



**Asia-Pacific
Economic Cooperation**

2014/SOM3/EGILAT/003

Agenda: I E

Summary Report - Workshop on Developing Timber Legality Assurance Systems

Purpose: Information
Submitted by: APEC Secretariat



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

**APEC Experts Group on Illegal Logging and Associated Trade
Workshop on Developing Timber Legality Assurance Systems**

**6 May 2014
Qingdao, China**

Summary Report

1. The APEC EGILAT Workshop on Developing Timber Legality Assurance Systems was held on 6 May 2014 in Qingdao, China. Sixty Participants from APEC economies, NGOs, research institutes, industrial associations and enterprises participated in the workshop. The EGILAT Chair, Xia Jun, chaired the meeting.

Opening: Xia Jun EGILAT Chair

2. Madame Zhang Yanhong, Deputy Director General of Development Planning and Finance Management Department of the State Forestry Administration of China, delivered the opening remarks on behalf of the host. She highlighted the 6 principles to follow in combating illegal logging and briefed on a series of active measures taken by the Chinese Government, as well as the progress of timber legality verification in China.

3. The EGILAT Chair welcomed all the participants, and delivered the opening remarks on behalf of EGILAT. He pointed out that the aim of workshop is to share the requirements and measures on combating illegal logging, and introduced the agenda at the beginning.

Session I –WHY develop timber legality assurance systems?

4. Sigit PRAMONO from Indonesia moderated the 1st session, during which the panelists shared information and practices in an effort to promote environmental protection objectives and respond to market requirements and consumer preferences taken by APEC, non-APEC economies, and international societies.

5. Ben Mitchell from Australia presented the reasons for establishing timber legality assurance systems and Australian efforts for legislation development in his presentation of “Timber Legality: the Australian Experience”, such as *Illegal Logging Prohibition Act (2012)*, and *Illegal Logging Prohibition Amendment Regulation 2013*. He briefed on penalty measures, the due diligence system (DDS) requirements and the country specific guidelines which are under development with trading partners to define legal sourced timber.

6. Tian He from China analyzed the current state and trends in the world forest product trade, the mandatory or statutory requirements from EU, Australia, and the US on legal timber, and efforts from governments to establish verification and assurance systems. He reported the progress of timber legality verification in China, and summarized the challenges faced by TLVS. He proposed to build an easy-to-operate, reliable and cost-effective mechanism to facilitate the timber legality recognition among different schemes to improve the transparency, openness and common benefits.

7. Thomas Swegle from the United States briefed on the Lacey Act and relevant penalties, and discussed reasons for developing TLAS. He explained what due care is under the Lacey Act, described common-sense steps that companies can take in exercising due care to avoid purchasing illegal wood, and circumstances that raise “red flags” regarding possible illegality. He also discussed the relationship between TLAS and the Lacey Act. He pointed out that legality under the Lacey Act is fact-based rather than paper based. He summarized that an effective and credible TLAS may be of assistance to companies trading in wood products, benefit member economies in advancing conservation and other objectives, and promote trade in legal forest products.

8. Igor Razumovskii from Russia provided an overview of forest resources and timber trade in Russia and briefed on the new state law, which requires measurement of harvested timber, transaction declaration for round wood, state information system for timber measurements and transactions, and accompanying document to transport. He highlighted that the new law sets new economic principles for forest sector and benefits the forest industry. The obligations for the business will be compensated by additional opportunities.

9. Vincent Van der Berk from EFI briefed on the EU's approach to combating illegal logging, and reported on the FLEGT action plan towards sustainable forest management. He highlighted VPAs and

TLAS among the 7 areas covered by the FLEGT action plan, and illustrated the principles of TLAS and the importance of legality definition. He introduced the VPA process in Asia, and EUTR and DDS requirements for information, risk assessment and mitigation. Finally, he mentioned some thoughts on next steps, such as review of EUTR implementation and evaluation of the FLEGT Action Plan in 2015, and cooperation with other consumer markets on market requirements.

10. Questions were posed regarding EUTR implementation, the implementation and monitoring of country specific guidelines, and the automatic acceptance of TLAS verified products by EU member states. Ben Mitchell and Vincent Van der Berk answered these questions.

Session II – WHAT systems are available to assure wood products are legally obtained and traded?

11. Vincent van den Berk from EFI moderated the 2nd session, during which the panelists discussed the existing timber legality assurance systems, systems under development, and best practices and lessons learned in developing effective and credible timber legality assurance systems.

12. Wilistar Dany from Indonesia presented the background information, underlying objectives, concept and process of Indonesia's TLAS, as well as the responsible agencies and their responsibilities and roles. He briefed concerted actions to speed up TLAS implementation, its promotion in major markets and the issuance status of V-legal documents in Indonesia, and introduced the best practices, lessons, and challenges.

