The Impact of Current and Potential Timber Species Listing on CITES: The Implications for Guyana's Timber Trade

Report prepared a part of ITTO Project:

Prepared for the Guyana Forestry Commission within the framework of the ITTO-project "Enhancing the Sustainable Management and Commercial Utilisation of the CITES-Listed Species *Cedrela Odorata* (Red Cedar) In Guyana", TMT-SPD 014/13 Rev. 1 (M)

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ABBREVIATIONS

CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CoP	Code of Practice
GFC	Guyana Forestry Commission
GoG	Government of Guyana
IUCN	the World Conservation Union
WAPPRIITA	Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act

1 INTRODUCTION

Trees provide a multitude of products for human consumption. From an economic perspective, it is the timber itself that provides the greatest contribution with respect to revenue. Forestry has long been one of the major economic activities globally and for developing tropical countries such as Guyana. Because tropical timber producing country rely on timber exploitation as a major revenue earner, it is only obvious that Human activities places global biodiversity under increasing pressure and that these countries will come under scrutiny with respect to the sustainability of their flora and fauna due to the exploitation of commercially valuable species. In an effort to protect species from over exploitation or extinction international agreements such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), an agreement between governments, aims to ensure that international trade in specimens of wild animals and plants does not threaten their survival. CITES was drafted as a result of a resolution adopted in 1963 at a meeting of members of IUCN (The World Conservation Union), agreed upon by representatives of 80 countries in 1973, and entered in force on 1 July 1975. Countries that have signed onto the agreement are bound thereby and are require to implement the conventions, and ensure that domestic legislation is adequate to ensure CITES implementation at the national level.

How then does the implementation of CITES affect producer countries and what impact does CITES listings have on countries with respect to international trade. This paper seeks to focus on the impact on trade from a producer country perspective, highlighting some of the challenges faced by countries like Guyana should commercially valuable timber species be listed on CITES.

2 THE ROLE OF CITES / CITES AS A REGULATORY AUTHORITY.

CITES regulates international trade by means of trade measures, which include the listing of species on Appendix I, II and III, and the use of export/import permit requirements. CITES list restricts trade not only of the raw materials (logs, boards, veneer) but can also include finished products of some species such as guitars made from Brazilian Rosewood deemed illegal unless accompanied by an export permit. Dependent on which appendix the species falls under importation can be deemed illegal or become excessively expensive, discouraging trade.

The overall objective of CITES is the prevention of over-exploitation of species through international trade and ensuring their long term survival. Due to the nature of trade across borders, between countries, CITES requires international cooperation to achieve its objectives. In this light CITES was created and to date provides protection to over 35,000 species of plants and animals. CITES provides on one hand protection for species from extinction and provides a framework through which timber species can be legally traded and managed, in an attempt to ensure continuity of the species and to stem illegal activities. However, what may be beneficial to one country may not be the same for other countries as each nation does not face the same economic situation. Some developing countries are reliant on the trade of their commercially valuable timber species, some of which may have been placed in one the three CITES appendices. With respect to commercially valuable timber placed on the CITES list poses a challenge to find a balance at the national level.

2.1 Measures under the convention

Under CITES species listings fall into three (3) categories:

Appendix I includes species which are *"threatened with extinction and are, or may be affected by international trade"*. Trade measures include a ban on commercial trade and a system of import and export permits to allow non- commercial trade is required.

Appendix II includes species, *"which although not necessarily now threatened with extinction, may become so unless trade in specimens of such species is subject to strict regulation in order to avoid utilisation incompatible with their survival"*. Species in appendix II can only be traded if export permits are issued on the basis of the exporting country, with no import permit being required. However, export permits must be presented to the importing country to validate authenticity and approval for export.

Appendix III contains species that national authorities wish to list and for which they seek the assistance of other Parties to regulate trade. Species trade can only occur if an export permit is issued, based on similar criteria as required for Appendix I export permits.

2.2 **The Cost for CITES**

There are two major costs to CITES membership and listing of species in the CITES appendixes: 1) The costs of implementing and enforcing the Convention; and 2) The costs involved in foregoing income from trade prohibited by the Convention.

The cost of implementation and enforcement of the convention will be varied based on the country. For exporting countries, like Guyana and Brazil, higher cost will be incurred with respect to the supply side of regulating international trade.

