imports of both these product categories from Indonesia fell sharply in 2021, only partly compensated by a rise in import value of kaolin coated paper products.
- The decline in imports last year occurred across all the main EU destinations for Indonesian paper including Greece, Belgium, Italy and Spain.



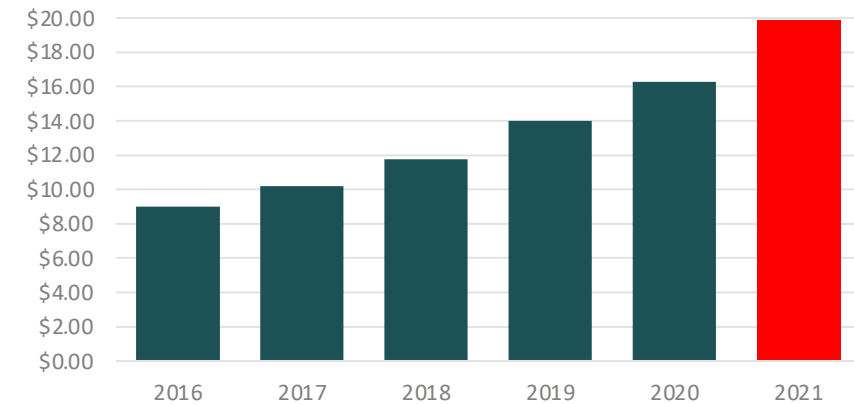
Viet Nam's forest product exports: 2016-2021



Total value in 2021:

\$19.87 billion

- 1a Logs
- 1b Sawnwood
- 1c Plywood
- 1d Veneer
- 2 Secondary processed wood products
- 3 Wood furniture
- 4a Paper
- 4b Pulp
- 5 Energy wood and waste wood

