SUMMARY NEWSLETTER
H1 / 2019

IMM News

Providing information on independent market monitoring of FLEGT-licensed timber

In this issue

Independent Market Monitoring (IMM) is a multi-year programme funded by the European Union (EU) and managed by the International Tropical Timber Organisation (ITTO). IMM's role is to use trade flow analysis and market research to independently assess trade and market impacts of FLEGT Voluntary Partnership Agreements (VPAs).

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PROJECT News

Barcelona IMM Trade Consultation includes African VPA focus

The next IMM Trade Consultation takes place in Barcelona on October 7. It will give participants from Spain and across the EU the opportunity to hear and discuss the latest on the FLEGT VPA initiative and tropical timber trade flows, notably from VPA partner countries.

Given the interest of the Spanish timber sector, there will be a particular focus on VPA developments in Africa. The event is supported by the Spanish Timber Trade Federation (AEIM) and the EFI FLEGT Facility and will be held at the latter's headquarters on the historic Sant Pau Art Nouveau site.

Previous IMM Consultations in London, Nantes, Berlin and Antwerp have drawn a diverse audience, including timber businesses, specifiers, end-users, retailers, representatives of Competent Authorities and other stakeholders. The Barcelona event is expected to attract a similarly broad range of delegates.

The first workshop, led by IMM Trade Analyst Rupert Oliver, will look at trends in the European tropical timber sector, background, reasons and solutions. Delegates will be invited to discuss latest market developments and outlook and key factors shaping supply and demand. They will also be asked to rate different market drivers in order of significance.

The second will centre on priorities and purchasing dynamics in the tropical wood products sector; how supply chain relationships develop and the relevance and impact in business and buying decisions of FLEGT licensing. Andrew Escott of the Global Timber Forum will moderate.

There will also be a presentation from George White on the materials specifying and sourcing policies of architects, a topic on which he is leading an IMM study (see p5). He will look at the role of FLEGT licensing in architects' procurement decisions, and the significance in the sector

Sant Pau Art Nouveau - venue for the IMM Barcelona Trade Consultation

of green building rating systems.

Workshop three focuses on FLEGT impacts in African VPA countries, and challenges facing European companies involved in timber production on the continent.

Chris Beeko of the Ghana Forestry Commission will give an update on the Final Joint Assessment in the country, and the EFI FLEGT Facility will address latest VPA developments in the Republic of the Congo and Cameroon.

To register for the Barcelona Trade Consultation **CLICK HERE**.

According to latest IMM analysis of Eurostat figures, Spanish tropical sawn timber imports from January to May 2019 rose 26.1% to 35,000 tonnes, making it the fourth biggest EU importer of that product group in this period after Belgium, the Netherlands and France. Greatest increases came in imports from Cameroon, up 94% to 11,753 tonnes, and Brazil, up 9% to 19,741 tonnes.

This year members of the AEIM board of directors held special talks with the Spanish Competent Authority at the Ministry of Agriculture, Fisheries and Food (MAPA). Among topics discussed was regionality of EU Timber Regulation enforcement. AEIM pointed out that due diligence documentation requirements vary between Spain's local authorities, as does policy on sample testing. Some are also demanding supplementary information and paperwork, including CITES certificates, waste management details and machinery operation permits.

AEIM praised MAPA for creating its new **LIGNUM WEBSITE**, which provides details on the operation of the EU FLEGT initiative, FLEGT licensing and the EUTR. It also gives due diligence guidance and information on VPA partner countries.

MAPA agreed to work with AEIM on future EUTR workshops and information sessions for members.

EU Member States' Public Procurement Policies

IMM produced a study of EU Member State public procurement policies and their recognition of FLEGT Licences[1] in early 2019. The following analysis is a summary of the findings.

Twenty-two EU member states now possess some form of public procurement policy for products containing or made from wood. They vary significantly in terms of their definition of criteria, coverage of products, applicability to different levels of government and whether they are voluntary or mandatory. However, they all require, or at least encourage, government buyers to source legal and often sustainable, timber.

Public procurement policies can play an important role in encouraging trade in legal and sustainable timber. Government purchasing of timber can account for a significant proportion of all timber purchasing in a given country, and therefore has considerable potential to influence buying practices and to promote good business practices across the timber market as a whole.

A theory of change for public procurement policies was characterised in 2015[2] as follows:

1) The large share of government expenditure in GDP will create a market for sustainable goods. The direct **market effect**.

2) Government should play a leadership role in inspiring consumers and responsible players in the private sector. The **leadership effect**.

3) The actions of government have knock-on effects, causing suppliers to simplify their supply chains around sustainable products. The **supplier consolidation effect**.

The importance of public procurement for timber markets

The importance of public procurement to the marketplace makes government procurement policy a key instrument in attaining the vision set out in the Europe 2020 Strategy (the 10-year strategy proposed by the European Commission in 2010 for advancement of the economy of the EU). It aims at "smart, sustainable, inclusive growth", with greater coordination of national and European policy.

Sustainable procurement is therefore about using public spending to achieve social and environmental objectives, and to strategically use the public sector's economic power to catalyse innovation in the private sector.

IMM/ITTO 2019 found that public policies and the public sector are perceived to play a significant role in the EU marketplace for forest products, though the exact contribution is hard to define. Many member states have invested heavily in setting policies through complex processes with great consideration paid to policy content. Most EU member states have mandatory purchasing policies for central government departments and voluntary policies for local authorities and other agencies. The majority of public spending is undertaken at a local government level though and little monitoring of policy compliance has been directly observed. Most EU member state governments do not know how much wood they purchase and therefore have no indication of how much sustainable, legal or FLEGT-licensed material might be included within their procurement.

Policy coverage and acceptance of FLEGT-licenses

In total, the analysis indicates that 22 member states have some form of policy. Six currently have no public procurement policy – Estonia, Greece, Hungary, Poland, Portugal and Romania. Poland has developed a National Action Plan, but no specific criteria have been identified for wood-based products. Portugal has indicated that it will potentially include all EC GPP product/use categories in future policy. Estonia, Greece, Hungary and Romania remain the only EC member states without a policy or any identified plans to develop such policies.

Figure 1 also indicates that the range of end-uses and product types covered by the policies scrutinised is variable. Only 13 of the 28 states appear to have what might be termed comprehensive coverage in their procurement policies. Eighteen make reference to office and/or graphic papers and 19 make specific reference to furniture. Fifteen policies make reference to the timber used within "construction", though this varies, with those countries

[1] A study of EU public timber procurement policies, related guidance & reference to FLEGT. Author: George White (IMM/ITTO 2019)

[2] *The impact of timber procurement policies: an analysis of the economic effects of governmental procurement policies in tropical timber markets*. ITTO Technical Series No. 44. International Tropical Timber Organization, Yokohama, Japan. Authors: Martin, R.M. & Ghazali, B.H. (ITTO 2015)

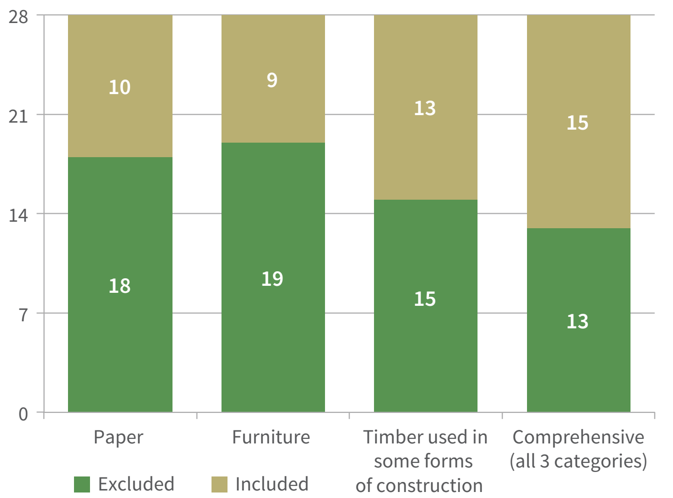


Figure 1: Public procurement policy coverage across the EU 28.
Source: IMM/ITTO 2019

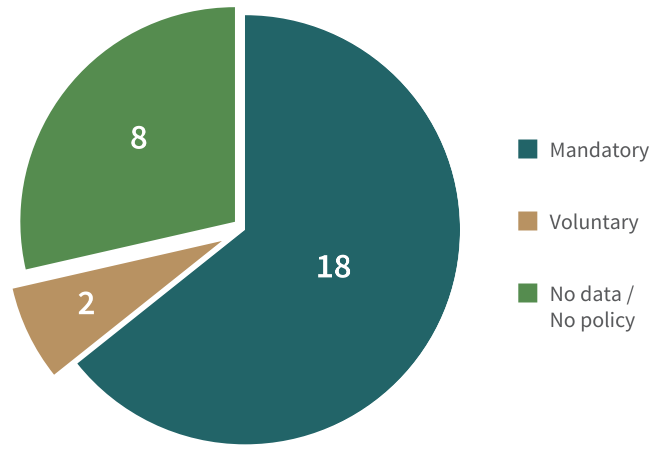


Figure 2: Mandatory versus Voluntary nature of central government department procurement polices across the EU.
Source: IMM/ITTO 2019

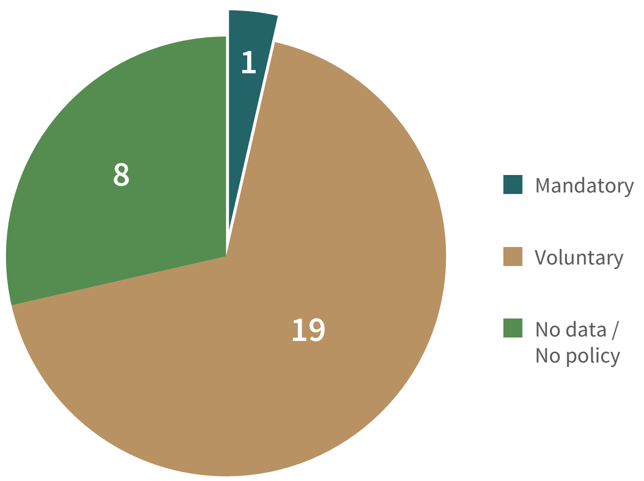


Figure 3: Mandatory versus Voluntary nature of local government procurement polices across the EU. *Source: IMM/ITTO 2019*

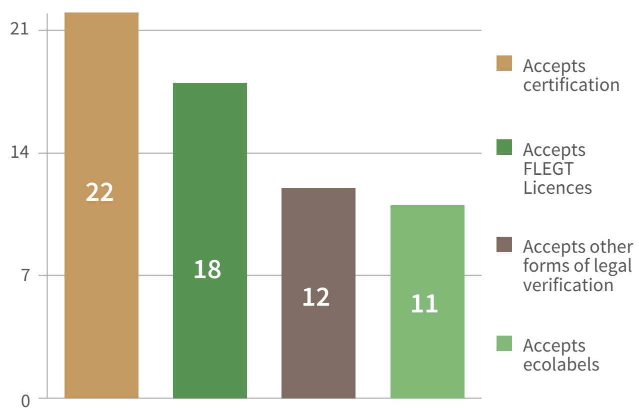


Figure 4: Variations in policy content across the 28 EU Member States. *Source: IMM/ITTO 2019*

using the EU GPP criteria only applying the policy for "timber in office building design, construction and management".

Thirteen countries appear to have comprehensive policies that in theory apply to all purchases of timber products. Of these, Luxemburg's policies (alone in this case) apply to all products that are within the scope of the EU Timber Regulation (EUTR). Germany and the UK's policies apply to all products that contain virgin wood fibre.

Figures 2 and 3. contrast the balance between mandatory and voluntary applicability for central and local government departments with respect to the policies. At central government level, 18 of the EU's member states are known to have mandatory policies with two having voluntary status. Unfortunately, the study was not able to identify the status of the remaining eight member states. On the other hand, the vast majority of member states allow local governments to voluntarily apply green procurement policies.

Figure 4 indicates that the policies of the member states contain a variety of means of verification of compliance. The most common, in fact universal, acceptable means of proof of legality and sustainability is through certification, usually FSC or PEFC.

The second most common acceptable form of verification is that of FLEGT Licences, mentioned by name within the policies of 18 countries. Twelve countries also allow for other forms of verification, ranging from third-party verification of legal compliance, through to forms of self-declaration. Ecolabels, in particular the EU Ecolabel and the Nordic Swan Ecolabel, also feature in the policies of 11 countries.

In terms of their definitions of 'legal' and 'sustainable', the procurement policies can be divided into four broad groups.[3]

1) Those that take their **definitions from the EU's common GPP criteria**, where compliance with the EUTR is a basic condition.[4]

[3] Brack, D. (2014) *Promoting Legal and Sustainable Timber: Using Public Procurement Policy*. Chatham House
[4] Van Bueren, E.L. (2016) Comparison of selected TPP's. I S A F O R, Netherlands Ministry of Infrastructure & Environment

2) Those that use the terms **'legal' and 'sustainable' without setting out detailed definitions** of exactly what these terms mean.
3) Those that have developed **detailed sets of criteria for 'legal' and 'sustainable'**. The criteria derive from a variety of sources and inputs, including, generally, a multi-stakeholder consultation process, and they can be subject to revision in the light of developments. As reported by the Standing Forestry Committee,[5] in almost all cases certain social criteria are included and there is a focus on origin and production of wood and timber products, as opposed to life-cycle performance overall. All these countries have learned from one another's experiences, and, sometimes, adapted their definitions accordingly.[6]
4) The fourth group is just one country: Germany. It **accepts only products certified** by the two main global forest certification schemes, FSC and PEFC, or "equivalent".

