



for a living planet

Failing the Forests Europe's illegal timber trade

Executive summary

The mission of WWF is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by:

- conserving the world's biological diversity
- ensuring that the use of renewable resources is sustainable
- promoting the reduction of pollution and wasteful consumption

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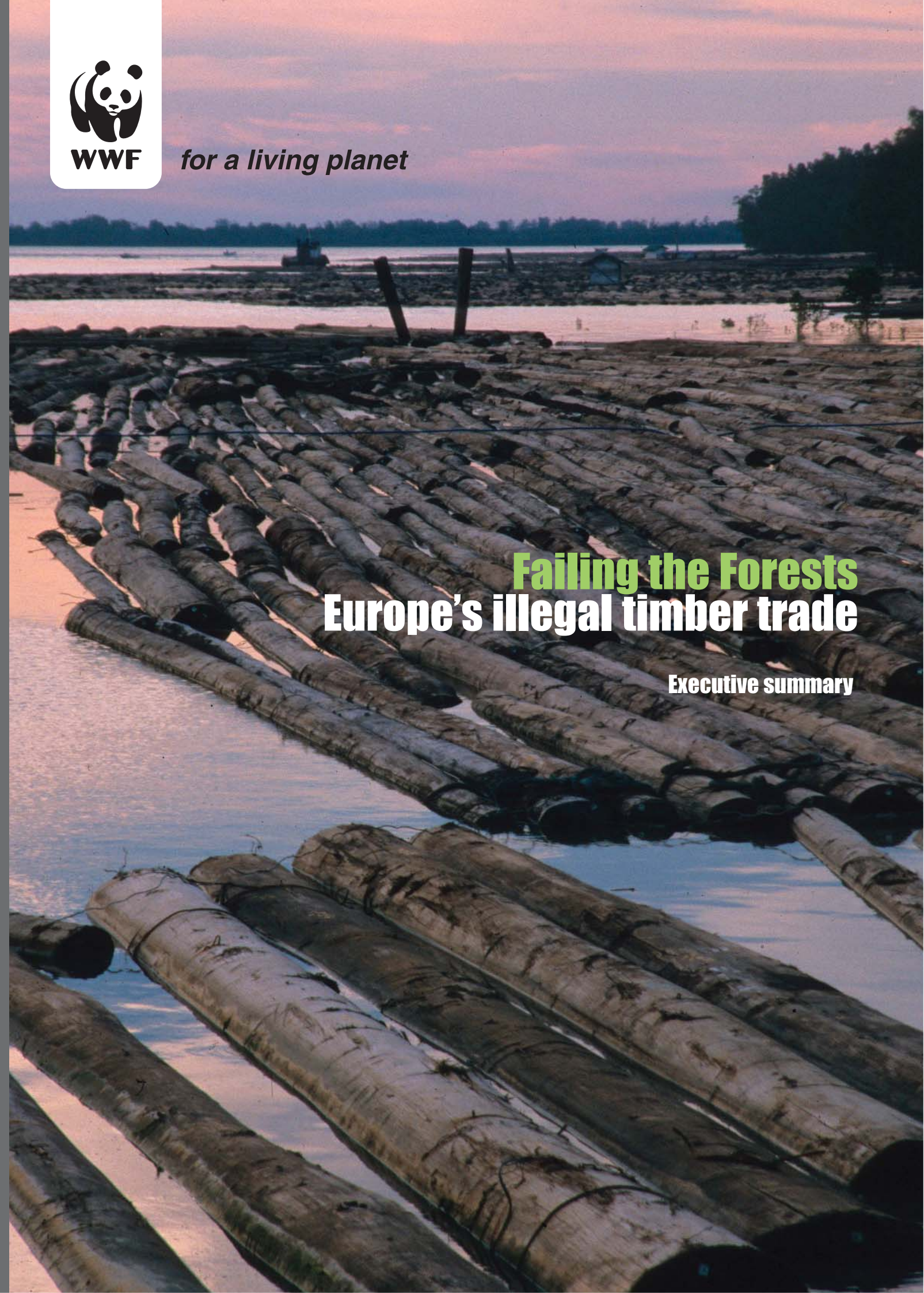


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Executive summary

Illegal timber and its global trade are now widely recognised as key threats to forest survival throughout the world. Not least among the players is the European Union (EU), which is now a major importer of such timber.