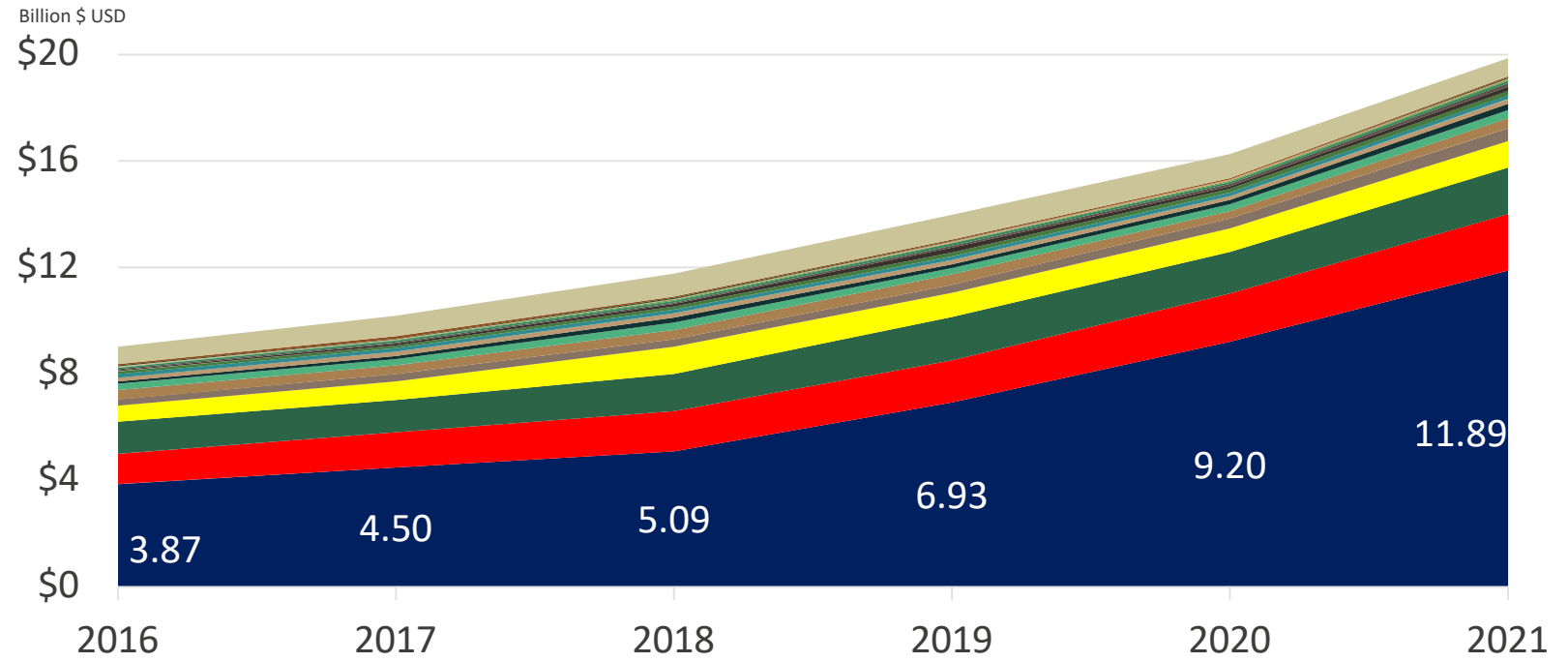


Includes HS44, 47, 48 & 94

Source: IMM STIX