There are three different scenarios evident across the member states when it comes to acceptance of FLEGT-licensed timber:

1. accepting FLEGT-licensed timber on equal footing with sustainably produced timber, or,
2. accepting FLEGT-licensed timber second to sustainably produced timber (for example: "if sustainable is not available") or,
3. accepting FLEGT-licensed timber as legal timber

Policy makers in a number of EU member states have flagged up difficulties with acceptance of FLEGT licensing on an equal footing to "sustainable", partly as VPA-related legislation varies from country to country and the absolute levels of silvicultural performance almost certainly will not stand comparison from VPA partner country to country (i.e. forest practices that are legally allowed in one country may not always be considered as being sustainable in another). Another practical difficulty raised was the lack of a FLEGT chain-of-custody system.

Accepting FLEGT timber as being second to sustainably produced/certified timber, or even less, merely as legal timber, is almost certain to cause additional hurdles in the market. In practice, it means that FLEGT-licensed timber is unlikely to be specified in public projects. It also means that FLEGT-licensed timber is unlikely to benefit from leadership or supplier consolidation effects.

For the purpose of their timber procurement policies, the UK regards a FLEGT Licence as evidence of `sustainability' on an equal footing with FSC and PEFC certification, and Luxembourg treats a FLEGT Licence as equivalent to 'legal and sustainable'. A number of other member states with policies aiming at sustainability, but without detailed definitions, including Austria, Finland and Lithuania, also list FLEGT Licences as acceptable means of verification of sustainability. Belgium, Denmark, Italy, the Netherlands and Sweden, however, treat FLEGT Licences as adequate proof of legality, but not of sustainability (or, in Sweden's case, of general 'acceptability').

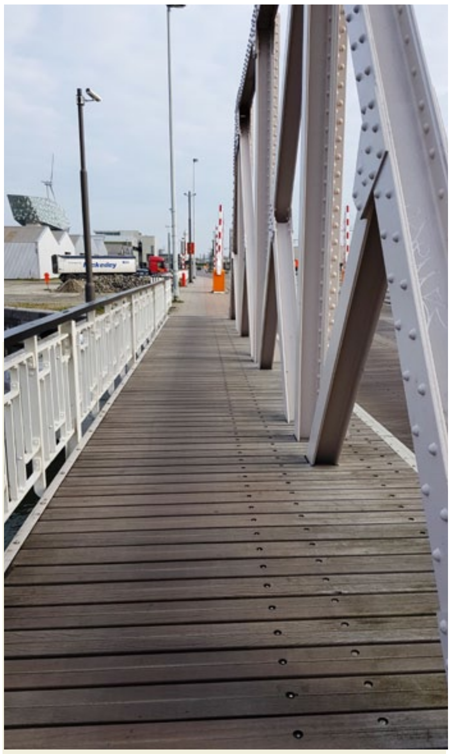
The UK does not provide an explanation of why it treats FLEGT Licences as evidence of sustainability,[7] but the report[8] that formed the basis for Luxembourg's policy included the following argument: *'It is generally believed that FLEGT Licences are stand-alone tools and thus have to be differentiated from those means directly addressing sustainability at a forest management unit level, e.g. certification. It is important that the Member States provide incentives for joining the FLEGT process and this can be done through public procurement policies. It is therefore suggested that the Luxembourg Government also explicitly accept FLEGT-licensed timber as meeting the government requirements.'*

Most countries have not yet formally stated what status they will grant FLEGT-licensed timber in their procurement policy hierarchy.

FLEGT licensing in public procurement practice

As indicated above, there is very little government reporting of compliance with their own purchasing policies or monitoring of volumes of certified, FLEGT-licensed or otherwise verified timber involved in public procurement.

One country that has recently tried to measure the impact of its timber procurement policy is Belgium. A 2017 study[9] of 140,000 tender notifications issued between 2011 and 2016 revealed that specification of FSC and PEFC was evident with over 1,800 specific mentions within tender documents. The same study indicated that FSC was specified within contract notifications on 88 occasions and PEFC in a single contract. It also revealed that FLEGT-Licences were not specified at all. The study could not reveal the volumes of material involved or whether the policy had been complied with.



Wood decking used on a road bridge at the Port of Antwerp. *Source: G. White*

The findings of the study are in line with the results of a workshop on FLEGT-licensed timber in public procurement that took place during the IMM Trade Consultation in Antwerp,[10] Belgium, and attended by around 50 trade and government representatives from Belgium and the Netherlands. When asked whether trade representatives had offered FLEGT-licensed timber in bids for government contracts, hardly anyone confirmed that they had and those that did failed to win the contract. Participants also flagged up a perceived lack of awareness of the wider benefits of FLEGT VPAs among decision makers shaping public procurement policies and specifying timber for public projects, especially at local level, where the bulk of purchasing takes place.

[5] https://ec.europa.eu/agriculture/sites/agriculture/files/forest/publications/pdf/sfcci-report_en.pdf

[6] For a detailed analysis see: Van Bueren, E.L. (2016) *Comparison of selected TPP's*. I S A F O R, Netherlands Ministry of Infrastructure & Environment

[7] The UK government's commitment in 2009 was to consider FLEGT-licensed products as meeting the criteria for 'legal and sustainable' until April 2015. In July 2014 the deadline was extended indefinitely. It is understood that a review is planned to be undertaken in mid-2019 onwards.

[8] ProForest (2012). *Support for the Development of Luxembourg's Public Procurement Policy for Timber*, pp. 22–23.

[9] IMM_2019 *Personal communication* - Federal Institute for Sustainable Development. Reference made to a study by FISD-Radboud University Nijmegen on sustainable procurement policy in Belgium covering 2011 to 2017.

[10] http://www.flegtimm.eu/index.php/20-news/project-news/145-imm-trade-consultation-workshop-3-flegt-and-sustainability

Public building clad in tropical species.
Photo: Natrufied Architects

Architectural influence and attitudes on FLEGT

The attitudes of architects and specifiers on FLEGT Licensing will be the focus of the next EU FLEGT IMM market study. The rationale is that architects are widely regarded as key gatekeepers to the construction sector. They directly specify materials for buildings and can strongly influence client choice and overall design trends. In particular, the profession, as clearly reflected in architectural media, has a strong buy-in on environmental issues and is leading and shaping trends in low-carbon, sustainable construction.

Architects' finished buildings can also be a reference for the materials palette used and environmental impact approach taken, influencing the wider design and build sectors, and consumers.

This is clearly recognised in European timber marketing and communication initiatives.

The American Hardwood Export Council (AHEC), one of the most active marketeers in the sector, targets architects and designers in particular and works with them to create showcase structures and products to highlight the technical performance, environmental credentials and aesthetics of US hardwood.

In France, the public-private Adivbois programme brings together architects, designers, timber products suppliers and timber building specialists. It is currently supporting construction of multi-storey timber-based buildings across the country as inspirational exemplars to help drive the structural and interiors use of wood more widely.

The study will look at architects' and specifiers' wider perceptions of timber as a material and associated policy, referring in particular to the role of FLEGT licensing and the VPA process. This will contribute to the IMM's role in using trade flow and market research to assess trade and market impacts of FLEGT Voluntary Partnership Agreements in the EU and partner countries.

Also covered will be the wood market significance of green building rating systems, their definitions of legality and sustainability and whether they include or exclude FLEGT-licensed timber.

The study will target both small and large architectural practices, and assess their knowledge of and attitudes towards tropical timber relative to other materials, and levels of awareness of the FLEGT VPA process. It will include case studies, and cover how architects and specifiers learn about different materials.

The study will focus on the EU's seven leading tropical timber importing countries, Germany, France, Italy, Belgium, the Netherlands, UK and Spain, plus the Nordic countries, which account for several of the world's largest architecture firms.

Tropical timber villa interior. *Photo: Natrufied Architects*

FLEGT sustainability credentials and procurement priorities addressed at Antwerp IMM Consultation

An audience of more than 50 from across Belgium, the Netherlands and the rest of the EU gathered in Antwerp for the latest IMM Trade Consultation.

Delegates included timber importers and distributors, end-users, retailers and representatives from trade associations, EU Timber Regulation and FLEGT competent authorities and government agencies.

The April event provided a forum for timber businesses and these other market stakeholders and influencers to discuss the FLEGT initiative and the challenges and opportunities it presents; to examine latest trends in the tropical timber market and share views on latest trade developments. Delegate feedback, including on rating key factors shaping tropical timber trade trends, was wide ranging and will contribute to the IMM's role in monitoring trade flows in EU FLEGT-licensed and timber and wood products from VPA-engaged supplier countries.

The event took place in the Antwerp Port House, a spectacular building remodelled by architect Zaha Hadid and an appropriate venue given the city's historic role as a major distribution hub for timber and wood products, sourced worldwide, for Belgium, the rest of Europe and beyond. It was also one of the first ports to receive FLEGT-licensed timber from Indonesia.

The day-long programme included presentations on global trends in the tropical timber trade, notably European trade with VPA countries, private and public sector timber procurement policy and the Dutch CA's experience with FLEGT-licensed timber.

But most of the day was given over to delegate workshops on tropical trade trends; the FLEGT initiative's role in purchase dynamics, its sustainability credentials and the trade-shaping influence of public and private sector procurement policy.

IMM Lead Consultant Sarah Storck stressed the value to the IMM of having such a diverse audience and encouraged delegates to share positive and negative views on market trends and the EU FLEGT initiative. "Our role is to monitor and report objectively on FLEGT's development, so we want your honest opinions," she said.

She added that the IMM's latest trade survey showed the EU timber sector becoming accustomed to the FLEGT licensing system. "In 2017 a not insignificant percentage of survey respondents said it was more complex than undertaking due diligence under the EUTR. In the 2018 survey only 1% of respondents still felt that. The vast majority said it made importing easier".

Commenting on the direct impacts of FLEGT-licensing and the EUTR on EU tropical timber imports, Ms Stock said that the arrival of FLEGT-licensed timber was felt to have had a small positive effect by respondents to the 2018 IMM survey. However, roughly one-third maintained that the EUTR had negatively impacted tropical timber imports. At the same time, trade representatives emphasised their overall support for the EUTR and saw it ultimately benefiting the tropical timber trade, provided it was effectively implemented.

Europe's tropical trade influence declines

IMM Trade Analyst Rupert Oliver reviewed tropical timber trade trends, looking particularly at Europe's diminishing role in the international market.

Global tropical timber sales had fluctuated in the last 15 years, he said, but grown overall. North American imports had increased, principally due to offshoring of American furniture manufacturing to Asia, while Japanese imports were now rising again after a period of decline.

But the principal trade-shaping factor has been rapidly growing tropical timber consumption in China. By contrast, Europe has seen its share of global trade shrink from 36% to just over 20%. By volume, its tropical timber imports were down more than 30% on levels before the international economic crisis.

"Chinese market dominance has not just shaped trade flows, but also development of the tropical wood industry," said Mr Oliver. "For instance, Africa was expected to move into exports of value-added wood products a decade ago. That has not happened due to Chinese demand for logs and lumber."

A focus of IMM research, he added, is whether the EU's declining tropical timber consumption can be halted and especially how FLEGT can influence EU market development. "Can it be a platform to rebuild market share?" asked Mr Oliver.

Underlining FLEGT's potential market influence, he pointed out that, while EU tropical timber imports from non-FLEGT VPA countries, notably Brazil, India and China, had increased to around 25% of its total tropical timber purchasing, the remainder was FLEGT-licensed from Indonesia or from other VPA-engaged countries. Indonesia and Vietnam were the leading EU suppliers, while Malaysia, Thailand and Laos provided 15% of its imports and African VPA countries 10%.

"Vietnam is of particular interest, said Mr Oliver. "It's been increasing global timber exports by around $1 billion a year. As and when it fully implements its VPA, it has potential to significantly increase the volume and variety of FLEGT-licensed timber and wood products available."

Netherlands importers get used to FLEGT

Meriam Wortel of Netherlands CA, the NVWA, reported on its monitoring of volume trends in Dutch forest product imports from Indonesia since the start of FLEGT licensing. "The overall direction has been upwards, with latest figures for timber and wood furniture showing further rises," she said. "However, while we can say licensing has had no negative effects, it is not yet clear to what degree, or if FLEGT licensing is a positive for trade."

The NVWA processes the most FLEGT licences of any CA, a 2018 total of 8546. It has also been involved in developing a fully electronic FLEGT-licensing system, in cooperation with Indonesia and the EC.

Initial administrative licensing teething problems had been overcome, said Ms Wortel. However, an ongoing issue was mismatches between HS codes on licences and those applied in the Netherlands. "We've raised this with

Table 1: Drivers of tropical timber's decline in Europe	Antwerp votes	Antwerp rank	IMM 2018 survey rank
Environmental prejudices and uncoordinated marketing	41	1	4
Substitution by temperate, chemically and thermally modified wood, composites and non-wood materials	32	2	1
Competition from China for wood supply & in markets for finished goods	17	3	5
Diversion of tropical wood supply to other markets	14	4	3
Challenge of obtaining assurances of non-negligible risk for EUTR	9	5	na
Prefabrication - switch from adaptable utility woods to tightly specified material	7	6	8
Declining wood quality linked to pressure on tropical forest resource	3	7	na
Economic downturn 2008-2013 followed by slow economic recovery 2013-2018	2	8=	2
Import and financial sectors aversion to commercial risk	2	8=	6
Just-in-time favours more regular & less volatile supply	2	8=	7
Conservative European business	2	8=	na
Change in fashion - driven by European and North American suppliers and manufacturers	1	12	na

Table 1: Drivers of tropical timber decline in Europe

the Indonesian authorities and other CAs, but, while mismatches decreased last year, they have since risen again," she said. "So, there's continuing need to stress to exporters they must get licence details right."

