

# Forest Policies for the 21st Century

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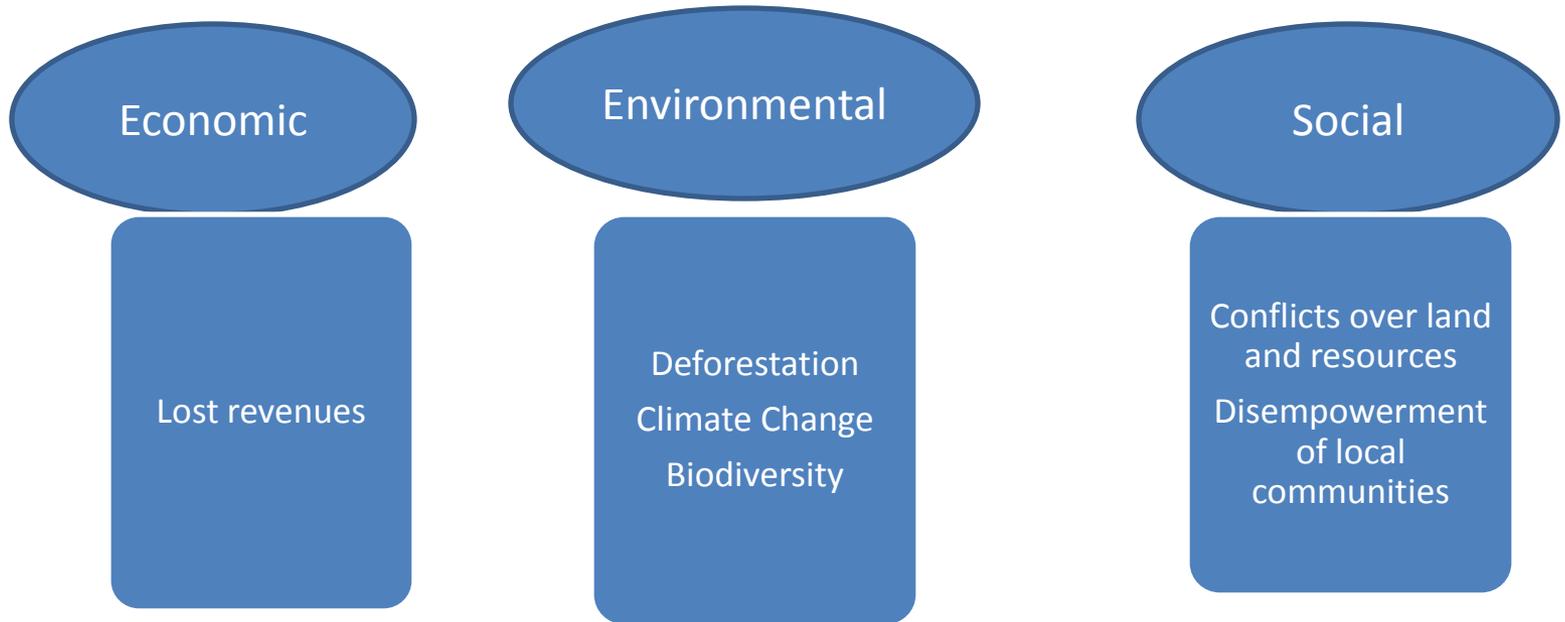
## FLEGT and Cross border trade in South Asia Region : *Challenges and Opportunities*

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**Module 3: Production of wood and other products**  
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# Problem: Illegal logging and unsustainable forest management



# Forest Law Enforcement Governance and Trade (FLEGT)

- To address the problem of illegal logging, the Bali Declaration on Forest Law Enforcement and Governance (FLEG) was adopted in September 2001, in a meeting attended by several ministers from Asia and countries in other regions.
- However, many countries found implementing the Bali Declaration difficult, revealing a need to strengthen the FLEG initiative through measures in major international markets.
- In 2003, EU introduced its Forest Law Enforcement Governance and Trade (FLEGT) Action Plan, which comprises a package of measures designed to support international efforts to combat illegal logging and associated trade, with the ultimate goal of achieving sustainable forest management. These measures include Voluntary Partnership Agreements (VPAs) between the EU and timber-exporting countries. The first VPA was signed with Ghana in 2009.
- These bilateral partnership agreements establish control and licensing procedures to ensure that only legal timber products from partner countries can enter the EU.
- However, VPAs only cover the direct trade between FLEGT partner countries and the EU, and only the products specified under the agreement. Circumvention by third parties (i.e. countries that export to the EU but that do not have a VPA with the EU) remained a risk.
- Therefore, in October 2010, the EU introduced a new regulation - EU Timber Regulation (EUTR) to further strengthen the control of timber of *all* origins entering the EU market.
- The EUTR is operational w.e.f. 3 March 2013.