13. Mari Momii from Japan reported on the legal framework for legal wood use and explained the coverage of the *Green Purchasing Law and Guidelines for Verification on Legality and Sustainability of Wood and Wood Products*. She described the Goho-wood system and its working mechanism, stressing the focus on the design of verification methods. She called on more risk assessment with an example of paper industry, and gave the final thoughts from the international perspective.

14. Susan Velma from PNG introduced PNG's laws and regulations on timber harvesting and trade, as well as the ways to have the rights to harvest and the export monitoring of forest and wood products. She also introduced PNG's efforts to address legality, and highlighted the mechanism to enhance timber legality standard and the challenges faced by PNG in terms of legality.

15. Loke Sim Wah from Malaysia discussed timber exports and major timber markets of Malaysia and stressed that Malaysia is endeavoring to develop a TLAS in connection with the VPA negotiation, and is also actively negotiating with Australia. She highlighted the agreed principles in TLAS development and introduced the structure for VPA process and the agencies involved in the process. She introduced the data monitoring in the supply chain, the challenges of stakeholder consultation because of diverse concerns and priorities, etc., and challenges in TLAS establishment and implementation.

16. Richard Gymiah from Ghana shared information on the VPA process in Ghana. He briefed on Ghana's efforts to develop a TLAS, and highlighted that broad stakeholder consultation is important for TLAS implementation. He introduced the legality definition scope, the verification process, the auditing agency and the issuance of FLEGT license by TIDD. He also talked about challenges, such as industry's sensitivity to cost and capacity building, and shared Ghana's experiences.

17. Questions were raised to the panelists, e.g. whether the export permit is mainly for EU market or other markets as well and whether there is a price difference for products with documents and without documents. Indonesia responded that the V-legal document will be issued for both EU and non-EU markets to ensure all products from Indonesia are legal. In this sense, there is no price difference. Malaysia explained the TLAS is only operating in Peninsular Malaysia and only for the EU market. Therefore, the price will to some extent increase but the TLAS system will help enterprises to increase exports. Ghana answered that the cost for wood tracking system (WTS) has been borne by EU, specifically by DFID, but Ghana will bear the cost in the long run.

Session III –WHAT are the key building blocks and major challenges in developing and implementing an effective and credible timber legality assurance system?

18. Ben Mitchell from Australia moderated the 3rd session, during which the panelists discussed challenges of developing and implementing timber legality assurance systems, such as transparent

legal regimes and stakeholder participation processes, effective chain of custody mechanisms, effective law enforcement capability and practices, resource and capacity constraints, and having locally-operational and cost-effective processes.

19. Jin Zhonghao from WWF China pointed out the challenges faced in preserving natural resources, and held that China should undertake more responsibility as a large wood importer and processor. He gave the example of Paradise Forest in Indonesia to show that corruption, mafia and gangs are closely connected with bad implementation. He thought it is important to raise awareness among government, enterprises and other stakeholders, and FSC is a good approach to assure timber legality. He expressed WWF's willingness to contribute to combating illegal logging.

20. Descartes from DRC introduced the forest sector in DRC, and briefed on DRC's efforts to ensure legality and combat illegal logging as well as the VPA process between DRC and EU. He explained the reasons behind the VPA negotiation and the legislative requirements to improve the transparency. He gave the recommendations for next steps, such as harmonizing various conflicting laws.

21. Dong Ke from TNC and Xu Bin from China briefed on China's pilot project on risk mitigation for wood imported from PNG. Dong Ke introduced the background and reasons to choose PNG for this pilot project, and explained the methodology and steps to mitigate risks for wood importation. Xu Bin introduced *China Timber Processing and Trading Legality Guidelines for Imported Timber*, and its application. He illustrated the strengths and weakness along the supply chain from PNG to China, and the challenges, lessons and recommendations.

22. Frederik Cornu from Bureau Veritas introduced BV's Due Diligence Solution (DDS) for the EUTR, from the standpoint of an EC-recognized monitoring organization. He overviewed the DDS's scope, procedures, risk assessment criteria and 5 risk levels, and briefed the progress of DDS in China. Finally, he summarized that BV DDS is to help companies to meet EUTR requirements and BV has good experiences in China, and he expected more collaboration with all interested parties to streamline DDS procedure and reduce verification costs.

23. Mikhail Tarasov from IKEA shared IKEA's experiences in legality assurance. He introduced IKEA's minimum requirements and more sustainable requirements on forest products, saying IKEA recognizes FSC standards. He introduced the tools and resources that IKEA adopts to meet legality and sustainability objectives, and called governments to establish schemes or guidelines to control legality of wood flows, without further unnecessary burdens on responsible operator.