Delegates commented that perceived "mismatches" were sometimes not due to mistakes on the FLEGT-licenses or importers' documentation, but to limited product knowledge and mistranslations by customs' officials.

Meriam Wortel of Netherlands CA, the NVWA

Ms Wortel added that the NVWA anticipated fewer mismatch issues with imports from Ghana when it starts licensing due to its less complex product mix and different FLEGT licence application and issuing systems. She said the goal was for Ghanaian FLEGT-licensing to be electronic from the start.

WORKSHOP 1

Tropical timber market drivers

In the opening Consultation workshop, delegates discussed factors shaping tropical timber trade, and reasons for the EU's declining global market share.

Drawing on data from its 2018 survey and previous trade consultations, IMM identified 10 potential drivers of contraction in European tropical timber imports. Delegates were asked to rate them in order of importance, and identify any other important market factors (see *Table 1 p7*).

Participants identified two additional drivers, "conservative European business" and "changes in fashion", although neither was considered more significant than those previously identified by IMM.

In the IMM's 2018 survey and earlier consultations, "product substitution" was rated as the primary cause of contraction in European tropical timber consumption. However, Antwerp delegates rated "environmental prejudices and uncoordinated marketing" as the most significant factor, putting substitution in second place. "Competition from China" and "diversion of wood supply to other markets" were next, in line with previous IMM research.

Interestingly, all four factors were rated higher than "the challenge of obtaining assurances of non-negligible risk for EUTR". This reinforces conclusions from IMM research, that the "green lane" for FLEGT-licensed timber in EUTR, while beneficial, will not be sufficient alone to override more significant drivers of tropical timber's EU market decline.

In contrast to previous IMM research, participants in Antwerp rated the "economic downturn and slow economic recovery" a much less significant market factor. This may due to the fact that, albeit a slow process, the European economy has improved over recent few years, with Netherlands growth reasonably robust in the last two.

Divided into smaller groups, delegates were invited to discuss three key questions: (1) whether the tropical timber products market in Belgium, the Netherlands and the wider EU could be turned around; (2) if so, how; and (3) what role the FLEGT process could play.

Some participants felt there was little or no prospect of market recovery, with tropical timber business irretrievably lost to other materials and demand for it shifting elsewhere. Others felt recovery was possible, "in some specific market sectors".

On turning the market around, delegates recommended better marketing strategy and matching, matching specific tropical timbers and products to niche markets. These should be backed by certification and/or licensing, with clear explanation of the narrative behind legally and sustainably verified tropical timber.

Table 2: Strategies to improve the position of tropical timber in the European market	Antwerp Votes	Antwerp Rank
A regulatory approach involving increased supply of FLEGT-licensed tropical timber linked to consistent and effective enforcement of EUTR to remove illegal wood	30	1
A voluntary approach involving increased supply of FSC/PEFC certified tropical timber linked to implementation of "responsible procurement policies" (e.g. through STTC) & branding of certified tropical wood (e.g. ATIBT Fair and Precious)	23	2
Liaison with NGOs	18	3
Recognise FLEGT licensed timber as equivalent to FSC & PEFC in government procurement	17	4
Gather LCA data on tropical timber & promote wider environmental benefits (e.g. carbon)	17	5
Focus on promoting technical qualities of tropical timber to engineers, architects and specifiers, including preparation of technical data on commercially available tropical timber species (incl. LKS)	12	6
Encourage/support greater engagement of tropical wood industry in technical standards-setting bodies in the EU	10	7
Move up the value chain to produce more secondary, tertiary and engineered products	4	8
Pro-active steps to build B-to-B relationships between tropical exporters and EU distributors and manufacturers, for example through trade missions, sponsorship for participation at trade shows.	3	9
Research work to match specific tropical timbers to end-user applications in EU	2	10
Deregulation. i.e. repeal EUTR & FLEGT VPA obligations for mandatory licensing in partner countries	0	Rejected

Table 2: Strategies to turn improve the position of tropical timber in european market]

Mixed views on FLEGT market impact

The Consultation consensus was that there had been no widespread switching to Indonesian products due to the availability of FLEGT Licenses. It was also acknowledged that the market situation varied by product group. Delegates suggested that responses on this issue were influenced by the fact that FLEGT-licensed products considered most readily available from Indonesia - bangkirai decking, higher-end tropical hardwood plywood, and exterior furniture – were not key for those at the consultation.

Some delegates expected FLEGT licensing to play a larger role when the range of countries and products covered increased. It was suggested that forest sector and other reforms under the FLEGT VPA process could form a narrative to could help maintain tropical market share in the EU, but broader issues also needed to be addressed.

When delegates were asked to rank overall strategies for improving the position of tropical wood products in the European market (*see Table 2 p8*), the FLEGT regulatory approach proved most popular. No-one favoured deregulation or thought it would strengthen tropical timber's market position.

Delegates strongly backed combining the FLEGT regulatory approach with expansion in supply of private third-party certified tropical timber.

Participants also supported engagement with NGOs to improve tropical timber's EU market position. WWF, FoE and Greenpeace were identified as key market influencers and delegates said they needed convincing of the "use it or lose it" message on sustainable forest management and to be urged to back FLEGT process more visibly.

Improving tropical timber's image

Delegates support for a regulatory market approach, commitment to private sector certification, and direct liaison with NGOs, is in line with the view that "environmental prejudice" is key to tropical timber's EU decline. Its environmental reputation urgently needed improving, through corporate commitment to good practice, backed by regulation, as the foundation for maintaining or rebuilding market share.

Some delegates said FLEGT licensing should be given equal recognition to FSC and PEFC certification in government timber procurement policy, although the view wasn't universal.

This may reflect the view that there is insufficient understanding of the relationship between the FLEGT process and "sustainable" forestry operations in tropical countries. It was felt that more work was needed to assess and communicate the extent to which FLEGT is driving sustainable forestry operations, as opposed to solely assuring legal compliance.

WORKSHOP 2

Procurement strategy and FLEGT

In the second workshop, 'Recognising priorities and purchase dynamics for tropical wood products', delegates discussed procurement strategies and the degree to which they included FLEGT.

The audience represented the range of timber businesses, from plywood and hardwood importers to furniture and other finished goods suppliers. They also sourced worldwide, while their customers covered the spectrum from distributors and builders, to flooring and packaging producers, and, in the case of retailers, consumers.

Delegates said they now put their supply chains through greater scrutiny than ever.

"If a supplier can't meet our EUTR due diligence needs or supply further proof of legality for risk mitigation, we don't pursue the relationship further," said one plywood operator. As a result, he said, in a view shared by other importers, the EU's tropical supply pool and range of tropical products had narrowed.

Companies said their preference was to establish long-term relationships with suppliers to build understanding of one another's requirements, from product quality to legality, and sustainability assurance. Current trade pressures in terms of the globalisation and competitiveness of the business and legality and environmental requirements, made this more the case than ever.

Nurturing tropical supply relations

Regular communication between supplier and buyer was also key. Importers said that they might visit suppliers up to four times a year to ensure maintenance of standards, evaluate new products and consolidate trust. They also kept them up to date on developments in EU regulations, standards and market trends.

Supply relationships , stressed delegates, would also only last if suppliers were reliable; providing consistent quality products, in the volume and timescale required.

Importers said the significance of FLEGT licensing in procurement was limited by the fact that it was only available from Indonesia, restricting licensed product availability and variety. Within that context, it was a 'nice to have' rather than a 'must have'. It removed the administrative burden of further due diligence under the EUTR and one importer said it was a useful adjunct to FSC certification.

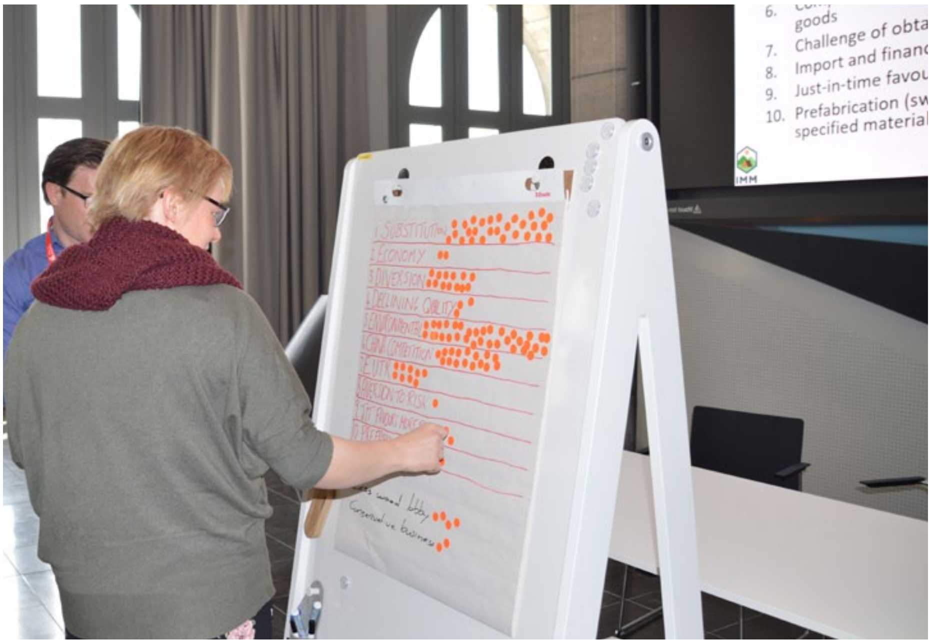
But delegates said that certification remained the preference for customers, who knew about FSC and PEFC, but still had little awareness or understanding of FLEGT. Consequently none said they had switched to Indonesian from other suppliers because of FLEGT licensing.

No price premium for FLEGT licence

A FLEGT licence also could not incur a price premium as customers had 'the right to expect product legality and could not be charged for it'. Nor, said a plywood importer, did having a licence mean a product did not have to compete on price.

To elevate FLEGT licensing as a purchasing preference, the consensus was that more communication was needed down the supply chain from the EU, the Indonesian authorities, and also Indonesian suppliers. A clear consistent message on FLEGT's sustainability credentials in terms of wider environmental, economic and social impacts, would also help, as would recognition of FLEGT licences in government timber procurement policy in all 28 EU member states. The topic of creating a logo for FLEGT was also raised once more, with delegates saying it needed to become a trademark.

To achieve greater market impact, more countries also needed to implement their VPAs and start FLEGT licensing in order to boost the range and availability of licensed product.



WORKSHOP 3

FLEGT – a sustainable forest management gamechanger?

The final workshop of the IMM Trade Consultation in Antwerp gauged trade views on whether FLEGT could play a more prominent role in EU Member States' (MS) green public timber procurement.

Jo Versteven of the Belgian Federal Institute for Sustainable Development told delegates that, under Belgian federal government rules, timber must originate from forests where sustainable development has been independently certified to "internationally recognized criteria". Forest certification systems must also ensure timber supply chain traceability.

Mr Versteven's research also concluded that mention of sustainable wood in tender documents 'practically always' referenced FSC, very rarely PEFC and never FLEGT licensing.

Most procurers, he added, considered FSC/PEFC "to be more sustainable" than FLEGT and some are not convinced of FLEGT's wider benefits. The Belgian Federal department of Environment had compared sustainability criteria of the FSC and PEFC systems against a standard. Both passed the test, but FLEGT was not even evaluated. The rationale was that it was focused on legality and effectively a means of border control, not for verification in public procurement.

To satisfy proof of sustainability in Belgian public procurement, said Mr Versteven, FLEGT would need to show demonstrable sustainability 'added value', a statement that chimed with delegates who called for more evidence of FLEGT VPA benefits and impacts on the ground.

Managing Director David Hopkins said the UK Timber Trade Federation (TTF) had commissioned a study from the PEFC on how Ghana's FLEGT VPA delivered on sustainability assurance compared to its PEFC certification system. PEFC performed slightly better overall, but FLEGT also scored well, its main weakness being lack of chain of custody.

Judged on the area of forest certified, said Mr Hopkins, private third-party certification schemes could be considered a failure, with 8% of global forests certified in 2008, and just 10% in 2018. And in tropical countries, certification had made little headway, with just 6% of timber harvest covered.

An obstacle for inclusion of FLEGT in government procurement policy was poor awareness among officials setting standards. The lack of a chain of custody was also a weakness, and Mr Hopkins suggested solutions based on the ISO CoC standard as an interim.

He concluded that FLEGT could be a game-changer in the sustainable forest management debate, given growth in the number of countries issuing licences and the range of licensed products. At the same time it also needed "consumer-facing investment". All other certification schemes, he added, operate as private companies and actively market their services.

Definition needed

Peter Pieper, of Belgian plywood specialist Fepco, urged creation of a uniform definition of "sustainability" in EU MS public procurement to clarify the role of FLEGT Licenses. As evidence that FSC and PEFC were currently the default proof of sustainability for government, he cited an EU-funded building development where FSC was specified.

He said that Indonesian companies needed to see a stronger commercial return on their investment in SVLK certification and FLEGT licensing and that government recognition of FLEGT might encourage other VPA-engaged countries to move faster through the process.

Over 75% of EU government policies cite FLEGT

An analysis of EU Member State (MS) public procurement policies *(see p2)* presented by IMM consultant George White showed 22 out of 28 EU MS operating government procurement policies, all of which accepted certification (FSC and PEFC) as proof of legality and sustainability. Eighteen government policies mentioned FLEGT as meeting at least minimum requirements.

Two-thirds of policies are mandatory for central government, but only two countries operated obligatory policies for local government, which accounts for 70% of government purchasing. A number of Member States do not monitor compliance with procurement policies.

The conclusion of the report, said Mr White, was that more needed to be done to increase understanding of FLEGT-licensing. One route for its inclusion in government procurement policy, he added, might be to highlight its differences from certification, notably its nationwide operation.