## Timber products included in the EU-FLEGT Licensing Scheme under VPAs

HS heading	Description
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared
4406	Railway or tramway sleepers (cross-ties) of wood
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end jointed, of a thickness exceeding 6 mm
4408	Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for other similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm
4412	Plywood, veneered panels and similar laminated wood

## WHO IS AFFECTED?

The regulation divides those who deal in timber and timber products into two categories: **operators and traders**.

OPERATORS	TRADERS
You place timber or timber products <i>for the first time</i> on the EU market.	You sell or buy – for commercial purposes – timber or timber products <i>already placed</i> on the internal market.
<b>Your responsibility</b>	<b>Your responsibility</b>
You are required to exercise ' <b>due diligence</b> ' when placing wood on the EU market. It is <b>down</b> to you to minimise the risks of the wood coming from, or being made from, illegally harvested sources. This means that you must implement a risk management system called a 'due diligence' system, based on: <ul style="list-style-type: none"><li>• <b>Information</b></li><li>• <b>Risk assessment</b></li><li>• <b>Risk mitigation</b></li></ul>	You are required to keep information about your suppliers and customers so that the wood you handle can be traced as easily as possible.



## HOW DO OPERATORS EXERCISE 'DUE DILIGENCE'?

As an operator, you can develop your own due diligence system or use one developed by a monitoring organisation. Find a **monitoring organisation** near you on our website.

## WHAT ABOUT FLEGT LICENCES OR CITES PERMITS?

If the timber or timber products that you deal with have a valid **FLEGT** licence or **CITES** permit, they already comply with the requirements of the regulation.

## WHICH PRODUCTS ARE COVERED?

The legislation applies to a wide range of timber and timber products produced within the EU and imported from outside. It does not, however, cover all timber and timber products. A comprehensive list of products covered by the law can be found in the Annex of the EUTR.

## WHICH PRODUCTS ARE NOT COVERED?

It is important to note that the list below is not exhaustive.

- Recycled products
- Printed paper such as books, magazines and newspapers
- Packing material containing goods and used exclusively to support, protect or carry another product
- Some bamboo and rattan products
- **Other products not included in the Annex<sup>(7)</sup>**

## HOW IS THE LAW ENFORCED?

The Regulation is binding in every EU Member State. The legislator in your country lays down penalties so that the Regulation is complied with. There is a **competent authority** in each country which coordinates the enforcement of the Regulation.

The EUTR is not a border measure: imports will not be checked at the border.

# Timber and Timber Products included in EUTR

## Timber and timber products listed in the Annex to the EUTR

**REGULATION (EU) No 995/2010 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL** of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market, *Official Journal of the European Union* L295/31-L295/32 dated 12.11.2010

### ANNEX

**Timber and timber products as classified in the Combined Nomenclature set out in Annex I to Council Regulation (EEC) No 2658/87 ( 1 ), to which this Regulation applies**

- 4401 Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms
- 4403 Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared
- 4406 Railway or tramway sleepers (cross-ties) of wood
- 4407 Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm
- 4408 Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for other similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm
- 4409 Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed
- 4410 Particle board, oriented strand board (OSB) and similar board (for example, waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances
- 4411 Fibreboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances
- 4412 Plywood, veneered panels and similar laminated wood
- 4413 00 00 Densified wood, in blocks, plates, strips or profile shapes
- 4414 00 Wooden frames for paintings, photographs, mirrors or similar objects
- 4415 Packing cases, boxes, crates, drums and similar packings, of wood; cable-drums of wood; pallets, box pallets and other load boards, of wood; pallet collars of wood  
(Not packing material used exclusively as packing material to support, protect or carry another product placed on the market.)
- 4416 00 00 Casks, barrels, vats, tubs and other cooper's products and parts thereof, of wood, including staves
- 4418 Builders' joinery and carpentry of wood, including cellular wood panels, assembled flooring panels, shingles and shakes
- Pulp and paper of Chapters 47 and 48 of the Combined Nomenclature, with the exception of bamboo-based and recovered (waste and scrap) products
- 9403 30, 9403 40, 9403 50 00, 9403 60 and 9403 90 30 Wooden furniture
- 9406 00 20 Prefabricated buildings

