



**Asia-Pacific
Economic Cooperation**

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Agenda: I E

Summary Report - 5th Experts Group on Illegal Logging and Associated Trade Meeting

Purpose: Information
Submitted by: APEC Secretariat



**6th Experts Group on Illegal Logging and
Associated Trade Meeting
Beijing, China
6-8 August 2014**

**5th MEETING OF THE APEC EXPERTS GROUP ON ILLEGAL LOGGING
AND ASSOCIATED TRADE (EGILAT)**

7-8 May 2014

Qingdao, China

Session 1 – Opening session

1. Mr. Xia Jun, Chair of EGILAT, welcomed all participants from 18 economies¹, highlighted the importance of making plans, to review and learn from previous lessons, and to find consensus through differences.
2. Mr. Liu Dongsheng, Deputy Administer of the State Forestry Administration of China, delivered the opening remarks. In his speech Mr. Dongsheng highlighted that a healthy and good environment is the basis of sustainable development of all economies, and briefed on the results of China's 8th national forestry resources inventory. He pointed out that China is among a few economies that realized double increases in forest coverage and standing volume but China is still faced with challenges in sustainable forest development. He briefed on the measures that China has taken to ensure legality, including improvements in forestry governance, promotion of the forest certification/verification scheme, exploring ways to facilitate the sustainable use of overseas forests, cooperation mechanisms for government, sectoral association and industry, international dialogues and communications for policy and information sharing.
3. Chair drew attention of the participants to the draft agenda of EGILAT5. China explained the reasons for cancelling the field trip and proposed some solutions. Without further comments on the agenda, the draft agenda was adopted as document 2014/SOM2/EGILAT/001.
4. The APEC Secretariat made a report on APEC key developments, including the remote participation system, registration, communication and outreach, and new guidelines for hosting EGILAT meetings. The written report is tabled as Document No 2014/SOM2/EGILAT/002.

Session II – Strategic Plan and 2014 Work Plan

5. Chair reported on the work done in 2013 based on the 2013 work plan, and assessed that the group had implemented their plan well. No comment was raised by the member economies. Chair concluded that members were satisfied with the work done in 2013.
6. Chair moved on to the discussion on the recommendations from the independent assessment of EGILAT in 2013, and invited members' views on the recommendations. The APEC Secretariat shared with participants the background of the assessment, and reminded that the group is to respond to the SOM Committee on Ecotech (SCE).
7. Participants agreed to all recommendations except one that is contentious concerning the formation of a new forestry working group or expanding EGILAT's Terms of Reference to cover broader forestry issues. The group agreed to have further discussion on this contentious issue as well to provide further notes. On Recommendation 8 to EGILAT, members agreed that EGILAT follows a membership driven leadership model, but some members did not agree with the specific suggestions of establishing Deputy Chair(s) and a permanent Advisory Group, noting instead that EGILAT develops ad hoc advisory groups for specific issues. A response from EGILAT to SCE will be finalized at the EGILAT6 in Beijing during SOM3. Many delegates expressed concern that the working group has yet to receive APEC funding. Chair reported on the process for obtaining funding and discussed funding criteria that EGILAT should consider. Based on the suggestion, delegates from Canada, Australia, the United States, China, Indonesia

¹ Australia, Brunei, Canada, Chile, China, Indonesia, Japan, Korea, Malaysia, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Chinese Taipei, USA, and Viet Nam

and New Zealand agreed to participate in an advisory group to improve and help design / develop EGILAT project proposals, and Canada will chair the advisory group. Chair also recommended utilizing the resources from non-APEC entities. The APEC Secretariat explained the APEC project funding process.

As a way forward, Chair summarized the discussions on the recommendations, asked the Secretariat to compile the responses for members to comment intersessionally. Once the draft is circulated, members are expected to provide their response within two weeks (due 28 May 2014).