Based on trade data for six key timber-producing regions – the Amazon Basin, the Baltic states, the Congo Basin, east Africa, Indonesia and Russia – this report explores how the EU is driving the illegal timber trade worldwide, and assesses its potential to limit illegal logging over the next 10 years.

Presenting a league table of the EU's top importers of illegal timber (Table 1), and combining up-to-date information on both timber imports and EU policy, the report predicts that the main factor limiting illegal logging in the near future will be the exhaustion of forest resources. The implications are far-reaching: biodiversity, human health and national economies across the world will all be affected.

The report concludes with a series of recommendations which address the need for the EU and its member states to take more proactive steps to halt the practice of illegal logging and the trade in illegal timber. It also highlights the urgent need for meaningful cooperation from other major importing countries including China, Japan and the US.

Background

Although trade in illegal timber has been widespread for decades, it is only recently that the issue – and specifically international trade – has become a major concern for civil society. This trade is now recognised as a key global threat that contributes to deforestation and biodiversity loss, and often undermines the rule of law. In many producer countries, it has long encouraged high-level corruption and tax evasion, which reduces national revenues and limits the resources available to invest in sustainable development. Furthermore, the illegal trade in forest resources continues to undermine international security and is frequently associated with money laundering, organised crime, human rights abuses and, in some cases, violent conflict.

Yet despite a detailed understanding of these issues, importing countries – including EU member states, China and the US – have consistently favoured cheap imports over legal ones. This has led to destabilised markets and a situation where unfair competition effectively punishes responsibly-behaving companies. Given a global market where illegal timber so drastically undercuts the price of legally – never mind sustainably – produced timber, progress towards eliminating the illegal trade has been predictably slow.

With global forest loss now exceeding 12 million hectares per annum, and the degradation of remaining forests still occurring at an alarming rate, the global trade in illegal timber constitutes one of the main barriers to establishing sustainable forest management systems, and ultimately to achieving the UN's Millennium Development Goals¹. In light of this, and given the EU's key role as a timber importer, this report uses existing information on global trade to rank the member states' current imports, and to forecast the EU's wood-based product imports for the year 2015.

The report's main goals are to predict the contribution of illegal logging to future global forest loss and degradation; to consider its potential impact on people's livelihoods; and to determine the extent to which the EU might use trade relations to influence these impacts over the next 10 years. Based on detailed trade information, and focusing on six priority regions, it provides key insights into these issues and concludes with recommendations aimed at the EU, national governments and the timber industry.

Key findings

By analysis of existing trade data for the Amazon Basin, the Baltic states, the Congo Basin, east Africa, Indonesia and Russia, the report reveals that, of an estimated €10-15 billion lost through illegal logging globally each year, the EU is responsible for almost €3 billion of this, due to its trade with these six regions alone. With the EU importing just under 20 million cubic metres (total roundwood equivalent volume²) of illegal timber from these producers each year, Indonesia accounts for the highest value (an estimated €0.9 billion), while Russia and the Baltic states supply the greatest volume (around 13 million cubic metres). In total, these regions probably supply more than three quarters of the illegal timber imported by or produced in the EU. Moreover, of the 20 EU member states currently believed to be importing illegal timber (Table 1), the top three are Finland, Sweden and the UK, which together account for a roundwood equivalent volume of some nine million cubic metres – roughly 40 per cent of the EU's total illegal production and imports.

In terms of the EU's potential to use trade to limit rates of illegal logging, the report's findings can be summarised as follows:

- The EU imports around 45 per cent of all timber exported from the Amazon Basin. Brazil is by far Latin America's biggest supplier to the EU. However, Brazil's exports account for only around 20 per cent of domestic tropical timber production – most of that timber remains in Brazil. This limits the EU's potential to use trade to reduce illegal production in this region. France, the Netherlands and the UK account for the largest share of the region's exports to the EU. In this case then, an emphasis on providing markets and technical support to improve supply chain management would probably prove to be more effective than trade-related instruments.
- The EU is probably importing a substantial and increasing quantity of illegal timber from all regions (except the Baltic states) indirectly via China.
- In the Baltic states, Latvia (which supplies half this region's timber exports) and Estonia have the most to gain from a reduced trade in illegal timber. Sweden and the UK are the leading destinations for the region's timber exports. In this case the EU needs to make sure that illegal trade within its own borders is eliminated if it is to engage credibly with other producer countries.