IMM Antwerp Consultation newsletter in translation

The IMM has also produced newsletters on the Antwerp Trade Consultation in Bahasa and French.

CLICK HERE for the Bahasa edition and CLICK HERE for the French edition.

FLEGT's profile in promotion and marketing low relative to certification

IMM's latest study on EU wood promotion revealed that Europe's timber and wood products sector has stepped up the level of its marketing and advertising activity and the clarity, cohesion and effectiveness of its communications in recent years.

It has developed a range of national and international marketing programmes and campaigns. In particular it has focused promotion and communications on timber's environmental performance, in recognition that its key markets, notably construction, but also government decision makers, are increasingly environmentally aware and informed and addressing climate change issues ever more urgently.

Campaigns incorporate latest findings on wood's carbon and climate mitigation benefits, its life cycle analysis performance in relation to competing man-made materials and its potential role in developing a circular, bio-economy. There is also emphasis on timber's renewability and sustainability and the role sustainable forest management can play in maintaining the forest resource, with the carbon and biodiversity gains that entails. The stress here is very much on third-party forest and chain of custody certification as assurance that timber is sustainable.

Europe's timber trade federations are involved in these wider promotion campaigns and also relay their messaging through their own communications channels. They also conduct their own campaigns and highlight the industry's efforts to assure legality of timber placed on the European market and to combat illegal logging, with the main focus in this area on the EU Timber Regulation and associated due diligence.

On promotion of FLEGT and FLEGT licensing, there is a central communications hub in the EFI FLEGT Facility, profiled in the report, which continues to develop its content, strategy and outreach. The UK Timber Trade Federation also ran an exhibition in 2018 exclusively focused on FLEGT, a UK initiative supporting development of Indonesian FLEGT marketing strategies is underway and other trade federations do communicate the facts on FLEGT.

An advertisement from France's 'Pour moi, c'est le bois' promotion

But otherwise FLEGT's profile in industry promotion and marketing is low relative to third party forest sustainability certification. Europe's two main tropical timber promotion campaigns, for instance, only commend sustainability certification as a procurement criterion, although they are seen to have potential to make the market more tropical timber-friendly generally and do not rule out more communication on FLEGT in the future.

The report looks at the range of timber sector promotion campaigns, their objectives, core focus and whether they mention FLEGT.

The 'Holz ist genial' campaign from Pro:Holz of Austria

NGO communication role

The emphasis of NGOs in their forestry and timber sector campaigning is also sustainability and certification. There is, however, communication of FLEGT and some active advocacy in the sector. The report looks at the varying stance of several leading NGOs.

Some in the European timber industry believe there is potential for raising FLEGT's profile in communications and promotion further, given a more holistic approach. This includes greater emphasis on its wider social, environmental and economic impacts, but also a still greater trade focus, with more information on the actual products available with licences.

A note of caution sounded, however, is over what appetite there is in the timber sector and market for more communication of FLEGT while only Indonesia is issuing licences and only one EU government accepts a licence as proof of sustainability and legality under their procurement policy.

Another influence on the direction of wood promotion generally is that rival materials sectors' increasing communication of their environmental credentials, as this report shows, is focused very much on issues of sustainability, carbon and climate.

The promotional approach of products billing themselves as tropical timber alternatives is also covered, including composites and modified timber products.

Recommendations of the report include:

- Provision of targeted materials to support existing timber promotion campaigns
- Increasing demand and recognition of FLEGT Licences by urging EU member state governments to accept FLEGT Licences on equal footing with sustainability certification in their timber procurement policy
- Increasing availability in the EU market of FLEGT-Licenced materials
- Developing materials that credibly demonstrate the impacts of the VPA process
- Researching, consulting widely and then clarifying the status of FLEGT Licensing compared to third party certification
- Empowering VPA signatory countries to lead the process of communicating VPA impacts

The UK Timber Trade Federation's Timber Transformer FLEGT exhibition

The study is based on a series of interviews and a literature survey conducted in the spring of 2019. In total twenty-five interviews were conducted across a range of EU member states and from a variety of perspectives – including wood promotional campaigns, timber trade federations, civil society organisations, companies and other industry commentators.

CLICK HERE for the full report.

ITTO/IMM seeking Correspondents in Vietnam and Congo

As a part of the IMM implementation process, ITTO is seeking IMM Correspondents in Vietnam and Congo Republic. The correspondents will be part of IMM's team of independent country correspondents currently active in Ghana, Indonesia as well as Belgium, France, Germany, Italy, Netherlands, Spain and the UK.

EU delegation visits large scale Vietnamese mill

IMM correspondents must have thorough knowledge of forestry as well as timber and timber products sectors in their respective country. A broad network of contacts among the private sector and government agencies is essential for the position. Ideally, candidates should have experience in undertaking market and trade flow analysis.

The Correspondents' main tasks will be to prepare Market National Scoping Studies for Vietnam/Congo Republic. The Correspondents will also provide market feedback, liaise with FLEGT authorities and other stakeholders on a regular basis and inform the IMM Lead Consultant of any important developments.

Correspondents will be contracted as independent consultants on a part-time basis (40-50 days/year) for an initial one-year period. Subject to satisfactory performance, Correspondents may be reappointed for a period of one year in subsequent years during the period of IMM implementation. The working language of the IMM is English.

For more details, see the full job descriptions in **ENGLISH** or **FRENCH**.

Dialogue on differences and synergies of FLEGT and certification

A conference on "sustainable tropical timber" organised by IDH, the Dutch Sustainable Trade Initiative as a part of the International Sustainability Week in June opened dialogue on "the differences and synergies of FLEGT and certification". The discussion was part of a wider event attempting to analyse the development of "sustainable" tropical timber imports in Europe and discuss lessons learned from the FLEGT VPA process in Ghana.

According to an article on the event published in **ITTO's bimonthly Tropical Timber Market Report** (p 17 ff), the dialogue on FLEGT and certification involved representatives of FSC and PEFC. The role of "making the case for FLEGT" was assigned to David Hopkins of the UK Timber Trade Federation, reflecting the strong support given to FLEGT by the British federation (see separate IMM interview).

The dialogue provided some useful insights, including that delegates agreed on the "specific benefits of FLEGT, particularly the focus on governance and the development of licensing systems with full engagement at national level in the producer countries, which brings scale into assurance". There was also agreement that FLEGT and certification were complementary rather than competing, with FLEGT and related reforms making subsequent certification easier.

Unfortunately, the article concludes, the discussion in Utrecht was too brief to reach "any real conclusions on the question of if and when FLEGT-licensed timber will be given greater acknowledgement in procurement policies and targets now being promoted for timber products by IDH".

Standards for timber and palm oil

This was considered particularly important in the context of IDH – and other European tropical wood promotion programmes and agencies – currently only recognizing FSC and PEFC certified products as "sustainable" timber imports. Preliminary results of a study on the current volume of "verified sustainable" timber trade in the EU market commissioned by IDH and presented during the event took only PEFC and FSC certified timber into account. As a result, it reckons with a share of just 28.5% of European tropical timber imports being "verified sustainable". The around 11% of additional imports of primary tropical timber products imported into the EU from Indonesia, with a FLEGT Licence, were not included in the calculation. Nor was the fact acknowledged that "all timber products, unlike all other "forest risk" commodities, have been subject since March 2013 to regulatory due diligence requirements" [under the EU Timber Regulation (EUTR)].

Against this background, the Tropical Timber Market Report article particularly criticizes that the figure of 28.5% was contrasted during the event against a claim that 74% of palm oil imported for food into Europe was "verified sustainable". In the case of palm oil, RSPO certification, which only requires that "primary forests and those with high conservation values are not converted for new plantations" is considered sufficient by IDH to make it "sustainable".

The article calls for a level playing-field in terms of sustainability standards for all "forest risk" commodities, including the extension of regulations like the EUTR to other commodity sectors, rather than relying on voluntary commitments. It also calls for continuing dialogue between FLEGT, FSC and PEFC and more cross-sectoral "discussions and sharing of ideas" with other "forest-risk" commodities.

A new **EC Communication on stepping up EU action to protect and restore the world's forests** published on 23 July may provide a basis for such dialogue.

In addition to the 28.5% of EU tropical timber imports that are FSC or PEFC certified, a further 11% are FLEGT-licensed from Indonesia

EC adopts new framework of actions to protect and restore forests

The Communication observes that "80% of global deforestation is caused by the expansion of land used for agriculture". It also recognises that "EU consumption of food and feed products is among the main drivers of environmental impacts, creating high pressure on forests in non-EU countries".

Consumption of timber products, by contrast, is not listed among the drivers of deforestation, but said to be contributing to forest degradation through "unsustainable exploitation of forest resources e.g. for use as domestic energy".

The fact that the FLEGT Action Plan tackles illegal logging and strengthens forest governance, but does not address deforestation caused by agricultural expansion is identified as a critical gap in

EU action by the new EU Communication.

The Communication also recognises that targets set in a previous Communication from 2008, including to "reduce gross tropical deforestation by 50% by 2020" are unlikely to be met and that action must be "stepped up" and the EU "take an even stronger leadership role in protecting and restoring the world's forests". Increased action, as now announced, is in line with the EU objective to halt global forest cover loss by 2030 and the strategic long-term vision for a climate neutral economy by 2050.

The Communication does not lay out a firm action plan, as the current Commission's mandate is drawing to a close, but identifies a number of priorities and proposals for action for the new Commission to decide on:

- **Priority 1:** Reduce EU consumption footprint on land and encourage the consumption of products from deforestation-free supply chains in the EU
  Key actions proposed:
  - Establish a platform for multi-stakeholder and Member State dialogue on deforestation, forest degradation and on sustainably increasing the world's forest cover.
  - Encourage strengthening standards and certification schemes that help to identify and promote deforestation-free commodities.
  - Assess additional demand side regulatory and non-regulatory measures to ensure a level playing field and common understanding of deforestation-free supply chains.

Some of the proposed actions, especially number three, give reason to hope that standards for "forest-risk" commodities in the EU market might be equalised and become compulsory.

- **Priority 2:** Work in partnership with producing countries to reduce pressure on forests and to "deforest-proof" EU development cooperation
  Key actions proposed:
  - Ensure that deforestation is included in political dialogues at country level and help partner countries to develop and implement national frameworks on forests and sustainable forest management
  - Ensure that EU support for agricultural, infrastructure, mining, urban, peri-urban and rural policies in partner countries does not contribute to deforestation and forest degradation
  - Help partner countries to implement sustainable forest-based value chains and promote sustainable bio-economies
  - Develop and implement incentive mechanisms for smallholder farmers to maintain and enhance ecosystem services

Actions proposed under Priority 2 underline the importance of developing common understanding of how "sustainable production and consumption of wood products" can be defined and achieved at scale.

- **Priority 3:** Strengthen international cooperation to halt deforestation and forest degradation and encourage forest restauration
  Key actions proposed:
  - Strengthen cooperation on policies and actions to halt deforestation, forest degradation and restore forests in key international fora
  - Promote trade agreements that include provisions on the conservation and sustainable management of forests and further encourage trade of agricultural and forest-based products not causing deforestation or forest degradation.

- **Priority 4:** Redirect finance to support more sustainable land-use practices
  Key actions proposed:
  - Assess (...) possible sustainable mechanisms to catalyse green finance for forests.
  - Consider improving company reporting on the impacts that company activities have on deforestation and forest degradation.

- **Priority 5:** Support the availability and quality of and access to information on forests and commodity supply chains. Support research and innovation.
  Key actions proposed:
  - Establish an EU Observatory on deforestation, forest degradation, changes in the world's forest cover, and associated drivers.
  - Explore the feasibility of developing a Copernicus REDD+ service component.
  - Improve coordination of work among relevant research institutes.
  - Share innovative EU practices on circular economy, sustainable bio economy, renewable energy, smart agriculture and other relevant disciplines.

The Utrecht event compared and contrasted FLEGT and certification

Many still only recognise FSC and PEFC-certified timber as sustainable

Speaking up and out for FLEGT

The IMM interviews UK Timber Trade Federation Managing Director David Hopkins on its communication and promotion of FLEGT.

IMM: At the reception for the Timber Trade Federation-sponsored Momentto Project recently, the timber pavilion designed by architecture students for the London Architecture Festival incorporating FLEGT-licensed yellow ballau, you said to guests that 'the forest that pays is the forest that stays'. It's a phrase you've used at other events looking at FLEGT, including IMM Trade Consultations. You clearly believe this and that FLEGT can be a tool to help ensure forests pay.

David Hopkins: Certainly. We're talking particularly about tropical forests. These are in often poorer countries with growing populations and a desperate need for development and economic growth. They need their forests to pay and if that can't be done through sustainable management for timber production, the clear risk is that they'll be converted for agriculture, plantations or development. FLEGT and associated Voluntary Partnership Agreements between supplier countries and the EU can provide the commercial incentive for maintaining forest land as forest. At the same time, they also communicate to environmentally sensitive markets and consumers that they're doing this in a systematic, legal, transparent and sustainable way.

IMM: You've also said that FLEGT steps in where private third-party certification leaves off and makes up for its limitations?

DH: Yes, there are advantages to both. TTF members are great supporters and admirers of the FSC and PEFC. They have been from the start. They've helped promote and communicate their value throughout the marketplace – one reason they've been such a success, particularly in brand recognition.

Certification schemes have been pioneers and performed an invaluable service in embedding in popular consciousness the value of the forest and timber to the environment generally and, more recently, their carbon benefits and role in climate change mitigation.

They've set standards and provided the tools for business to ensure their sustainability and established international brands to demonstrate it to customers. They also filled the void left by a lack of governance in the forest and in many tropical countries. They must be applauded for the leadership they've shown.