8. Chair briefed the group about the results of his participation at SOM1. He highlighted his discussion with the Chair of Small and Medium Enterprise Working Group (SMEWG) in which they explored the possibility of a joint proposal on developing SME code of conduct with regard to forestry products. The United States requested if there is any paper on this proposal for consideration and Chair mentioned that none is prepared yet. The Chair concluded that China will take the lead on this and highlighted that inter-fora communications in terms of the joint proposal will be required. Further discussion on this will be discussed under capacity building agenda item.
9. Chair opened the floor for the discussion and suggestions about the Strategic Plan 2013-2017. Some participants expressed the view that discussion of the strategic plan was not timely as it was already endorsed. It was also noted that considerable effort and work had been put to produce the existing strategic plan. Canada and the United States welcomed the consultant's input but found it to be rather prescriptive and awkwardly timed. Nevertheless, the group agreed to fine-tune the strategic plan. The group agreed to ask the drafting committee, including Canada, China, Peru, Russia, Indonesia and the United States to work on this, with Canada as the Lead. Canada accepted the request. As suggested by Canada, it was agreed that the group will report back in approximately one month (due 20 June 2014).
10. Chair started the discussion on 2014 work plan. Australia briefed on background information for the 2014 work plan, and stressed that the draft was prepared in collaboration with Canada, Chile, China, Peru and the United States. He reported the timeline of drafting the work plan, and the actions items. He briefed members on the expected outcomes and challenges that could be met. Participants discussed the work plan, and agreed to adopt the 2014 work plan (Document 2014/SOM2/EGILAT/007).

Session III – Exchange of Information on Policies, Regulation, Governance, and Law Enforcement Relating to Combating Illegal Logging and Promoting Trade in Legal Forest Products

11. Australia briefed on the laws in Australia to prohibit illegal logging, and the scope of regulated timber products in his presentation of "Update on Australia's Actions to Combat Illegal Logging". He explained the due diligence system (DDS) requirements, and reported the country specific guidelines. He showed the example of a country specific guideline, and the relationship between importer and exporter. Finally, he shared the Australian plan for future work.
12. Russia presented on its approach to illegal logging and the creation of favorable conditions for trade in legally harvested timber. He reported that specific tools and system to ensure the legality of logging in Russia. He stressed that Russia realized that it is insufficient to solve the problem without active international cooperation, and called on the sharing of information among APEC economies. Russian representative suggested to consider the special form for information sharing dealing with the flow of timber, crossing the border of the APEC economies. The draft of this form was submitted by Russian side for EGILAT participants. Russia was requested to provide additional information on this form before or at EGILAT 6.
13. Participants had some questions about the two presentations. Participants from Indonesia expressed interest on the recognition by some schemes for Australian system, the implementation of DDS by importers, and the price undertaken by importer. Australia noted that their timber legality framework recognizes the Programme for the Endorsement of Forest Certification (PEFC), Forest Stewardship Council (FSC) and Forest Law Enforcement, Governance and Trade (FLEGT) licensed timber. He said that Australia pushes the implementation of due diligence and country specific guidelines and