( 1 ) Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff (OJ L 256, 7.9.1987, p. 1).

# Timber: Demand & Supply in India

## Projected Demand for wood

(million cubic meters)

Industry Category	1999	2000	2005	2010	2015	2020
Pulpwood-Based	8.41	8.76	14.32	21.92	34.67	45.86
Panel Wood-Based	11.03	11.55	14.69	18.82	23.96	30.53
Durable wood – Based	35.56	37.69	44.99	54.26	64.37	76.61
<b>Total</b>	<b>55.00</b>	<b>58.00</b>	<b>74.00</b>	<b>95.00</b>	<b>123.00</b>	<b>153.00</b>

## Projected Supply of round wood and fuel wood

source	2000	2010	2020
Natural Forest	14	14	14
Government Plantations	9.24	22.16	32.16
Social Forestry	5.80	13.80	13.80
<b>Total (Rounded off)</b>	<b>29</b>	<b>50</b>	<b>60</b>

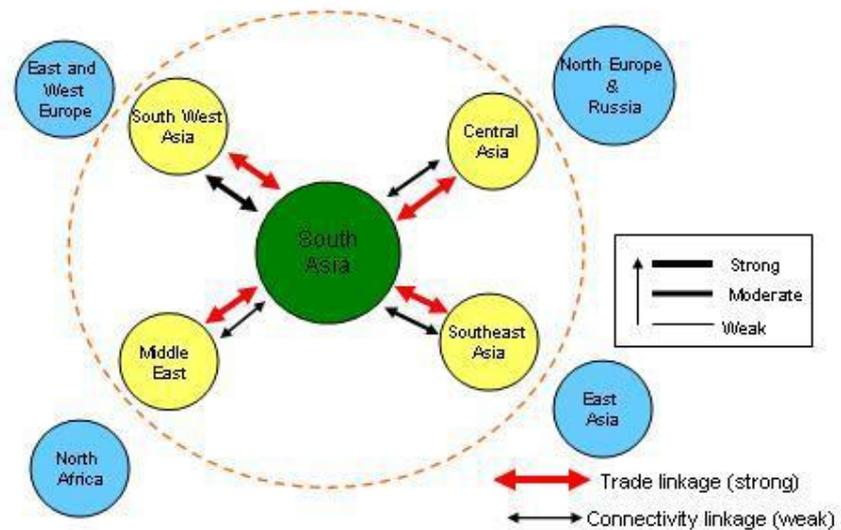
## Changes in sources of India's domestic timber supply 2000-2020

Source	2000	%	2010	%	2020	%
Natural forests	14.00	48.28	14.00	28.02	14.00	23.35
Government plantations	09.24	31.86	22.16	44.36	32.16	53.64
Social forestry	05.80	20.00	13.80	27.62	13.80	23.02
Total	29.00	100.00	49.96	100.00	59.96	100.00

- In a business as usual scenario, India faces severe constrain to meet the demand for timber from domestic sources. The import of timber likely to increase will reach 40-50 % of requirement by 2020.
- The export of wood products will also increase.
- Europe continued to be one of the major market.
- Myanmar is a significant trade partner in timber and timber products.

How these changes impact South Asian Countries border trade in timber products ?