On the other hand there is the lost trade revenue that countries will be faced with as cost to being listed on the CITES appendixes. Since CITES depends on member countries to support and regulate trade in listed species, restrictions form importing countries can significantly affect the revenue earning capacity of producer countries.

The objective of CITES is to allow for the replenishment of the restricted species like *Cedrela Odorata* for example listed in Appendix III in the country under treat like Columbia, Guatemala and Peru, but also found in other countries including Guyana. Unless it is an endemic species like Greenheart in Guyana's case, countries with the listed species but with good management practices will also feel the impact of trade restrictions. This places a limitation and a burden on countries where the species is deemed to be managed sustainably and not seen at a national level as being under threat.

2.2.1 The costs of implementing and enforcing the Convention

Implementation of CITES regulations requires first and foremost in country reform of domestic laws and legislation to support CITES. CITES as a non-self-executing treaty, cannot be implemented until specific legislation is adopted for that purpose. National legislation will have

to incorporate these provisions in creating specific obligations since these cannot be enforced in the courts and penalties cannot be applied for non-compliance unless specifically provided for under national legislation. This is the major challenge to countries whether importing or exporting and places considerable stain on the financial and human resources of a country. Some countries such as Costa Rica and Paraguay have enacted laws to prohibit all international trade in given species.

Several cases can be reviewed where countries have made the necessary legal provisions at the national level to facilitate CITES regulations. Australia for example ratified CITES in July 1976 and Australian CITES legislation is part of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

In Canada the Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act (WAPPRIITA) covers all three appendices of plants and animals at risk of over-exploitation because of illegal trade.

China signed on the CITES in 1981 and since has enacted Regulations for Protection of Wild Plants in 1997. This legislation establishes the penalties for illegal trade and stipulates the requirement for import and export permits for all CITES listed species as well as those listed in the annexes.

Other countries like the Czech Republic found the legislative process a bit more challenging. In 1992 when the convention came into force, there was a need for legislation and there was an adoption of an extensive Nature Protection Act. However, this was drafted without any knowledge of the convention. Review of the law showed that it only met partial basic requirements, very limited in the enforcement capacity at borders. This led to a new law enacted in 1997. The enacting of a law to cover CITES was further compounded by the Czech Republic joining the European Union, which changed its legislation (June 1, 1997) and subsequently issued several implementing regulations which were, furthermore, frequently amended.

Becoming a part of the EU required extensive changes in overall legislation, with the CITES act being just a small part of the entire process. The CITES act was the first draft law that implemented a European Commission regulation, with first draft proposed in 2002 and adopted in January 2004 by parliament, just prior to accession to the EU in May 2004.

Indonesia has been party to CITES for 25 years. Currently the legislation is considered sufficient for CITES implementation. The regulations are adequately covering the domestic transportation, possession, trade and the international transportation of wildlife included in CITES appendices.

In some cases the domestic laws are beyond that which is set by CITES and the acceptance of CITES can diminish the level of protection, as is the case of New Zealand. New Zealand domestic legislation, the Wildlife Act of 1953, which is still in force are stringent with respect to what is allowed to enter the country. However, the CITES Convention makes provision (Article XIV) to allow countries to adopt stricter domestic measures with respect to those species listed in the appendices.

New Zealand's approach was different for some other countries in that instead of incorporating the regulations into existing legislation, new stand alone legislation was implemented. The added advantage to this approach is that it is relatively short compared to other countries' comprehensive legislation and allows for easier amendments to legislation.

2.2.2 Guyana laws and regulations

Guyana became a party to the convention in May 1977, assistance was give to develop a model law for CITES that would facilitate the full implementation of the provisions under CITES in Guyana; a submission was made to the Government of Guyana (GoG) in September 1996. In 1999 at the 41st meeting voiced its concerns to the non compliance by Guyana to enter into force laws that would facilitate CITES requirements. In 1999 a draft *Protection of Particular Species of Prescribed Fauna and Flora Regulations* was proposed but was found in adequate by CITES in addressing all the provisions. This has resulted in the secretariat suspending trade in species (Geneva, 30 September, 1999) and restricting all imports, exports or re-exports of all CITES

specimens to member parties until Guyana can make the necessary steps to address the gaps in its own legislation.