At the same time their limitations have become increasingly apparent. When you look globally, they have only really taken off on any scale in Europe, both for forest management and chain of custody and brand recognition.

This is mainly because Europe is already a fairly highly regulated market for all aspects of business.

But if you go to the tropics it's a different story. There is not the same large corporate culture of management systems and auditing. There's very little reporting. And there isn't the money to invest in such things.

Certification also tends to rely on Western companies investing in concessions and bringing their auditing system with them. That may have worked if there was widespread Western investment. But this is in decline and the dominant companies across large parts of the tropics are Chinese. They don't have the same views on certification! So, it is understandably now in decline – along with European influence.

Usually, certification schemes will promote their success based on the number of Chain of Custody Certificates they have licensed. It's fair enough. It's how they make their money, so it's how they measure success.

However, if you rate certification scheme's success by the most important criteria, their coverage of forest land in tropical countries, which is where they originally set out to have their impact, they don't measure up so well.

Ten years ago, PEFC and FSC certification covered roughly 10% of global forests. Today that's only 11% or so and most is in Europe. They seem to have hit a barrier.

FLEGT and VPAs are not about substituting certification, but they can take the process of driving legal and sustainable forest management and timber trade to the next stage. They provide that governance and regulatory framework tropical countries were previously lacking.

Dave Hopkins

IMM: At the same you and your members have expressed misgivings about certain aspects of FLEGT and highlighted some shortcomings.

DH: Clearly the length of time taken for sawmills and suppliers to get through the VPA process is an issue, perhaps an irritant, for the trade. Obviously, it's a complex, demanding business, but having still only one country issuing FLEGT licences limits licensed product variety and availability, which in turn limits market traction, impact and awareness of the wider FLEGT initiative. When there are more countries issuing licences and a greater range of products available, it will gain more recognition and market share. There's just an understandable impatience for it all to happen faster. Let's hope Ghana and perhaps Viet Nam get there soon. They have a willing market waiting for their products!

IMM: You've also said your members have problems with some practicalities of the FLEGT licensing system?

DH: It's chiefly about the fact it doesn't take account of the timber trade's practice of keeping imported stock in bonded warehousing and breaking up shipments into individual lots as orders are placed. That way importers spread the cost of customs duty, paying it piecemeal as separate orders go out. It eases cashflow and it's been built into companies' budgeting. But a FLEGT licence applies to the whole shipment and can't be divided, so customs have to be paid on the whole consignment at once. That needs to change. The system has to allow for trading realities.

IMM: You have a background in communications, including as director of the long-established UK generic timber promotion and marketing campaign Wood for Good. Communications is another area where FLEGT has come in for criticism from the TTF and other trade federations you work with closely across the EU.

DH: FLEGT is a great initiative and the EU should take real credit for it, actually be out and proud of what they've done, not least in the UK where a lot of people, clearly view the EU solely as a negative organisation, hell-bent on straightening their bananas.

But, FLEGT is positive. It's about enabling, supporting business and individuals, helping them achieve development, improved working and living standards and growth through legal, sustainable forestry. But this has not been adequately communicated and particularly it's not been marketed and promoted.

We shouldn't be focused on what it prevents and avoids, but on what it achieves and makes possible. It's not just about legality, but a different way of looking at forest management and making a real difference on the ground, socially, environmentally and economically. It really is transforming communities across the world – even just the process of achieving the goals of a VPA before countries start FLEGT licensing.

It's about Europe caring in a positive practical way about the impact it has on forests around the world. That's a story we should be telling over and over again.

So far communication has tended towards the technocratic and legalistic. The EFI's new trade-oriented www.timberbuyers.org website, which focuses on the wider benefits of the FLEGT initiative, including its positives for business , is definitely a step in the right direction. We need more communication like this.

It also hasn't helped communication and marketing that more local and municipal authorities across the EU are not recognising or accepting FLEGT licences as proof of legality and sustainability in public procurement policies. This is an area where the EU itself really needs to act.

IMM: You also feel it's important to highlight the human dimension of FLEGT?

DH: Definitely. We need more case studies of what it means for people; the transformative impacts it can have for them. FERN has highlighted some great examples, which we used in our Timber Transformer exhibition at the Building Centre last year.

IMM: The topic of a FLEGT logo has been raised several times at IMM Trade Consultations across the EU. What is the TTF view on this?

DH: We think it could be a useful tool – it's certainly proved so for other eco-initiatives, certification and so on. Of course, FLEGT is not a one-size fits all initiative. It's adapted to the specific requirements and structures of the VPA partner country. But the right branding could take that into account, even accentuate it as a benefit. So a common FLEGT logo could be teamed with the country's name; FLEGT/Ghana, FLEGT/Viet Nam and so on. Brands are a valuable marketing trigger. They grow recognition and awareness. It wouldn't turn things around overnight – look how long it took FSC to get to the level of international awareness it enjoys today. But it can help the process.

IMM: You clearly believe too that trade bodies, including the TTF, have a role and responsibility for communicating and promoting FLEGT and VPAs.

DH: FLEGT is a trade-based initiative and we should all do as much as we can to raise awareness and explain what it's about. That's why the TTF organised the Timber Transformer exhibition. This was funded by the UK Department for International Development (DfID) under its Forest Governance, Markets and Climate programme (FGMC). It ran for four months in central London and was open to everyone, attracting hundreds of visitors; members of the public, government representatives, leading timber companies, students, specifiers and end users. At its core was what lies behind the FLEGT licence. It told the story of Indonesia's progress through its VPA to the start of licensing and focused strongly on the social, economic and environmental benefits. It featured a series of display boards, which were visually very striking, with clear, impactful messages, taking visitors through the process step

Momentto reception and architects (top)

Timber Transformer David Hopkins and Hilary Benn former International Development minister

by step. It got a lot of media coverage and great feedback. We're now putting it on our website as an online exhibition, and there's an open invitation to other trade federations to use the text and imagery in their own promotion.

IMM: EFI published a report on the IMM website titled *Beyond Legality*, which underlined elements that FLEGT and VPAs have in common with third-party certification. Is this something the trade should pick up on?

DH: It should be another aspect of communication. The two do share a lot of elements and FLEGT can be a rung on the ladder to third-party certification. We should also focus on how FLEGT links with and complements wider development goals and climate change initiatives. It's not enough to focus your efforts on emissions reductions in your own country, you have to take action internationally. FLEGT is one way of doing and demonstrating that.

IMM: Where else does FLEGT and FLEGT communications need to focus?

DH: It's also increasingly important to bring products into the spotlight. Architects don't design buildings and manufacturers don't make furniture out of sustainability certificates. In procurement and specification decisions, the first consideration is always the product. We should account for that in communication; informing the market what products are available with FLEGT licences or from VPA countries. It would give FLEGT marketing a much more effective trade hook.

This was an element of the Momentto Project. It was partly aimed at getting young architects excited about timber generally and familiar with using it. But it also spotlighted that the Indonesian yellow Balau used is available with FLEGT licensing and what that means. Following the example of the American Hardwood Export Council, which has a great record for high profile architect and designer showcase projects demonstrating the potential of US hardwoods, we want to support more product and structure-based initiatives like this to raise the profile of FLEGT and VPAs with designers.

IMM: TTF is now in the early stages of another FLEGT communications project, which sounds ambitious. Can you give some details?

DH: This is again funded by DfID under its FGMC programme and it's about supporting FLEGT promotion and communication on a pan-EU basis, working with European partners and tropical supplier countries to encourage better comms throughout the supply chain.

Product-based marketing will be an important element of this, along with design and installation projects. To coordinate this initiative, we've recruited Lucy Kamall, a leading marketing consultant, who has extensive experience working with the timber sector. The first step is to create awareness around the products which will be available, show what can be done with them, then use that to tell the transformational global story behind them. It's exciting and we believe could generate a lot of market momentum behind FLEGT.

IMM participates in Shanghai Global Green Supply Chains Forum

The International Tropical Timber Organisation (ITTO), the China Timber & Wood Products Distribution Association (CTWPDA), together with the Centre for International Forest Products Trade, National Forestry and Grassland Administration (CINFT NFGA), and the International Tropical Timber Technical Association (ATIBT) will jointly organize a one-week international forum "Together towards Global Green Supply Chains - a Forest Products Industry Initiative". The event takes place from 22-25 October in Shanghai and Huzhou and aims to promote the advancement of legal and sustainable supply chains and related benefits such as poverty alleviation, creation of employment, economic growth, income generation and contributions to climate change mitigation.

Two conference days in Shanghai will be followed by field visits in Huzhou and the CTWPDA's Global Wood Flooring and Global Hardwood Conferences. The organisers' joint statements with further background information, including the draft programme **CAN BE FOUND HERE**.

According to the organisers, an outcome of the Forum will be to build a joint "Legal and Sustainable Supply Chain (LSSC)-Global Green Supply Chains (GGSC)" Business Exchange Platform "to facilitate business information exchange and continued collaboration in future between increasing numbers of timber producers, buyers, the processing industry and wood product market representatives nationally and internationally".

IMM Trade Analyst, Rupert Oliver, and Lead Consultant, Sarah Storck, will both attend the meeting. Mr Oliver will present IMM trade data and IMM will also use the opportunity for liaison with Chinese agencies and furthering planned work on tropical timber trade flow monitoring in China.

Cross sector hopes for Honduran VPA

Honduras's FLEGT VPA has potential to protect forests and biodiversity and ensure the forest rights of indigenous peoples and interests of small businesses and cooperatives. It can also underpin the commercial development and competitiveness of the forest sector, including private plantation businesses.

Those were among views expressed by speakers representing Honduran conservation, cooperative and private sector interests during the latest Global Forum on Forest Governance at London's Chatham House on July 1.

Mario Antonio Martínez Padilla, director of the Institute for Forest Conservation, Protected Areas and Wildlife (ICF), highlighted the significance of the forest sector for Honduras' GDP and environment. The country's 5.4 million hectares of forest amounts to 48% of land area, generating 701,000 m3 of logs annually and export earnings of $66 million. The sector has created over 100,000 jobs in the last six years, while 236 community forest management contracts have been issued.

The country has lost around 12.5% of forest since 2015, with 500,000ha of softwood woodland destroyed by insect infestation. "But the rate of deforestation has slowed by 10% a year, and that is largely down to the new focus on the sector due to engagement in our VPA," said Mr Padilla.

The key challenge of the VPA had been to develop a 'public round table' to involve as wide a range of stakeholders as possible. "But this is being achieved and provides the real spine of the project, involving private sector, local communities, civil society, government and indigenous Afro-Honduran representatives," he said.

The country, he added, is establishing an effective timber tracking and monitoring system and strengthening policing to combat illegal logging. "Protecting the forest and its environmental benefits is an urgent task as Honduras is rated one of the most vulnerable countries to climate change," said Mr Padilla.

Stakeholder communication meeting *Photo: Democracy without Borders*

FLEGT and timber legality school event. *Photo: Democracy without Borders*

Honduras has developed a multi-annual operation plan for 2019-23 to help advance VPA implementation and forest management generally, again involving indigenous peoples, civil society groups, business and government. It is also developing strategies to improve the environmental performance of forest-risk commodity production more generally.

Norma Rodriquez, President of the National Council of Women's Cooperatives and Secretary of the Honduran Federation of Agroforestal Cooperatives said the VPA created opportunities for the forest sector to develop new markets, get better prices, improve competitiveness and access finance. "But compliance with the legality assurance process is expensive and small businesses in particular need more incentives and financial support," she said. "Many institutions also don't have the resources to support and implement new laws."

Her members, she added, particularly valued the participatory aspect of the VPA process. "It is the only initiative that has managed to involve so many interests and public entities," she said. "At the same time there needs to be still greater communication as we haven't reached out to all stakeholders yet."

Formerly, she said, Honduran forestry was the 'invisible sector' in government policy, but the VPA had changed that "It has given us visibility and we are now being taken into account."

The process, she added, has real potential to generate employment and grow forest income through commercial development of the range of forest commodities, not just wood. "In creating jobs, it can also reduce migration from the land to cities and also the number of people risking emigration," she said. "And the VPA's focus on transparency and the range of stakeholders involved should help in our efforts to increase job opportunities for all; indigenous peoples, men and women. Women in particular are now getting to more senior roles – I am the first woman president of my organisation, for instance. We can now build on this progress."

Juan Francisco Santos García, of the Association of Foresters of Honduras (ANASILH), said the Honduran private sector was committed to the VPA too. Among its objectives was involving the fast-growing plantation industry in the process.

"The plantation business is committed to legality – our industry's slogan is 'The best timber is legal timber' and our organisation has been part of the FLEGT VPA national technical committee since 2015," said Mr Garcia. "We are also working with the Honduran Forest Administration (ICF) and academia to strengthen and promote commercial plantations, which divert timber demand away from natural forest."

However, he said, still more effort was needed to involve business in forest management strategy development, and more incentives required to attract foreign investment to establish plantations in 'empty and degraded land'.

"The plantation sector can make substantial contributions to social, economic and environmental development – it's been described as like planting oil, delivering potentially major benefits in terms of climate change mitigation," said Mr Garcia. "But we still need a clearer framework for the industry and fiscal incentives to support investment and growth."

The private sector's wish list for the VPA and wider reform, he added, included support for creation of collaborative industry clusters, stronger cooperation with academia, backing for training, deregulation of access to markets to support the private plantation industry and further incentives for creating 'deforestation-free supply chains'.

FAO launches public consultation on forest-related legislation

FAO is launching a public online consultation to gather opinions from a broad range of stakeholders on the development of a set of Guiding Legal Elements (GLEs) for forest management, and timber production and trade. These Elements will form the framework for an online FAO database (Timber-Lex) that will catalogue forest-related legislation for timber trading countries.