24. Participants gave comments and questions to the panelists. Questions included: 1) Is WWF China willing to participate in restoration projects of APP in Indonesia? Jin Zhonghao welcomed APP's active measures to zero deforestation and forest restoration, but stressed that WWF needs more time to test the effect and observe the progress made by APP. 2) Has IKEA changed its criteria for the identification of high risk countries or low risk countries? Mikhail responded that IKEA developed a Code of Conduct regarding risks in different countries, but sees no strong progress in risk decrease after 4 years. Moreover, Indonesia expressed willingness to cooperate with other countries, such as China, and highlighted the importance to establish schemes to control and secure the legal timber flow, echoing IKEA's recommendations. Dong Ke commented that EGILAT provides an open forum for view sharing.

Session IV – HOW to address the challenges of developing and implementing an effective and credible timber legality assurance system?

25. Chen Shaozhi from China moderated the 4th session. He firstly summarized views presented by the panelists in last three sessions, and emphasized that government should shoulder more responsibilities, with more efforts being taken to work together to address the technical difficulties regarding traceability of legal wood. He encouraged all the workshop participants to discuss possible measures, such as bilateral/regional dialogues, capacity building and information sharing, and potential mechanisms within APEC to share various measures in terms of timber legality.

26. Invited by Chen Shaozhi, the moderators of the last three sessions joined in the board and gave their opinions to address the challenges. Sigit PRAMONO from Indonesia thought TLAS will ensure consumers buy legal timber through the control of supply chain, verification and licensing mechanism, and it is important to develop, implement and harmonize the mechanisms or systems to meet different requirements from various markets. Vincent van den Berk from EFI highlighted that the development of TLAS in Indonesia and Ghana as well as the experiences of PNG with China and Australia to

develop guidelines are quite valuable to share, and commented EGILAT is an effective forum to share these experiences. Ben Mitchell from Australia thought it is difficult to give one answer to this issue and it is important to build a system tackling the issues around the world. He held that mutual recognition scheme is a challenge itself, as there is a big discrepancy in legality definition. But cooperation between countries and coming to the consensus will be good. Governments should work with each other to define what laws should be taken into account and how legality is defined.

27. Chen Shaozhi commented that it is necessary to recognize the differences and work towards consensus in an inflexible way and seeking for the common objectives and good practices. He also invited other participants for further comments and suggestions.

28. Wang Shaofang from Shanghai Forest Product Trading Association thought simple and low cost scheme, mutual recognition and small steps towards final goals are the answers to the challenges. He also briefed on the cooperation of his association with a French association on legality and their efforts to promote the fair trade and the highly efficient use of wood.

29. Chen Shuihe, an independent consultant with 40-years experience, thought legality is related to harvest countries. If the custom agree to the imports, it means the custom recognizes the legality of imported timber, and the timber is legal in this sense.

30. Makhai from IKEA commented that legislation enforcement and forest management licenses do have direct costs. There should be the understanding among enterprises on the cost and price of verification. As for the price of FSC certified products, the high-priced end products can compensate the price increase.

31. Jeff Cao from BV thought the price of verification is relatively small while establishing the system is costly. Measures should be taken to reduce the cost, such as group certification.

32. Chen Xiaoqian from EFI highlighted that developed markets have requirements on legality, developing countries have some efforts but there is no solution to the discrepancy. Timber legality is a sovereignty issue and trade is B-to-B business. It is important to combine efforts from all parties, and it is necessary for government and business to work together.

33. Thomas Swegle from the United States stressed that member economies, especially procuring and consuming sides, should take steps to ensure trade in legal wood products, and pointed out benefits of TLAS. He thought it is useful to hear the challenges in developing an effective and reliable TLAS and to have dialogue and communication on these challenges.

34. Chen Shaozhi summarized that through the intensive discussions and reviews of previous presentations, participants came to the conclusion that all parties should move forward and achieve progress even with some differences in views and many difficulties in legality.

Closing - Concluding Remarks by EGILAT Chair

35. Xia Jun, the EGILAT Chair, made the concluding remarks. He commented that all the panelists and participants gave valuable remarks on legality, and 'effective' and 'valuable' are the two words that can summarize the discussion and experiences shared today. 'Effective' means transparency and the need to reduce the cost with on-the-ground and reliable operation. It is also necessary to have bilateral, multilateral, and international dialogues and cooperation is a way towards mutual recognition. 'Valuable' refers to the workshop itself, which provided a basis for EGILAT meetings and for the work in the coming two years, with the hope to link more differences and find more in common. Finally, he extended his thanks to all participants, APEC Secretariat and all the supporters of the workshop.