## Trade and Connectivity Linkage in South Asia



Source: Prabir De, 2013 RIS

# Cross border trade and illegal logging

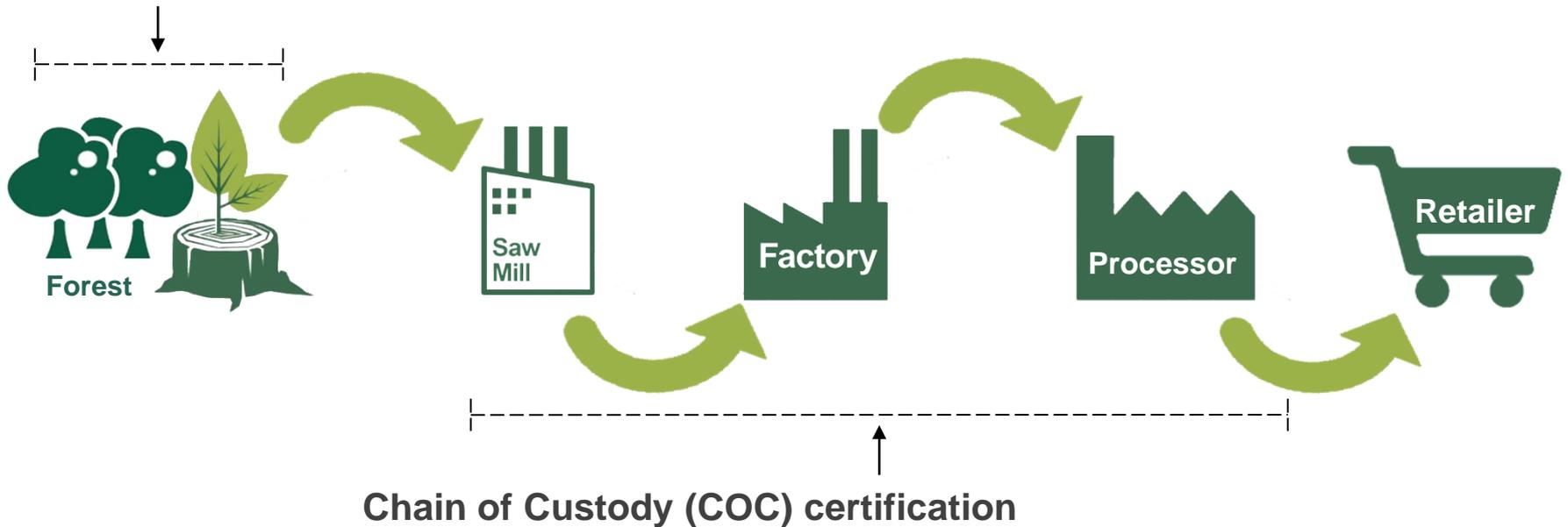
- Cross border trade promotes economic growth and development.
- Process of regional integration requires the investment for cross border transport network and other infrastructure investment in border areas.
- To realise the benefits of regional connectivity and trade liberalisation, countries have to follow policies that help to reduce costs of trade at border.
- However, unregulated cross border trade can cause increase in illegal logging and other environmental problems.
- For example, in Indonesia, the development of new cross border trade has resulted in the expansion of illegal logging in West Kalimantan.
- Cross border trade among the countries in SAARC Member Countries and Myanmar is likely to grow faster . Several projects in the region targets improving the infrastructure of cross border connectivity .
- **Question:** *Whether cross border trade in South Asia causes increased illegal logging and unsustainable forest management?*

# Forest Certification

forest management unit (FMU) certification is a process that leads to the issuing of a certificate by an independent party, which verifies that an area of forest/plantation is managed to a defined standard

Chain of Custody certificate (CoC) is a process of tracking wood products from the certified forest to the point of sale to ensure that product originated from a certified forest.

## Forest Management (FM) certification



- Do third party voluntary forest certification schemes support regulation ?
- Do regulation ( such as EUTR and US Lacey Act) drive the voluntary certification schemes?
- Do corporate procurement policies support the certification?
- Do public procurement policies support certification?

## Challenges/Issues

- Lack of awareness
- Cost of compliance
- coordinating multiple policy objectives ( eg. Trade policy, environment policy)
- Inadequate policy analysis.
- constrains of small holders and SMEs
- Risk to access finance from credible institutions

## Opportunities

- Market access for legal and certified timber
- Minimising reputational risk for the government and industry
- Creating employment and livelihood opportunities for the people dependant on forests.
- Support contributing to the provisioning of forest ecosystem services.

*Thank you*