The initiative is part of a Japanese-funded project with a focus on increasing understanding of the components of timber legality across the production and supply chains and of generating greater and easier access to information on national legislation.

FAO is calling for broad input to help shape its latest initiative to combat illegal logging and related trade.

The consultation is active from **29 July to 29 August 2019** and is available in English, French and Spanish.

For more information and to participate **CLICK HERE**

Andrew Tilbury of Falcon Panel Products and Indonesian Ambassador Dr Rizal Sukma at the UK reception

Indonesia-UK post Brexit co-operation commitment includes FLEGT

Indonesia and the UK have agreed a raft of areas for bilateral economic, environmental and development cooperation. They include a continued commitment to support and develop Indonesia's engagement in the Forest Law Enforcement Governance and Trade initiative if and when the UK leaves the EU.

Government delegations of the two countries met in London in June for their second Partnership Forum. They included Retno LP Marsudi, Indonesian Minister for Foreign Affairs, and Professor Muhadjir Effendi, Minister for Education and Culture. Representing UK government were Secretary of State for Foreign Affairs Jeremy Hunt MP, and Minister for Asia and the Pacific Mark Field MP.

Topics discussed were potential for a new economic and trade agreement and cooperation on education and climate change. Agreements included UK support and collaboration to assist Indonesia on low carbon development and closer economic cooperation and UK backing to help Indonesia attract foreign investment across the range of industries.

The countries also declared their shared commitment to 'maintaining FLEGT timber trade once the UK leaves the EU'. This agreement builds on a 'statutory instrument' introduced by the UK Government last year, making 'minor and technical amendments to the existing [UK FLEGT] legislation to ensure it is operable after exit from the EU'. These changes included amending references to the EU, EU institutions and EU administrative processes to UK equivalents and updating legal references to refer to relevant UK legislation.

"The intention is to have a UK Timber Regulation (UKTR) and UK Forest Law Enforcement Governance and Trade regulation (UK FLEGT) that tackle illegal logging and ensure the demand for, and supply of, legally harvested timber for the UK market," stated the government memorandum on the instrument. The UK is also concluding its own FLEGT Partnership Agreement with Indonesia to succeed the current EU VPA.

The FLEGT IMM Data Dashboard shows the UK remaining by some way the biggest EU importer of timber and wood products from Indonesia. It is also a major importer from other VPA-engaged countries. Consequently there are concerns, if it does leave the EU, that the latter will lose leverage within VPA states and potentially the wider tropical timber sector. The UK government has on a number of occasions, however, stressed its continued support for the FLEGT initiative and the EUTR, although post Brexit, UK operators would have to subject all imports from the EU to due diligence.

Total UK import from Indonesia in 2018 were €269 million, up from €263.4 million in 2017. For more **CLICK HERE for the IMM Data Dashboard.**

The Congo Basin has been a key timber resource for the EU for centuries.
Photo: Klas Sander, courtesy Danzey

Growing a low risk African hardwood market

The UK Timber Trade Federation is hosting a special conference for the hardwood sector, 'African Hardwood: Reducing risk, improving supply'.

The event takes place at the Building Centre in London on October 31 and IMM will attend and report on it.

"Africa, particularly West Africa and the Congo Basin region, has been a supplier of quality hardwoods to the UK and Europe for centuries. However, recent years have seen market share drop considerably," said TTF Managing Director David Hopkins. "This has been due to a number of factors, not least the increased political, environmental and social risk associated with doing business in Africa."

The one-day conference, he added, is intended to give a picture of the state of the African timber market, what products are available, what regions are doing well, possible future trends and what solutions are being implemented to reduce business risk and improve quality of supply.

'We will also be including examples of risk reduction and forest governance improvement from other areas of the world, including Guyana and Indonesia," said Mr Hopkins.

Last year the TTF held a conference focused on the oak market, which drew a capacity audience, and the African event is expected to attract similar numbers. An open invitation is extended to importers, distributors and other stakeholders across the EU.

Conference admittance is free, but delegates must register at **www.ttf.co.uk.**

Broad input urged for Viet Nam timber legality decree

Viet Nam sources and exports worldwide

Viet Nam's Ministry of Agriculture and Rural Development (MARD) is calling for input into a new draft decree supporting implementation of its FLEGT Voluntary Partnership Agreement. The decree will include criteria and processes for classification of timber exporters and timber products, and establishing the framework for verifying the source of imported timber.

MARD is inviting input from the range of stakeholders, government, private sector, industry experts and the public. It said the new decree was a vital component in ensuring legality assurance under its VPA, which was ratified last October and came into force on June 1 this year.

It is expected to take several years for Viet Nam to fully implement its VPA and start FLEGT licensing, according to a news report on the EFI FLEGT Facility website. But when it does, it is forecast to benefit its timber trade worldwide

"In addition to the variety of social, economic and environmental benefits associated with better management of the forestry sector in Viet Nam, FLEGT licensing will contribute to increase the credibility of its timber processing industry, not only in the EU but also in other export markets, where there is increasingly demand for legal timber," said an EU-Viet Nam joint statement in May.

The country sells timber products to 120 countries and exports reached a record US$9.3 billion in 2018, nearly $900 million of which were to EU markets. According to the EU FLEGT IMM Data Dashboard, the UK was the biggest EU timber buyer from Viet Nam, with imports of €304.7 million. Next was France, at €144 million and Germany at €114.5 million.

JIC reviews Congo VPA progress

Members of the EU-Republic of the Congo JIC.
Photo EFI FLEGT Facility

The Republic of the Congo is 'not far from the end of the tunnel' on its FLEGT VPA, according to EU Ambassador to the country Raul Mateus Paula. He was talking after the latest meeting of the EU-Congo VPA Joint Implementation Committee (JIC) in Brazzaville on 5-6 June, which was also attended by Congo Forest Economy Minister Rosalie Matondo.

The JIC concluded that most of the recommendations made and activities advocated at its last meeting in November 2018 had been implemented or were under way. Delegates discussed deployment of the Congo's legal audit system (SIVL), a software tool for managing timber traceability and legality verification. There had been delays in the process but an interdepartmental group had been appointed to oversee it.

They also addressed independent audit of the country's timber legality verification system and formulated proposals for following up auditor recommendations on changes and improvements. Publication of the 2018 Joint Annual Report on the Congo's VPA, due to be finalised at the end of June, was advocated as soon as possible. Mr Paula also urged 'continuation of efforts to finalise [VPA] communication tools'. The next meeting of the JIC is scheduled for November 20-21.

Republic of the Congo timber exports to the EU in 2018 were worth €78.7 million, up from €71.2 million in 2017 million. For more details visit the **IMM DATA DASHBOARD.**

Lao PDR developing timber legality definitions

Further progress on Lao PDR's timber legality definition was among topics discussed at its third meeting with the EU on development of its EU FLEGT Voluntary Partnership Agreement. Talks were held in Brussels from June 17 to 21

Among Lao representatives was Phouangparisak Pravongviengkham, Vice Minister of Agriculture and Forestry, the Head of the Lao negotiating team. He underlined the country's enthusiasm for its VPA. "The government is committed to further develop our forest sector in a sustainable way and our negotiations with the EU are part of this," he said. The implementation of the VPA will help enhance the robustness of our timber supply chain and responsible forest management."

On its timber legality definitions, Lao delegates said that there have been further advances with regards legality of timber from conversion areas and imports. The focus was now also on natural forest, while labour obligations in forestry, wood processing and trading were under review.

Since Lao's last meeting with the EU in 2018, it has also revised its Forest and Land Laws and issued a decree on environmental impact assessments. Delegates highlighted how the Forest Law now enables local communities to make commercial use of forests, supporting livelihoods and providing a source of raw material for small to medium sized enterprise and household timber production.

Detail was provided too on institutional developments for implementing the VPA and its timber legality assurance system. Jorge Rodriguez Romero, European Commission Directorate General for Environment Deputy Head of Unit said the EU looked forward to implementation and testing of the latter. "It will be an important step in furthering good forest governance and trade in legal timber, with positive effects for the forest sector," he said.

EU and Lao delegates at the meeting. *Photo: EFI*

Lao government: committed to developing forest sector sustainably. *Photo: Chris Lang*

The German Development Cooperation Project, 'Protection and Sustainable Use of Forest Ecosystems and Biodiversity in Lao', continues to support the country in its progress towards its VPA.

According to the IMM Data Dashboard, EU imports from Lao in 2018 were €77,740. This was down on 2017's €176,846, but ahead of 2015's €46,982. Lao's leading EU market in 2018 was Germany, accounting for over half its EU exports. Leading EU markets in 2017 were Latvia, Lithuania, Germany, Belgium, Sweden and France. Main products exported to the EU in 2018 were sawnwood and joinery. Paper and printed papers were also key categories.

Community VPA training in Liberia

African forest legality on air and online

Ghana's online wood tracking system, and a Liberian radio channel dedicated to forestry issues were key topics at a meeting of representatives of the two countries under an EU Non-State Actors FLEGT VPA initiative (NSA). The NSA project is titled 'Strengthening capacity of non-state actors to improve FLEGT-VPA and REDD+ processes'. It involves Liberia, Ghana and Côte d'Ivoire.

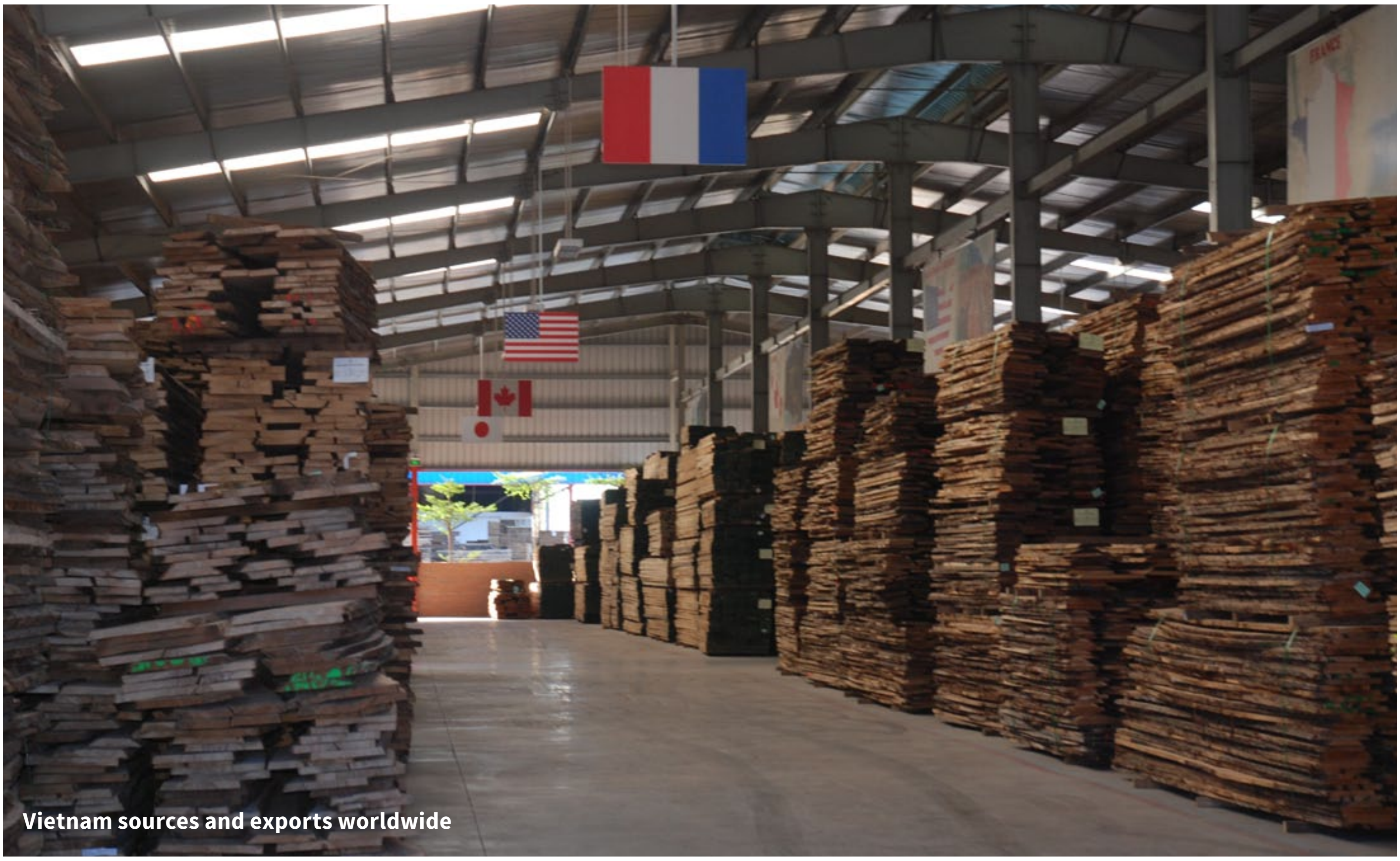
In the latest meeting in Monrovia in June, members of the Ghanaian team presented recent developments in their tracking system to Liberian colleagues. They included representatives from the Nature and Development Foundation and Tropenbos International Ghana, while Liberian delegates were from Volunteers to Support International Efforts in Developing Africa (VOSIEDA).

The Ghanaian system enables tracing of timber in real time using its online portal. The Liberian team said that they hoped to implement similar technology under their VPA process.

They in turn presented 'Forest Hour', a radio service developed under the NSA project, designed in particular to encourage community engagement in forestry issues. The Ghanaians for their part said they'd also like to develop such a service. The Ghanaian team also met with representatives of Liberia's Civil Society Independent Forest Monitor, an NGO coalition, and with various community forestry bodies and the Liberian Timber Association.