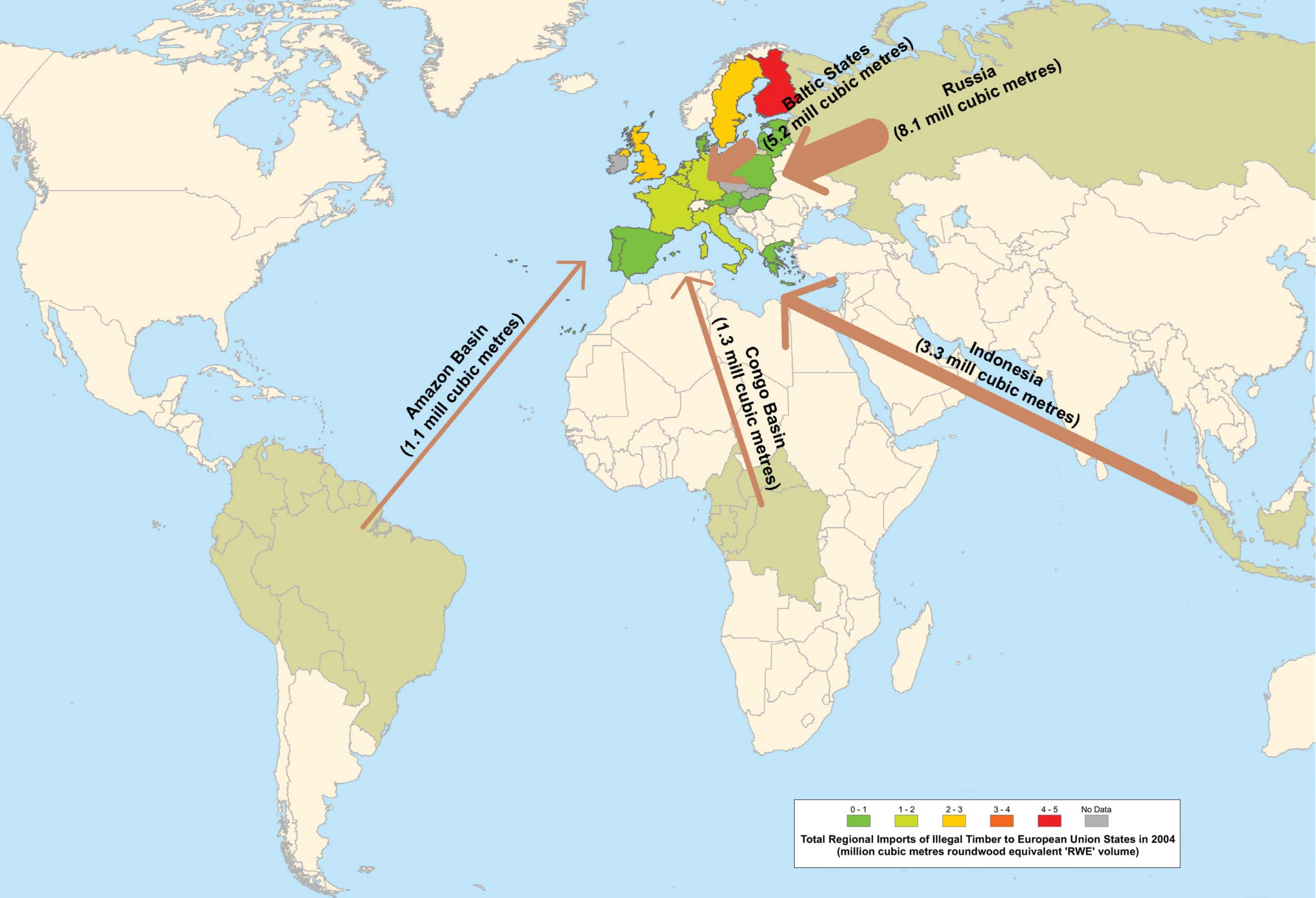
- Timber is one of the Congo Basin's principal export commodities. In contrast to the Amazon Basin, most of the Congo Basin's production (around 80 per cent) is exported. The EU and China are the leading destinations for these exports. Unfortunately, the EU's potential to use its market strength to reduce the production and sale of illegal timber is jeopardised not only by China's increasingly strong influence in the Congo Basin, but also the scale and nature of its illegal timber imports from the region.
- Cameroon and Gabon supply 80 per cent of the region's timber exports to the EU. Congo-Brazzaville supplies a further 10 per cent. Italy, France and, to a lesser extent, other southern EU countries, are the leading EU importers of timber from the Congo Basin – which, given the lack of real progress concerning public procurement policy in those EU countries, makes EU policy concerning the prohibition of illegal timber from the region all the more important.
- While the volume of east Africa's direct exports to the EU is relatively small compared with other regions, they can include high-value species whose habitat is particularly threatened
- The EU accounts for more than 10 per cent of Indonesia's tropical timber exports and rather less of its tropical timber production. Belgium, Germany, the Netherlands and the UK together account for the largest share of these EU imports. The estimated value of the EU's imports of illegal timber from Indonesia is probably sufficient to enable the EU to exert significant leverage. However, EU efforts to eliminate this trade will also require the active and meaningful cooperation of China, Japan and Malaysia, all of which import significant quantities of wood-based products from Indonesia.
- Finally, the EU imports the majority of timber exported from north-west Russia, accounting for between half and two-thirds of this part of Russia's production in 2004. While Finland imports most of this (especially as pulpwood), Estonia, Germany, Sweden and the UK also play a significant role. Finland and Sweden probably also import wood-based products from Russia indirectly via Estonia (a substantial proportion of whose exports are likely to derive from Estonia's own imports from Russia). Meanwhile China is again a major market, but from Siberia and the Russian Far East, where it imports almost as much as the EU.