Over the last decade Guyana has made several strides to improve it legislation and regulations with respect to forestry. The existing Forest Act was reviewed through wide stakeholder consultation and a draft forest and a draft Guyana Forestry Commission Act were proposed to replace the existing legislation. In 2012 the Guyana Forestry Commission Act (2007) and the Forest Act (2009) entered into force. The national level consider that these Acts to effectively strengthened the legal framework to support the changing environment, addressing current needs, and supporting the growth and development of the sector as a whole. The GFC Act outlines the role, mandate and operational modalities of the GFC, and the overall framework within which the GFC is to execute its mandate. The Forest Act outlines the management of the State Forest Estate, such as forest area allocation, forest monitoring, and community forestry.

In 2011, the National Forest Plan 2001 and National Forest Policy 1997 were revised through consultations and engagements with key stakeholders, and a review of new issues facing and foreseen to face the sector. A revised National Log Policy, introduced in 2012, for 2012-2014 raised the commission rates levied on exports of certain species of log. These rates range from 12% to 15% of the f.o.b. export value for exports in 2012 (from 1 August to 31 December 2012), to between 17% and 20% in 2015 (up to December). In addition to trying to increase domestic supply to support the manufacturing sector, the policy is also a mechanism to control the export of selective timber species, implementing this in a phased approach. The Policy is subject to review in 2015 with a view to deciding whether its revision for future is necessary.

The impact of CITES on exports of timber species that are or can be listed in the CITES appendices will require a review and legislative reform and policy changes in order to ensure that they are in keeping with the Convention. The major destination for Guyana timber products are countries like the UK, the United States, Iraq, Ireland, China, India and others, most of whom are Parties to CITES.

It is noteworthy however, to highlight that although forest laws and legislation may be deemed as inadequate by CITES at that time, national regulations pertaining to timber harvesting, have evolved and are adequate in the management and control of harvesting to ensure that there is continuity in the species. The Guyana Forestry Commission (GFC) with the legal mandate to manage and control State Forests, has a system of selective harvesting, a log tracking system to provide for a chain of custody and authenticate source of origin of timber all harvested through the implementation of a Codes of Practice (CoP) for Timber Harvesting. The systems at the national level have been built over time has been used to support the implementation sustainability of harvesting in Guyana. The Log tracking system is used as a framework for company level certification such as FSC.

2.3 Financial implications of CITES listing of timber species

Countries like Panama and Madagascar have used CITES as a means to fight illegal logging. In September of 2011, both countries requested the listing of 111 species in appendix III and requested country support in enforcing (CITES, 2011). However, placing timber species of commercial value on the CITES lists creates a loss in revenue from exports, quota restrictions or reducing trade especially for developing countries and in some cases drives an increase in illegal logging activities at the national level. Many countries may not possess the necessary resources both financial and human to make the necessary transition within their national level systems to facilitate trade especially if importing countries are parties to the treaty and require the necessary import permits. In the short term this may significantly limit trade and reduce access to markets.

For example *Cedrela odorata* which is placed in Appendix II of the CITES listing has affected more than one country since Mexico, Brazil, Peru and Bolivia, as well as Guyana all export this species. Before its listing in 2001 the volume exported were high and even subsequent to the listing the volumes peaked in 2002 and 2007 but saw a decline in 2009 being it to an average of 10,344 m3 per annum (2011-2013) as opposed to the peak volumes of 61,378 m^3 in 2007. From an economic stand point the country looses much revenue from reduced exports and faces the challenge of controlling possible increases in illegal logging; this increases the cost of monitoring and regulations.

In the case of *Cedrela odorata* the trade restrictions will affect Guyana although the species is found in smaller quantities but not threatened due to over exploitation. *Cedrela odorata* or Red Cedar as it is commonly know in Guyana, is not found in large volumes (>1 tree/ha) in Guyana and harvesting regulations ensure that harvesting is done on a sustainable manner (GFC) of 20 m^3/ ha, where harvesting is not species specific (GFC). For Guyana to export to CITES member countries Guyana will have to comply with the necessary regulations. In this case of Guyana compounded by the limited availability of the timber species, the trade of the species may cease simply because the burden of requirements for exporting may be a deterrent to trade particularly with member countries. Trade of *Cedrela odorata* has been on the decline, where revenues earned fell from 158,000 in 2010 to $40,000 (2014).