- ensuring businesses to undertake the DDS are the next step. He stressed that the price is not a big problem and there are some solutions for this.
14. Russia responded the questions on species listed in Russian presentation, and explained they are endangered species in the Siberian area because of the uncontrolled harvest for their huge economic value. He introduced Russia's measures to manage these forests.
 15. Australia answered the question posed by the United States about the prosecution for due diligence system and the way to mitigate the risks. He highlighted that it is government's responsibility to demonstrate that a business doesn't fulfill the DDS. He explained that Australian due diligence is similar to due care, and stressed that country specific guidelines will be the approach to implementing due diligence. He listed some steps for progress, e.g., continuing to talk with timber importers, processors, state governments and trading partners and providing education materials.
 16. Invited guests from The Asia-Pacific Network for Sustainable Forest Management and Rehabilitation (APFNet), European Forest Institute (EFI), and The Nature Conservancy (TNC) introduced their efforts and actions against illegal logging. APFnet reviewed the impacts of illegal logging and actions against it, and reported its efforts to promote sustainable forest management and legal trade of timber and timber products, including demonstration projects, , capacity building programs, information sharing and policy dialogues. EFI briefed on the FLEGT action plan, and highlighted the importance of EU Timber Regulation and Voluntary Partnership Agreements (VPA). EFI reported that FLEGT VPAs are trade agreements guaranteeing legal wood trading and timber legality assurance systems (TLAS) as a tool to assure legality and introduced the VPA progress around the world, and the cooperation with China, Russia Far East. He pointed out that a due diligence system is a critical component of EU Timber Regulation. TNC explained the reason to develop a methodology to identify the gap and promote the future development, and introduced RAFT's approach to assessing capacity and the capacity assessment tool. Finally TNC shared the thoughts on next steps and potential outcomes, and highlighted the importance of country-to-country learning.
 17. Indonesia posed questions on the presentations by the invited guests. Indonesia wondered why APFnet carried out demonstration projects among communities, asked EFI about the timing of first FLEGT license, and requested TNC's concepts and suggestions on how to use the tool to ensure legality. APFnet explained that the demonstration project is not a pure legality project but more focused on sustainable forest management and local community development and in this sense communities are an important player to transfer the legalization into practice and realize legal wood production in the field, which is the reason for APFnet to design its projects of training and demonstration mainly targeting local communities. EFI thought it might be possible for Indonesia to issue the first FLEGT license at the end of this year or early next year. TNC explained the tool is just at the research stage but it is helpful to share experiences and progress in the platform provided by EGILAT.

Session III – Presentation by Member Economies

18. The first round of presentations started with eight economies, Australia, Brunei, Canada, Chile, China, Indonesia, Japan and Korea, in which they shared their understanding of legality and relevant legislative regulations. These economies reported that there is no single definition on legality, and they presented similar categories of legislative requirements, mostly covering harvesting, transportation and trade. Australia pointed out the definition cannot be given by one economy alone and cooperation between economies is very important to define legality. Brunei and Indonesia presented their respective laws and regulations on this matter including the possible sanction in case of violation. China emphasized the challenges faced by SMEs and processing industries with imported timber. Korea thought legality could be ensured with both efforts from importers and exporters. Some economies pointed out penalties have been adopted on the illegal logging and associated trade. Japan reported that its voluntary and self-disciplinary Goho-wood system has no penalties while illegal forestry practices committed domestically are subject to penalties.
19. The second round of presentations were given by Malaysia, New Zealand, PNG, Philippines, Russia, Chinese Taipei, the United States, and Vietnam. Malaysia and PNG

- gave their definition of legality while other economies reported there is no single definition of legality and that it is based on the law of the country of harvest. All economies briefed on their legislative system or TLAS scheme to ensure the legality and the penalties for the violation of laws and regulation. Their presentations showed that few economies have a single law for legality and instead there are a range of laws governing logging, and quite a few economies applied due diligence systems. And almost all economies agreed that legality covers the categories of harvesting, transport and trade.
20. The United States proposed that APEC develop non-binding guidance on the categories of laws that should be considered in determining what constitutes “illegal logging” and then to create a compendium of the relevant laws of APEC member economies and to have a website to make these laws and regulations available online. The United States also proposed to establish a working group to develop this proposed guidance on the categories of laws and regulations that are relevant in determining what constitutes illegal logging.
 21. Australia, Canada, Indonesia, China, Chinese Taipei, New Zealand, PNG, Vietnam and Korea supported the proposal of the United States. They thought information sharing is very essential to promote understanding of legality by different economies. Chinese Taipei and Korea also suggested that more information such as verification/certification requirements should be put on the website. It was agreed to set up a task force to work on an information sharing template for discussion at the next meeting.
 22. Chair summarized the agreement to develop guidance to economies on the categories of laws and regulations that should be considered in determining what is “illegal logging and set up a new task force to work on this issue intersessionally in order to develop the issue for further discussion at EGILAT6 in Beijing. The United States, Australia, China, New Zealand, Malaysia and Indonesia volunteered to join the task force, and Australia will chair the task force.