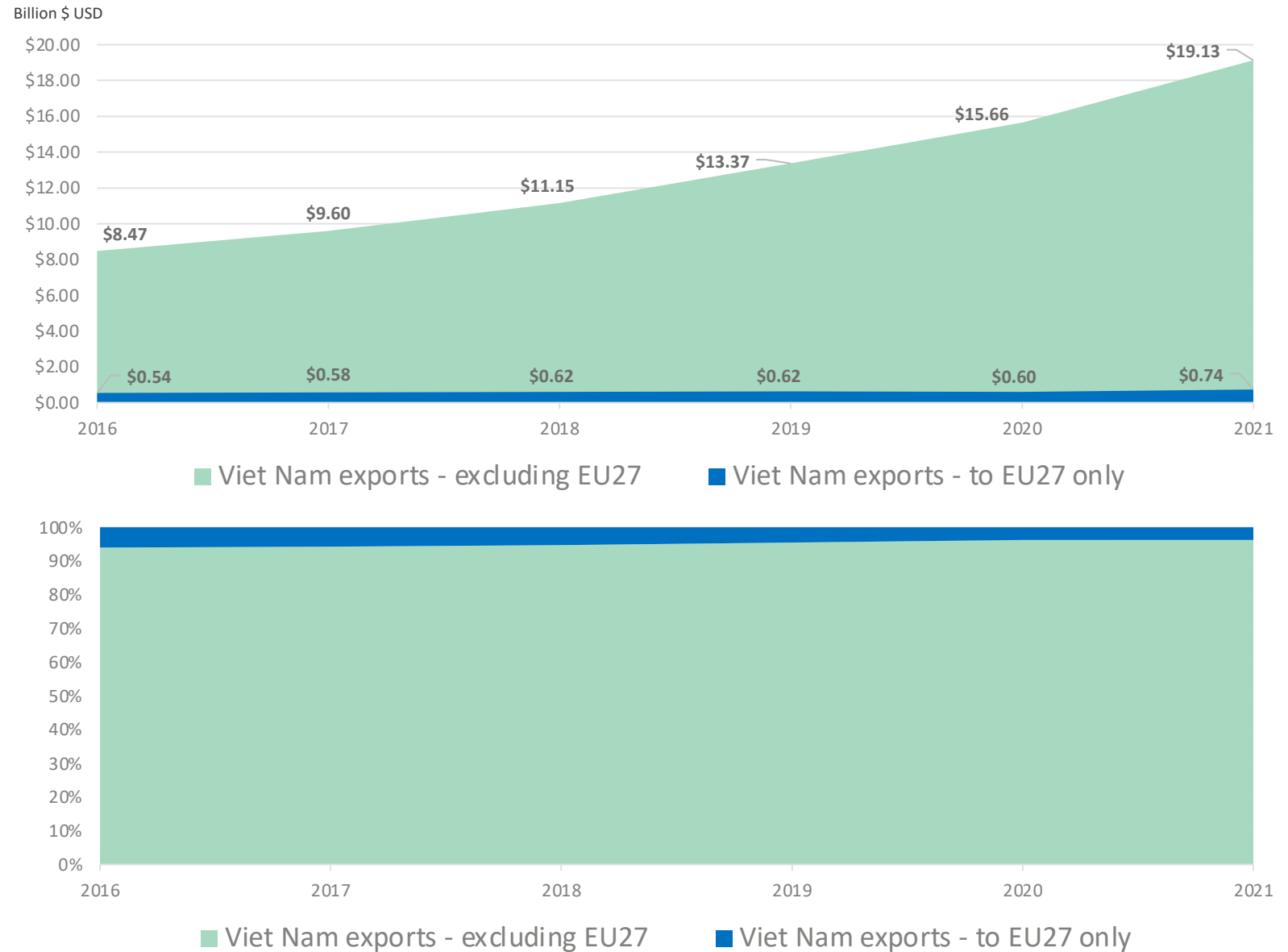
Viet Nam's main trading partners- 2015 to 2021