Looking to neighbouring Brazil, consider to be the world's most diverse country accounts for 19% of the world's flora, with many of the species being endemic (Giulietti *et al*. 2005; MRE & MMA 2006), we can see similar effect from trade in listed species and resulting loss of economic activities if trade ceases. The case of Brazilwood ((*Caesalpinia echinata*), commonly referred to as Pau Brazil and the national tree of Brazil, listed on CITES Appendix II as well as the Brazilian threatened plant species list, restrictions sometimes do not work when the price is significantly high that trade continues to grow. Despite continuous harvesting to the point of the risk of extinction, exploitation still continues due to the demand for the species and the specific use of the timber for musical instruments (CITES, 2008).

Other species that have had significant impact from being listed on CITES, such as Big Leaf Mahogany (*Swietenia macrophylla)* in Appendix II is a clear example of the financial effect the complete restriction from trade or extinction of the specie could have on a countries export earnings. Big leaf Mahogany earns up to 100 million US dollars from exports (CITES, 2003). Exports of this timber will have to be accompanied by a CITES export permit. One cubic metre of big-leaf mahogany can earn $ 1,300 US dollars on the international market and a single tree can produce more than $100,000 US dollars worth of high-quality furniture. Latin America exported some 120,000 m^3 of big-leaf mahogany in 2000. Should big – leaf Mahogany be moved from appendix II to Appendix I this will significantly reduce trade export revenue for a

considerably valuable commercial species. During 1971-1992 Brazil saw exports of 4 million M^3 of sawn mahogany timber and 1.7 million m^3 domestically consumed. Exports in 2000 fell to 50,000 as compared to exports in 1990 of 150,000 m^3. The Government responded by suspending all commercial trade in Species in 2001. The suspension at that time would have caused revenue from exports and international trade to significantly decline.

One of the effects of restrictions in one country is that it may drive the demand up in another as is the case of Peru, where the CITES Scientific Authority established the annual export quota for Mahogany, in a bid to control illegal logging and manage harvesting in a response to sudden increase in demand and price, peaking at 52,000 m^3 of sawn timber in 2002 (Grogan & Schulze 2008). Since mid-2003, internationally traded Mahogany sawnwood has been largely from Peru. After export quotas were imposed by Peruvian authorities in 2005, and as commercial stocks neared exhaustion, exports declined to 20,407 m^3 in 2006 (Phumpiú 2007) and below 5000 m^3 in 2007 (CITES, 2008). The loss of revenue can be significant for countries that depend on the species and need to ensure the sustainability of the species.

2.3.1 Trade implication for Guyana

For Guyana timber exports alone exceed US$54 million in 2014 (GFC, 2014) with timber ranking as the 5^{th} revenue earning sectors in Guyana. Although Guyana has over 1000 tree species there are only approximately 30 species being commercially traded. The restriction of trade of the species can cause a decline in revenue and industry. Guyana exports to many parts of the Caribbean, North America, Europe and Asia, where approximately 80% of the countries that import timber from Guyana between 2010- 2014 are Parties to the Convention and will be required to uphold the requirements under the Convention and implement necessary policies to ensure that timber being imported is of legal origin and is not endangered. This will limit access to markets as in the case of Greenheart where there are import restrictions in the UK as at 5 May 2015. The UK accounted for US $3.2 million in revenue earned from Greenheart export (2014). This would reflect a significant loss of a niche market for Guyana's Greenheart.

Each timber species comes with its own characteristics making the particular timber species suitable for a given purpose or end use. For example, Guyana species such as Greenheart is an endemic species to Guyana and is one of the first and prime timber species exported from Guyana. It is well known for its ability to withstand marine conditions and is extensively used and sold for marine construction. Were this species to be restricted from trade, then trade in timber from Guyana would significantly decline (GH logs, lumber and other products accounted for 23% (US$12 million) of the total export earnings for timber products for 2014. Since Greenheart is the only timber species in Guyana sold for this particular purpose, the market for this would be lost to Guyana. Guyana has very small timber production forest compared to other countries like Brazil (28.8 million ha of Amazonian and Atlantic rain forest). FAOSTAT (2012) estimated the value of export of all forest products in Brazil as € 5,549,418,040. Competing with such large timber producing countries is increasing difficult and will be even more challenging should access to markets be restricted.

Although exports of *Cedrela odorata* is not significant in comparison to other species exported from Guyana, accounting for just $40,000 US in 2014, (GFC database, 2015), it remains one of the prime timber species exported and the trade restriction on the species has placed additional requirements on Guyana to facilitate trade.