They additionally presented latest progress in Ghana's VPA to the EU-Delegation to Liberia. As part of their trip they were also guests on an edition of 'Forest Hour', where they discussed the Ghanaian experience on issues ranging from penalties for breaching forest laws, to community involvement in forest contract management.

Liberian log yard



Vietnam sources and exports worldwide

Legality and sustainability compliance key for Asian trade bodies

The EU, USA, Japan and Australia are the most demanding markets when it comes to proof of legality and sustainability of timber imports, according to leading Asian suppliers. This was among the findings of a report from the Global Timber Forum (GTF) based on a survey of timber industry associations in both Asian producing and consumer countries; Indonesia, Australia, Thailand, Vietnam and Australia.

A total of 25 associations were interviewed. They represented a range of interests, from forestry businesses, through timber processors to retailers. In total they have 13,000 member companies, including a large number of small to medium sized enterprises, and between them account for an estimated US$30 billion of trade.

The two key issues facing their members, survey respondents said, were obtaining raw material and compliance in a changing international regulatory landscape. Addressing those countries and regions that set the bar highest on import legality and sustainability assurance, respondents rated compliance on both as equally significant.

Vietnam - a regional timber processing hub

The biggest challenges for associations included:

- supporting and guiding members in compliance with international product and environmental standards
- Engaging in legal reform processes
- Providing members with market data
- Advising on legality compliance and legal assurance.

Respondents said the main forms of risk mitigation they recommended to members were sustainability certification and legality verification. Associations said that supply chain management, legality compliance and communication were key areas for member training. They also advocated more market communication to counter the timber sector's negative image.

Association members were reported to be mainly now trading in plantation grown hardwood , with timber from natural forest accounting for less than 25% of sales.

The GTF has also conducted interviews on these topics in China and India and will report the findings separately.

Update on EU VPA Partner Trade

After a dip in 2017 and the early months of 2018, EU imports of tropical wood products recovered ground in the second half of 2018 and gained momentum in the first five months of 2019. EU imports from Indonesia have increased in value terms but remain stubbornly flat in tonnage terms. There was significant recovery in EU imports of sawnwood from Cameroon in the year to May 2019. Most other gains during this period were in imports from countries not engaged in the VPA process, including Brazil, China, India, Panama, and Cuba.

EU imports of tropical hardwood faced plywood continued to rise from China, much of it destined for the UK. However, the biggest single increase in recent months has been in imports of sawn wood from Brazil. A significant proportion of the gain in import volume from non-VPA countries comprised products outside the scope of the EU Timber Regulation, particularly for energy production.

The EU imported 2.75 million metric tonnes (MT) of tropical timber products (excluding chips, pulp and paper) in the year ending May 2019, up 11% from 2.47 million MT in the previous 12-month period *(Chart 1)*.

Over the same timespan the dollar value of EU tropical timber imports increased 6% from $4.25 billion to $4.50 billion *(Chart 2)*. As the dollar strengthened against the euro during this period, there was a larger 10% increase in the euro value of EU tropical timber imports, from €3.57 billion to €3.94 billion.

Imports from Indonesia up 5% in value but flat in tonnage terms

EU imports from Indonesia, currently the only FLEGT licensing country, decreased slightly (-1%) in tonnage terms in the year to May 2019. EU imports from Indonesia were 423,000 MT during this period, compared to 428,000 MT in the previous twelve months. In value terms, imports increased 5% from US$932 million to US$976 million.

The pace of growth in EU imports of Indonesian plywood and charcoal has slowed, while imports of S4S sawnwood has declined after rising in 2018. More positively EU imports of doors and other joinery products have increased from Indonesia. EU imports of wood furniture from Indonesia have remained flat. Imports of Indonesian mouldings/decking have been volatile on a monthly basis, but the total in the year to May 2019 was similar to the previous 12-month period *(Chart 3)*.

Imports from Africa recovering lost ground

EU imports from the five VPA implementing countries in Africa (Cameroon, Central African Republic, Congo Republic, Ghana, and Liberia) have been very volatile in recent years. 12-month rolling imports increased sharply to 524,000 MT in September 2016 and then fell even more rapidly to a low of 385,000 MT in March 2018. In the following months, imports recovered much of the lost ground to reach 470,000 MT in the year ending May

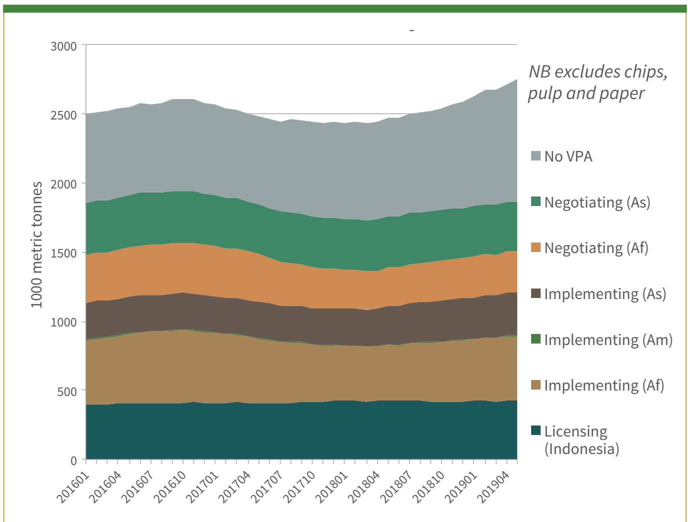


Chart 1: EU imports of tropical timber products by VPA status - 12 month rolling total (Jan-16 to May-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

Indonesian exports to the EU static in volume but up 5% in value

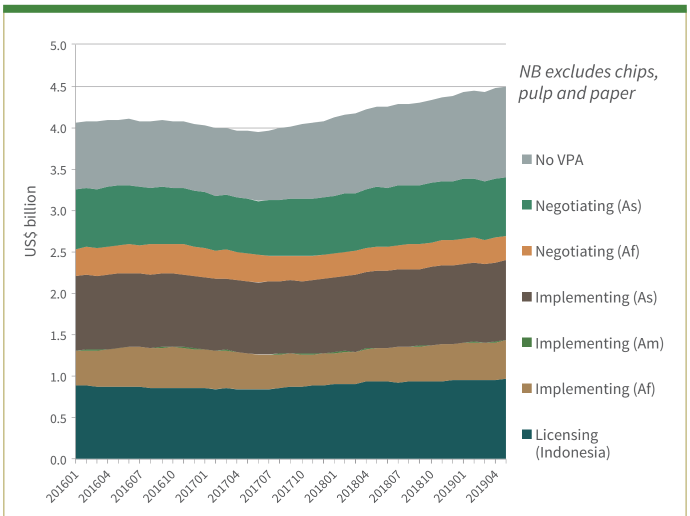


Chart 2: EU imports of tropical timber products by VPA status - 12 month rolling total (Jan-16 to May-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

2019, 17% more than in the previous 12-month period.

Most of the recent volatility in EU trade in timber from African VPA implementing countries is attributable to sawnwood imports from Cameroon, particularly in Belgium. EU trade with Cameroon rebounded strongly in the twelve months to May 2019. There were also gains in imports of sawnwood from Congo Republic and of logs and sawnwood from Central African Republic during this period *(Chart 4)*.

EU imports from Ghana, mostly of sawnwood, have remained low and flat for the last four years, with the 12-month rolling total stable at 25,000 MT. EU imports from Liberia have also hardly changed during this period, averaging around 5,000 MT per year.

Rising imports from Vietnam

Vietnam completed VPA negotiations in 2018 and is moving on to the VPA implementation phase this year. 12-month rolling total timber product imports into the EU from Vietnam were 313,000 MT in the year ending May 2019, 14% more than the previous 12-month period. While EU imports from Vietnam continue to be dominated by wood furniture (HS 94), much recent growth has been in imports of a range of other wood products in HS 44, notably charcoal and other energy wood, plywood, laminated wood, planed sawnwood, and doors *(Chart 5)*.

The two countries in Latin America that recently completed VPA negotiations, Guyana and Honduras, are currently only small suppliers of timber to the EU.

EU imports from Guyana, mainly consisting of hardwood logs and sawn, tend to be quite volatile with demand strongly focused on a specialist niche market for heavy duty sea and river defence applications. EU imports fell sharply from 8,000 MT in 2015 to only 3,000 MT in 2016, but have recovered ground since then, rising to 5,300 MT in the year to May 2019, 18% more than in the previous 12-month period.

Imports into the EU from Honduras, mainly sawn softwood, have been falling in recent years. 12-month rolling total imports from Honduras were 1,280 MT in the year to May 2019, 16% less than in the previous 12-month period *(Chart 6)*.

Changing product mix from Malaysia

Of VPA negotiating countries, Malaysia is by far the largest supplier of tropical timber products to the EU. EU imports from Malaysia totalled 326,000 MT in year to May 2019, 5% less than in the previous 12-month period. In recent months, Malaysia has lost ground to both Cameroon and Brazil in the EU market for tropical sawn wood, and to China and Indonesia (and Russia) in the market for hardwood plywood. However, EU imports of wood furniture from Malaysia have continued to strengthen,

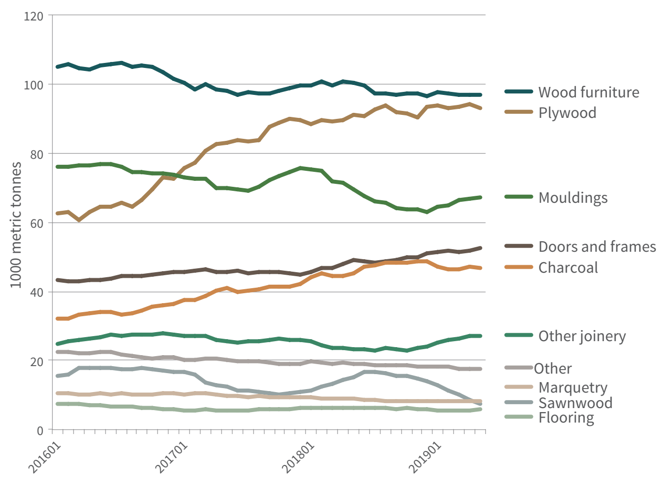


Chart 3: EU imports of tropical timber products from Indonesia - 12 month rolling total (Jan-16 to May-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

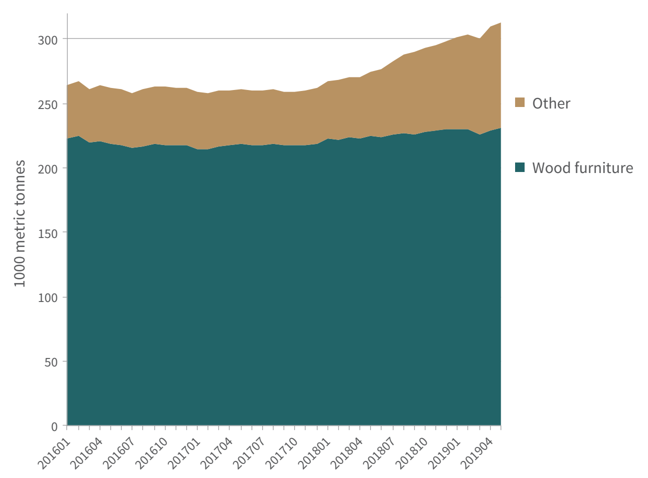


Chart 5: EU imports of tropical timber products from Vietnam - 12 month rolling total (Jan-16 to May-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

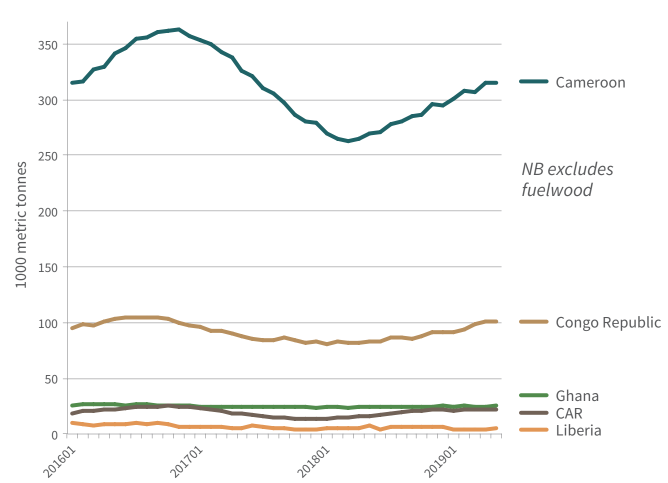


Chart 4: EU imports of tropical timber products from VPA implementing countries in Africa 12 month rolling total (Jan-16 to May-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

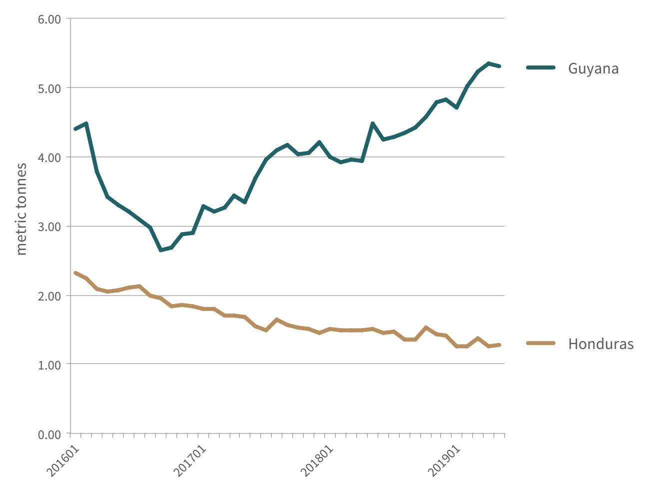


Chart 6: EU imports of tropical timber from VPA implementing countries in South America 12 month rolling total (Jan-16 to May-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

while there has also been some recovery of EU imports of window scantlings and other joinery products from Malaysia.