- Accelerating annual growth post-2016
- Overall export value has more than doubled between 2016 and 2021
- USA exports have trebled post-2016
- France and Germany remain the largest EU trading partners



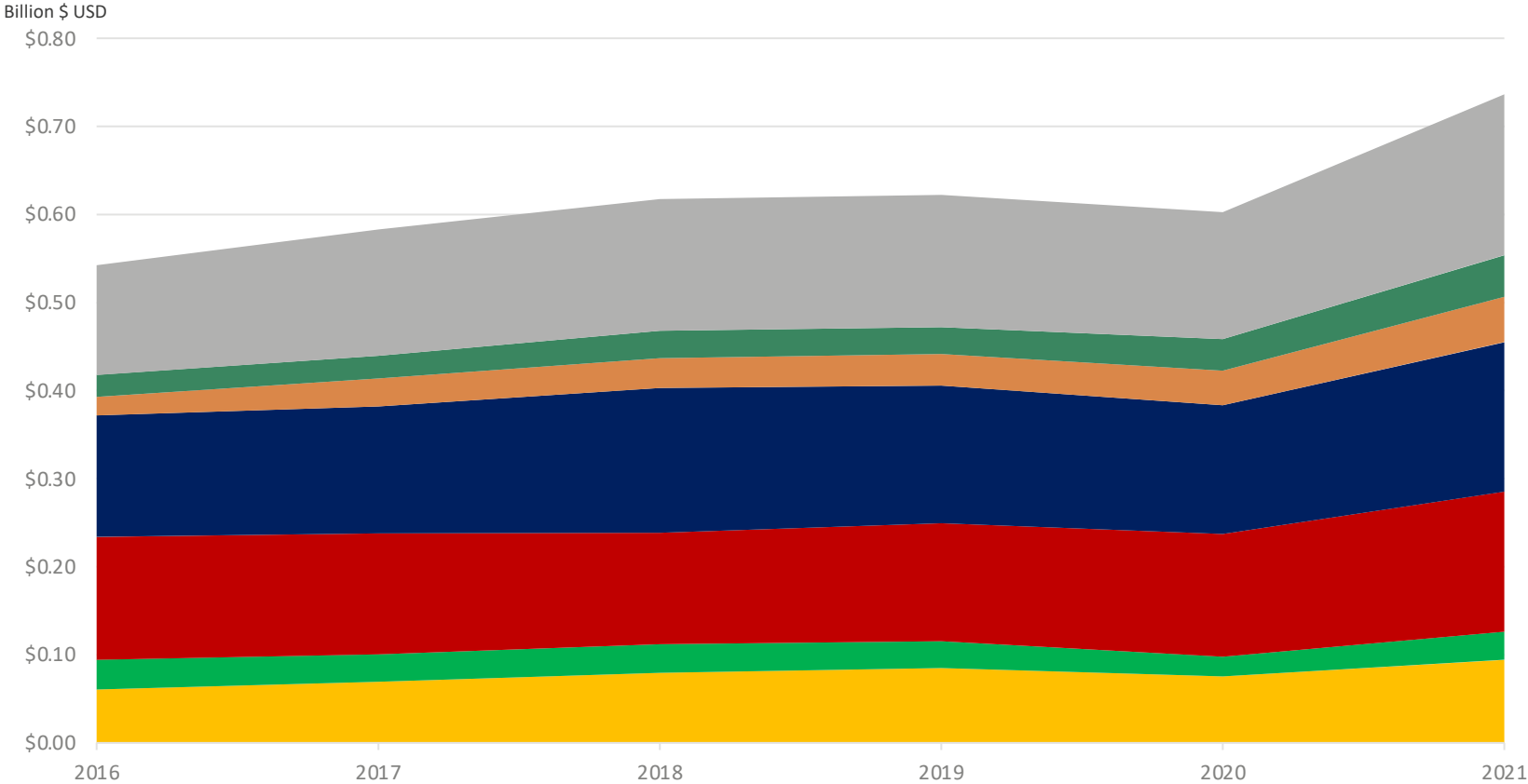
Vietnam's exports to the EU- 2015 to 2021