An additional concern will be the need to invest financial and human resources in the improvement of legislation and the implementation thereof to facilitate trade as an exporting country. Before trade can take place Guyana will need to meet the Convention's requirements. This can prove to be costly in both time and money and legislative changes can take time. In the short term trade will be crippled or placed on a stand still until the issues arising can be resolved.

The CITES Appendices can provide information on conservation status of individual species, guide the prioritisation of species and listing of species with respect to national and international legislation and support conservation planning. However, this can only be validated if sufficient information is known about a given species. And as expressed by Brito, D. *et al* (2010) there are

gaps between global and national recognition of species status which needs to be reconciled before decisions can be made as to the status of the species. Several aspects of the CITES criteria do not take into account any conservation measures in progress or of a country's need to develop.

CONCLUSION

The listing of timber species on CITES appendices can be of major benefit from a conservation perspective, where species are traded and managed to ensure its continuity. CITES assists countries to ensure their legislation is in keeping with international standards. In so doing it in no way negates the laws of the country and makes provisions for the national laws of the country should these be more succinct than requirements under the Convention, so as not to weaken the legal system of a country. Although CITES provides a framework to ensure species protection, this does not come without a cost to both exporting and importing countries. Countries are required to meet the obligations under the convention with respect to the legislation necessary to implement CITES regulations. Many countries have limited resources with which to tackle the costs associated with CITES and can for this reason loose access to valuable markets until such requirements can be met.

Guyana is at a stage where its legislative framework has been strengthened and continues to build capacity, however this is not without its challenges. However, the regulatory framework and regulations in place for the management and monitoring of timber resources can support CITES implementation under the current management system.

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ANNEX

CITES Listed Species			
Common Name	**Scientific Name**	**CITES Status**	**Listing Date mm/dd/yyyy**
Afrormosia	Pericopsis elata	Appendix II	6/11/1992
Ajo	Caryocar costaricense	Appendix II (including finished wood products)	7/1/1975
Almendro	Dipteryx panamensis	Appendix III (including finished wood products; wood from Costa Rica, and Nicaragua only)	2/13/2003
Ash, Tamo	Fraxinus mandshurica	Appendix III (wood from Russia only)	6/24/2014
Bois de Rose	Dalbergia louvelii	Appendix III (wood from Madagascar only)	9/28/2011
Brazilwood	Caesalpinia echinata	Appendix II	9/13/2007
Cedar, Spanish	Cedrela odorata	Appendix III (wood from Brazil, Bolivia, Columbia, Guatemala, and Peru only)	6/12/2001
Cocobolo	Dalbergia retusa	Appendix II	6/12/2013
Ebony, Madagascar	Diospyros spp.	Appendix II (wood from Madagascar only)	9/28/2011
Lignum Vitae	Guaiacum spp.	Appendix II (including finished wood products)	2/13/2003
Mahogany, Cuban	Swietenia mahagoni	Appendix II	6/11/1992
Mahogany, Honduran	Swietenia macrophylla	Appendix II (wood from Neotropics only)	11/16/1995

Mahogany, Mexican	Swietenia humilis	Appendix II (including finished wood products)	7/1/1975
Monkey Puzzle	Araucaria araucana	Appendix I (including finished wood products)	7/1/1975
Oak, Japanese	Quercus mongolica	Appendix III (wood from Russia only)	6/24/2014
Podocarp, Black Pine	Podocarpus neriifolius	Appendix III (including finished wood products, wood from Nepal only)	11/16/1975
Ramin	Gonystylus spp.	Appendix II (including finished wood products)	8/6/2001
Rosewood, Brazilian	Dalbergia nigra	Appendix I (including finished wood products)	6/11/1992
Rosewood, Honduran	Dalbergia stevensonii	Appendix II	2/12/2008
Rosewood, Madagascar	Dalbergia madagascariensis	Appendix III (wood from Madagascar only)	9/28/2011
Rosewood, Yucatan	Dalbergia tucurensis	Appendix III (wood from Nicaragua only)	6/24/2014
Rosewood, Siamese	Dalbergia cochinchinensis	Appendix II	3/13/2013
Stinkwood, Red	Prunus africana	Appendix II (including finished wood products)	2/16/1995
Verawood	Bulnesia sarmientoi	Appendix II	6/23/2010
Zitan	Pterocarpus santalinus	Appendix II	2/16/1995