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¹ There are eight Millennium Development Goals – 1: eradicate poverty and extreme hunger; 2: achieve universal primary education; 3: promote gender equality and empower women; 4: reduce child mortality; 5: improve maternal health; 6: combat HIV/Aids, malaria and other diseases; 7: ensure environmental sustainability; 8: develop a global partnership for development.

² Roundwood equivalent volume – a unit of measure which illustrates the volume of logs which would typically be required to make a given quantity of a wood-based product (such as plywood, pulp or paper).



Looking ahead

In addition to assessing current trade figures, the report forecasts the six focus regions' future exports based on three scenarios – 'optimistic', 'likely' and 'pessimistic', as determined by current and future political initiatives both at an EU level and internationally. The forecasts are for exports of wood-based products for 2008, 2010 and 2015, and highlight their expected illegal timber content. In particular, they focus on those exports to the EU. The report and the forecasts suggest the following:

- The diminishing availability of forests, and particularly natural forests, as a source of raw material will increasingly constrain trade, and negatively impact upon both biodiversity and people, especially in Indonesia and the Congo Basin.
- Significant variation will be apparent in the role played by individual member states in shaping trade in illegal timber, due primarily to the degree to which their imports concentrate on certain countries and products.
- Given that the paper sector is responsible for around a quarter of illegal timber imports into the EU (in terms of roundwood equivalent volume), and in some regions such as north-west Russia for the majority of illegal imports, any EU-based action on trade in illegal timber will have to cover both the timber and paper sectors.
- Current EU political initiatives will do little to minimise EU trade in illegal timber unless the currently proposed legality licensing system (which provides the legal basis for Voluntary Partnership Agreements) covers all wood-based products traded by partner countries; they cover trade via third countries; and they make independent monitoring and third party verification a requirement of any partnership agreement.
- There is a risk that the proposed legality licensing system within the FLEGT process may undermine various efforts towards sustainable and responsible forest management (which the EU has already supported) unless the Voluntary Partnership Agreements recognise that legality is just the first step towards achieving sustainable forest management.
- Current EU political initiatives may well place legitimate business at a disadvantage.
- The EU will fail to eliminate illegal timber from its imports unless applicable legislation is put in place. This would need to prohibit the import of illegal timber and wood products both from producer countries and from processing countries, notably China.