- Viet Nam's exports of wood products amounted to \$740 million in 2021
- The EU's share of the total export value has declined since 2016
- The EU's share of the total export value stood at 3.7% in 2021



Viet Nam's exports to EU 2016-2021 – by leading Member State

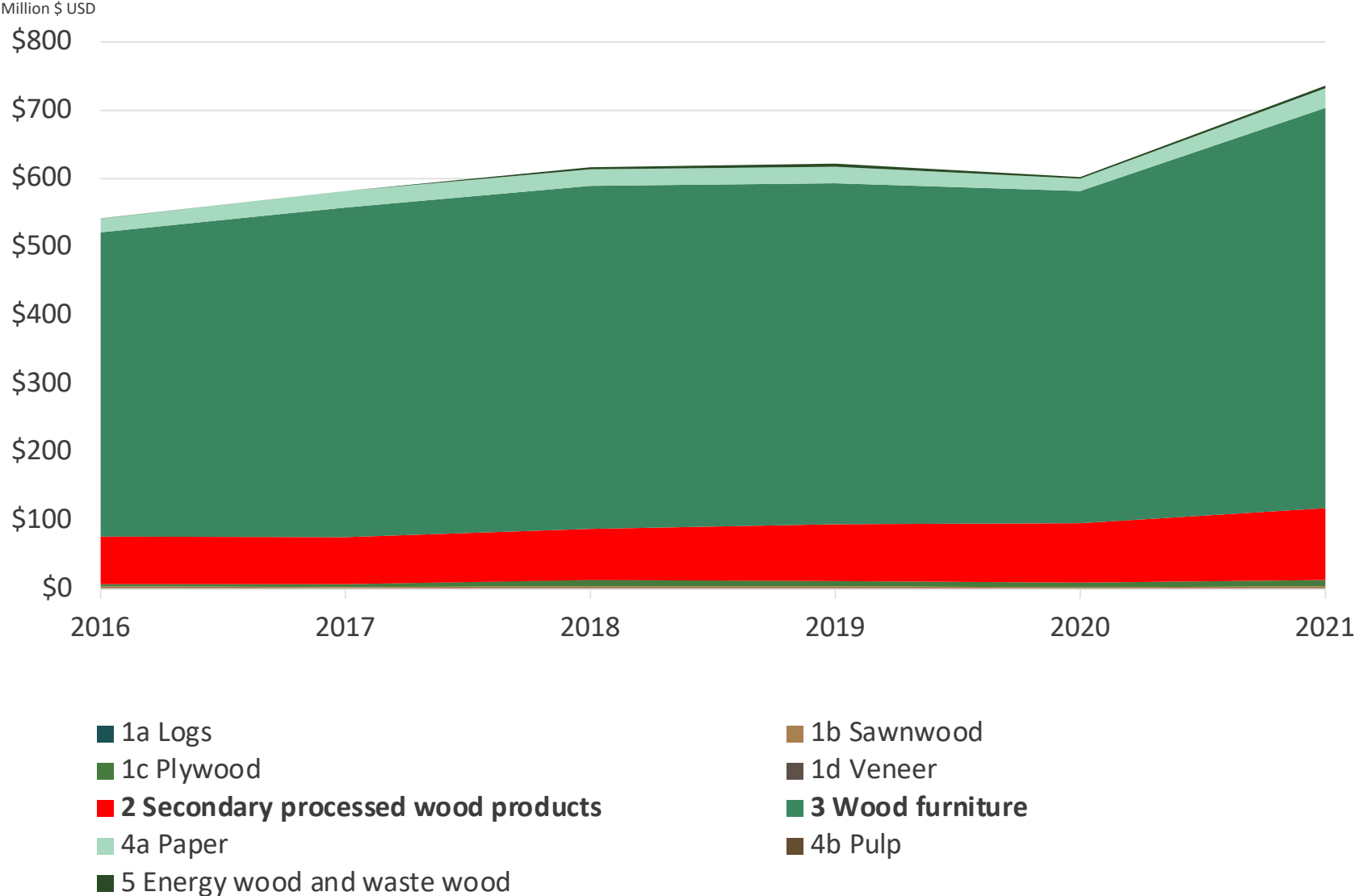
- Germany and France consistently largest EU markets
- 2021 saw growth from circa \$600 million to \$740 million in export value



■ Netherlands ■ Italy ■ Germany ■ France ■ Denmark ■ Belgium ■ Rest of the EU Member States

Viet Nam's exports to EU 2016-2021 – by Material type

- Exports to the EU are dominated by wood furniture
- Secondary processed wood products (such as decking and flooring) show consistent growth



Conclusions

Based on evidence from IMM surveys, trade data analysis and consultations in the EU and Indonesia:

Positive

- The green lane for FLEGT-licensed timber is making importing from Indonesia easier for EU operators;
- EU operators value the “zero risk” status of FLEGT-licensed timber and give preference where other commercial product criteria are equal;
- While IMM has not identified any significant FLEGT Licensing related growth in timber and timber product trade between IND and EU, FLEGT Licensing may have contributed to stabilising IND market share in a difficult and competitive environment;
- Indonesian stakeholders consider FLEGT to improve forest management and governance;
- Indonesian stakeholders see an increasing role for SVLK/FLEGT Licensing at a global level due to the growing number of regulated markets.

Conclusions

Based on evidence from IMM surveys, trade data analysis and consultations in the EU and Indonesia:

Negative

- Inconsistent messaging and lack of endorsement and promotion may have created confusion about the value of FLEGT Licensing and affected market development;
- Inconsistencies in EUTR enforcement may have created loopholes that may have weakened the green lane advantage;
- FLEGT Licensing so far being limited to just one country and a limited number of products has affected market development at various levels (e.g. uptake in procurement policies, green building codes etc, relevance for buyers, general level of awareness).
- The EU 'Deforestation Regulation' is raising question marks over the value of FLEGT Licensing.

Thank you

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Independent Market Monitoring of FLEGT-Licensed Timber