EU imports of timber products from Thailand consist primarily of furniture, with smaller quantities of plywood, fibreboard, and charcoal. Total EU imports from Thailand were 33,000 MT in the year to May 2019, 7% more than in the previous 12-month period *(Chart 7)*.

Of the three VPA negotiating countries in Africa, Gabon is the largest supplier to the EU *(Chart 8)*. After declining in 2016 and 2017, and flatlining in 2018, EU imports from Gabon have recovered ground in 2019. In the year to May 2019, imports from Gabon were 192,000 MT, 5% more than the previous 12-month period. Much of the recent growth has comprised sawnwood and veneer. Imports of plywood and sleepers from Gabon have weakened.

After declining sharply in 2016 and 2017, EU imports from Côte d'Ivoire have stabilised at a lower level. Imports of 65,000 MT in the year to May 2019 were exactly equivalent to the previous 12-month period. EU imports from Côte d'Ivoire are now split roughly half and half between sawnwood and veneers. A continuing decline in EU sawnwood imports from Côte d'Ivoire is being compensated by a rise in veneer imports.

After a sharp decline in 2017, there was a short-lived upturn in EU imports from DRC in the last quarter of 2018, the effects of which were already waning by May 2019. Imports of 36,000 MT in the year to May 2019 were only 5% more than in the previous 12-month period. Most of the recent gains were in log and veneer imports from DRC, while imports of sawnwood from this country continued to decline.

Malaysia has recently lost ground in sawn timber exports to the EU to Brazil and Cameroon

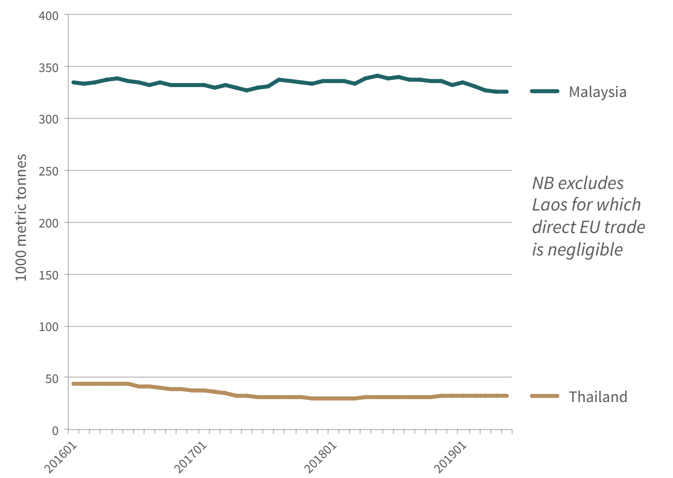


Chart 7: EU imports of tropical timber products from VPA negotiating countries in Asia 12 month rolling total (Jan-16 to May-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

Large and sometimes rising imports from non-VPA countries

EU imports of tropical timber products from countries not engaged in the VPA process increased 24% from 713,000 MT in the year to May 2018 to 885,000 MT in the year to May 2019. This is primarily due to a recovery in imports of hardwood sawnwood and decking from Brazil and a continuing rise in tropical hardwood plywood imports from China and of furniture from India. EU imports of mouldings/decking also increased significantly from Peru (+48% to 11,900 MT) and Bolivia (+86% to 7,200 MT) in the year to 2019.

The rising trend in EU imports of tropical wood from non-VPA countries has been intensified by a significant increase in imports of products for the biomass sector. There was a sudden large increase in imports of wood pellets from Panama in May 2019 which may or may not be the start of a longer term trend. Also, a large increase in imports of hardwood logs from Brazil which, on closer analysis, can be identified as plantation grown eucalyptus likely destined for pulp or biomass.

Recent gains in charcoal imports from Cuba and Venezuela have offset a decline in imports of this product from Paraguay. Meanwhile imports of charcoal from Nigeria have continued at a relatively high level *(Chart 9)*.

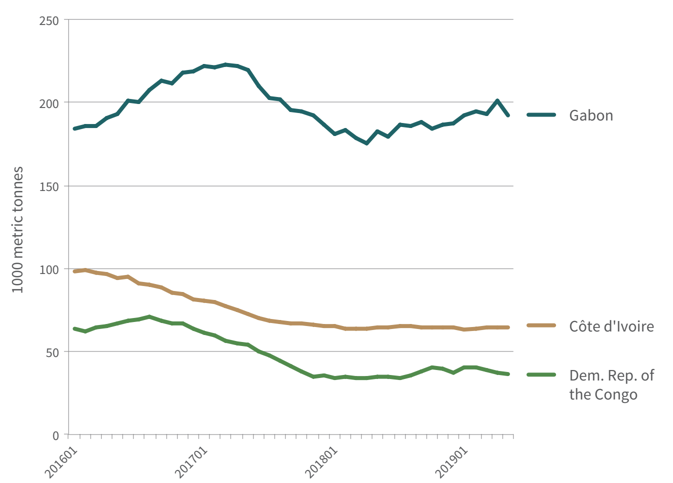


Chart 8: EU imports of tropical timber products from VPA negotiating countries in Africa 12 month rolling total (Jan-16 to May-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

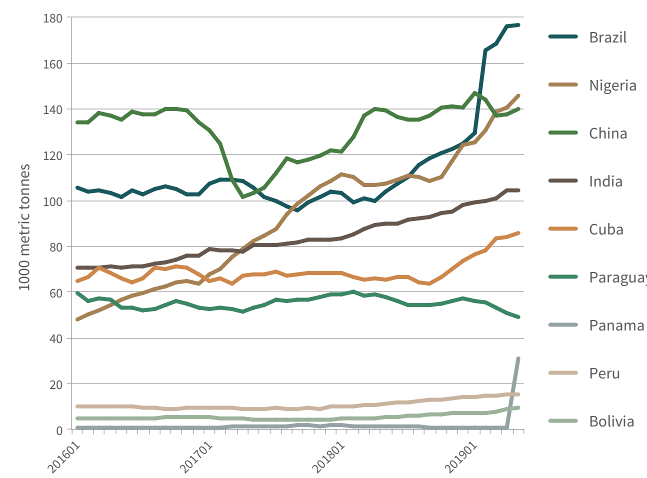


Chart 9: EU imports of tropical timber products from non-VPA countries - 12 month rolling total (Jan-16 to May-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

EU-Indonesia trade

The EU imported 423,000 metric tonnes (MT) of wood products from Indonesia in the year ending May 2019, a 1% reduction compared to 428,000 MT in the year ending May 2018. However, in value terms EU imports from Indonesia increased 9% from €782 million to €855 million in the same period. As the € weakened against the US currency during this period, the increase in dollar value was less significant, up 5% from US$932 million to US$976 million.

In the year to May 2019, a rise in EU imports of Indonesian doors and other joinery products was offset by a decline in imports of Indonesian S4S sawnwood products. EU imports of Indonesian wood furniture were stable during this period, halting the slow decline of previous years. After a period of growth in 2017 and early 2018, EU imports of Indonesian plywood and charcoal stabilised at the higher level in the 12 months to May 2019. While varying widely each month, total EU imports of Indonesian mouldings/decking in the year ending May 2019 were at the same level as in the previous 12-month period *(Chart 1)*.

Imports of Indonesian wood products stabilised at a high level in the Netherlands and the UK in the 12 months ending May 2019. Imports were slipping in Germany, France and Greece but rising in Belgium and Spain during this period. Imports in Italy were broadly flat *(Chart 2)*.

Although the volumes involved are small, in percentage terms there were potentially significant upticks in imports of Indonesian products in several minor EU markets for Indonesian products in the year ending May 2019 compared to the previous 12 month period, notably Czech Republic (+39% to 2,100 tonnes), Ireland (+37% to 1,700 tonnes), Romania (+11% to 1,450 tonnes), and Portugal (+99% to 500 tonnes).

In total, the EU imported 283,000 MT of pulp and paper products from Indonesia in the year ending March 2019, a 2% decline compared to 288,000 MT in the year ending March 2018. However, in value terms, EU imports from Indonesia increased 10% from €248 million to €273 million in the same period. In dollar terms, the value increased 9% from US$291 million to US$316 million.

After slowing in 2018, the tonnage of EU imports of Indonesian paper products increased in the first quarter of 2019. EU imports of pulp from Indonesia have declined to near zero so far in 2019. *(Chart 3)*.

After a downturn in 2018, imports of Indonesian paper products returned to growth in the UK, Italy, and Slovenia is the first quarter of 2019. Imports in Greece, Spain and Germany continued a long-term rising trend during this period *(Chart 4)*.

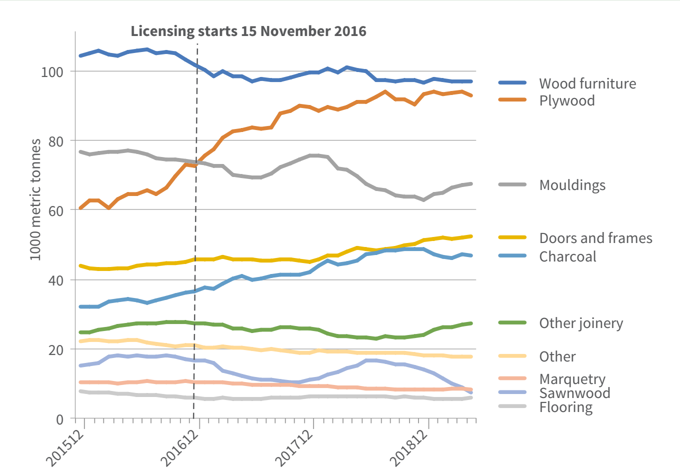


Chart 1: EU imports of wood products from Indonesia - 12 month rolling total (Jan-16 to May-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

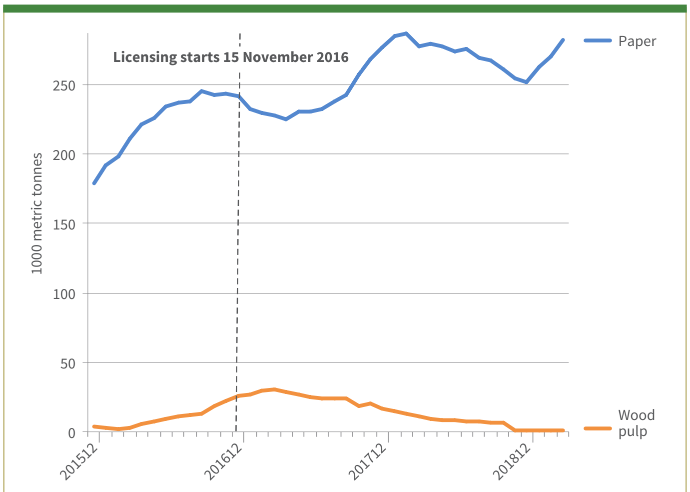


Chart 2: EU Member State imports of wood products from Indonesia - 12 month rolling total (Jan-16 to May-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

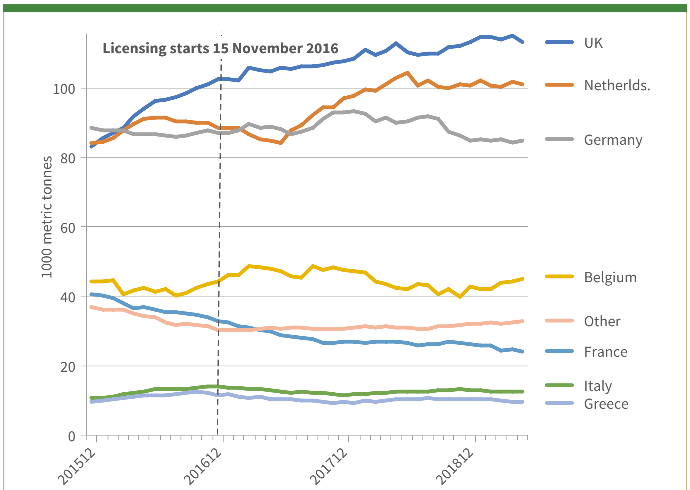


Chart 3: EU imports of pulp and paper from Indonesia - 12 month rolling total (Jan-16 to Mar-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

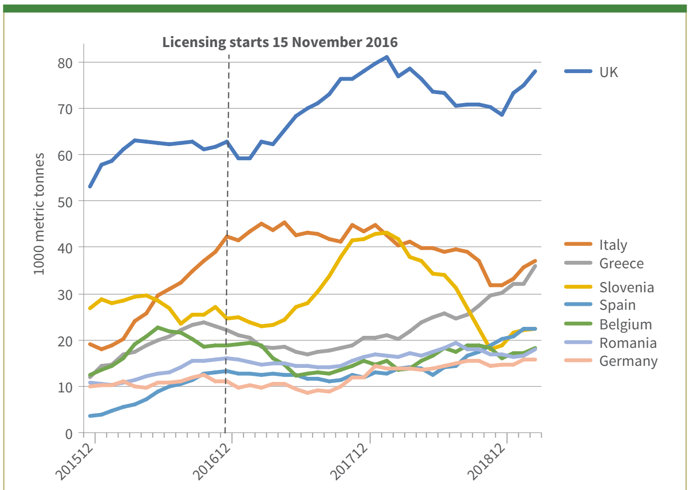


Chart 4: EU Member State imports of pulp and paper from Indonesia - 12 month rolling total (Jan-16 to Mar-19)
Source: ITTO-IMM analysis of Eurostat COMEXT

IMM

Independent Market Monitoring of FLEGT-Licensed Timber

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