Session IV – Capacity Building

23. Chair reviewed the workshop held on 6 May, and invited Dr. Chen Yong, the organizer of the workshop to report the views from the workshop. Dr. Chen Yong reported on participants' views on timber assurance systems and summarized five views expressed during the workshop: TLAS is an effective way to ensure legality; government should take leading role but welcomed the monitoring and involvement from multi-stakeholders; there are a number of challenges which need to be solved through the cooperation between governments and between government, NGOs and industry; low-cost and easy-to-operate verification or assurance systems are in demand; mutual recognition between verification or certification systems is a direction or solution to these challenges.
24. Participants discussed the views reported from the workshop. Chile asked for the summary report of the workshop. China agreed to prepare and circulate the summary of the workshop to members.
25. Chair invited China to present its initiative on a regional timber legality recognition mechanism. China briefed previous activities of policy dialogues and information sharing on timber legality assurance/verification within APEC framework, which had set a sound basis for further in-depth cooperation. China expressed the view that given the global context of the ever-increasing diversity of statutory requirements and available TLASs, as well as the great challenges faced throughout the whole chain, it is of high demand to harmonize the existing requirements and systems, and move towards a regional timber legality recognition mechanism. China explained that its initiative is quite open and flexible, aiming to initiate and encourage the discussion within EGILAT, with a long-term goal to promote trade in legally harvested forest products. Russia, Indonesia and Malaysia welcomed and supported this initiative, thinking it is a good way to carry along the chain of custody. Chile thought more work should be done for this initiative, e.g., timeline. Australia and the United States expressed reservations about the initiative. The United States opposed development of a system of mutual recognition based on certificates of legality issued by other economies. The discussion was led back to the utility of developing guidance on the relevant categories of laws and regulations and a compendium of such laws and regulations, and it was agreed that a template for this will be needed to structure the information to be collected. Australia suggested that the task force established for developing guidance on timber legality would be the proper group to

eventually lead this process. China invited more economies to join the task force. APEC Secretariat made reference to the Good Regulatory Practices initiative that promotes this type of regulation portal and similar efforts by other APEC working groups.

Finally, the United States, Australia, China, New Zealand, Malaysia, Indonesia, PNG and Vietnam joined the task force. Chair requested that the task force carry out this work and provide feedback for the next meeting for discussion.

26. The APEC Secretariat presented the APEC-Funded Project Timelines and Funding Criteria for 2014, and answered the questions on the funding from member economies. Questions include: funding criteria, funding availability, ranking and prioritization process, and Secretariat support. Chair invited member economies to propose potential capacity building project. No proposals were given by economies for now.
27. Chair discussed the possibility for capacity building projects. He suggested the cooperation with SMEWG to develop an SME Forestry Sector Code of Conduct, stressing it would be helpful to a joint funding application. He also proposed to use resources and funding from Non-APEC entities, e.g., APFNet. Participants discussed the suggestions made by Chair. The United States requested further information about the two proposals. Chair explained these suggestions were only concepts without written proposals and hoped economies would provide comments intersessionally. China expressed the willingness to develop the ideas into proposal and Australia was willing to join China for the work through the capacity building advisory group. It was also suggested that this proposal could be developed through the advisory group to improve and help design / develop EGILAT project proposals.

Session V – Looking Ahead

28. The APEC Secretariat asked EGILAT members to go through the classification of documents (Document 2014/SOM2/EGILAT/000). Some amendments were made with regard to documents intended for internal group consideration submitted by Russia on information exchange between APEC Economies. Russia agreed to the suggested amendment and will provide further explanation intersessionally. It was agreed that further discussion on the document can be done at EGILAT6.
29. China, the host of EGILAT5 informed the EGILAT of the time for the next meeting in Beijing, and welcomed suggestions and input from economies. China also offered to organize a half-day city tour on 9 May, and briefed on logistical information for the following day.
30. EGILAT Chair delivered the closing remarks and gave his thanks to members, the APEC Secretariat, supporters and volunteers. On behalf all participants, the Secretariat extended its appreciation for China's hospitality and the chair's leadership.