- There will be a need for other major importing countries – principally China, Japan and the US – to do substantially more towards eliminating illegal timber from their own imports.
- Intra-EU trade in illegal timber is not covered by the EU's Forests Law Enforcement Governance and Trade³ process. Illegal timber accounts for a substantial proportion of the production and exports of some EU countries, including those in the Baltic states.

The report concludes with five main recommendations:

- As a matter of urgency, the EU must develop legislation which prohibits the import of illegal timber and wood products into the EU, so that enterprises in importing and processing countries, and not just those in producer countries, will be held accountable for trade in illegal timber.
- The wood-based product industries of the leading importing countries must take a lead in eliminating illegal timber from their supply chain. This could involve, for example, assigning these countries the task of developing best practice for the EU in relation to trade with specific suppliers. The EU should seek not only to facilitate this process, but also to minimise the risk that a proliferation of standards (of legality or for certification) would evolve and which could inhibit trade with the EU.
- The EU and its member states must use their influence to bring about far more active efforts by other major importing countries – notably China, Japan and the US – to eliminate illegal timber from their own imports.
- Governments and regions must work together to develop a multilateral agreement to tackle illegal logging and deliver the ultimate goal of sustainable forest management around the world.
- The EU should provide technical assistance and financial resources to improve the capacity of its new member states to improve governance, especially in the forest-timber industry, and to enforce their own laws.

³ The EU Forests Law Enforcement Governance and Trade (FLEGT) action plan promotes voluntary agreements between member states importing timber and external countries producing it. However, while its aim is to prevent illegal timber being imported into the EU, it is neither mandatory, nor does it prevent illegal timber being imported into the EU via third countries.

Table 1: League table of estimated illegal timber imports from the six regions into the EU – 2004

	Sum of illegal timber imports from the six regions only (m3 RWE)	Timber Sector (m3 RWE)		Paper Sector (m3 RWE)	
		Total	Estimated Illegal only	Total	Estimated Illegal only
EU sum	20	42	13	28	7
Finland	5.1	6.3	1.8	12	3.3
Sweden	2.6	2.2	0.6	8.4	2.0
UK	2.3	7.9	2.2	0.8	0.1
Germany	1.5	4.5	1.4	1.2	0.2
Italy	1.4	2.6	1.0	1.1	0.4
France	1.3	3.2	1.1	0.5	0.2
Netherlands	1.1	2.6	1.0	0.4	0.1
Belgium	1.1	2.1	1.0	0.5	0.1
Estonia	0.7	2.5	0.7	0.2	
Spain	0.6	1.2	0.5	0.1	
Denmark	0.5	1.1	0.3	0.8	0.2
Latvia	0.4	1.5	0.4	0.1	
Greece	0.2	0.5	0.2	0.2	
Lithuania	0.2	0.7	0.2	0.1	
Portugal	0.2	0.4	0.2		
Poland	0.2	0.5	0.1	0.4	0.1
Ireland	0.2	0.4	0.2		
Austria	0.2	0.5	0.1	0.2	0.1
Hungary	0.1	0.3	0.1	0.3	
Czech Republic	0.1	0.2	0.1	0.2	
Cyprus					
Luxembourg					
Malta					
Slovakia					
Slovenia					

1. Units: million cubic metres roundwood equivalent (RWE) volume.
2. Note that amounts shown are estimates (particularly those pertaining to illegal timber) and exclude indirect imports via third countries, notably China.
3. The illegal timber percentages derive primarily from WWF sources. Those derived for a number of countries assume that the difference between consumption plus exports, and production plus imports, is illegal.
4. To calculate estimated figures for illegal logging imports into EU Member States, the report has multiplied the illegal logging percentage by the total imports from each of the countries within the six regions. It is possible that the estimated illegal trade could be significantly lower, depending on steps being taken by different member states and their respective industries, however none of this data is available to civil society. Civil society groups would be pleased to participate in such studies - if funding permits.
5. For want of published estimates of the proportion of illegal timber in a producer country's exports of wood-based products, it has hitherto been deemed reasonable to assume that the percentage of illegal timber produced and exported are the same. The robustness of this assumption would rise as the share of production that is exported rises.
6. Note also that the table only shows amounts exceeding 50,000 cubic metres RWE volume.
7. Because the amounts shown are rounded, columns may not add up exactly to the sums shown.