

Meeting Summary:

Timber Regulation Enforcement Exchange:

Valencia, Spain

October 23rd – 25th, 2017



Introduction

Background: Since 2012, Forest Trends and Chatham House have been working with officials from EU Member States and US Lacey enforcement agencies to further understanding of complex high-risk supply chains for wood products and support coordinated implementation of the EU Timber Regulation and US Lacey Act. These two work streams merged into a process called the Timber Regulation Enforcement Exchange (TREE), an ongoing series of networking and information-sharing meetings which bring the growing group of officials together every six months.

Objective: The TREE process aims to support robust and consistent enforcement of demand-side timber regulations by providing a forum for officials to gain detailed insight into high- and low-risk timber flows entering their countries, discuss practical enforcement issues with each other and relevant experts from the forest sector and other relevant product/environmental sectors, establish emergent norms for Due Diligence/care in relation to different forest products, and build relationships with producer country governments, industry representatives, and other stakeholders involved in combating illegal logging and promoting global markets for legal timber.

Valencia Meeting: Held in Valencia, Spain from October 23-25, 2017, this TREE workshop brought together a core group of US Lacey Act enforcement officials, EU Timber Regulation (EUTR) Competent Authorities (CAs), and an Australian official implementing the Illegal Logging Prohibition Act (ILPA). The meeting was co-hosted with the Consellera de Agricultura, Medio Ambiente, Cambio Climático y Desarrollo Rural, in Valencia.

The following report summarizes the presentations and discussions from the TREE meeting in Valencia. Notes were not taken during Government-only training and peer-sharing sessions.

Several topics were covered throughout the week, including:

- a) Legality risks and Due Diligence standards in supply chains from Liberia, the Central African Republic as well as Myanmar, including document training for enforcement officials in assessing legal compliance and Due Diligence for timber imports coming from each of these countries.
- b) Presentations and discussion on the risk of buying timber products sourced through complex multi-country supply chains into regulated markets.
- c) Updates on recent enforcement action and cases involving illegal timber and forest products imported from Peru into the USA.
- d) Discussion of the growth in new artisanal furniture manufacturing hubs in India including new certification standards developed to help Micro, Small and Medium Enterprises (MSMEs) demonstrate that their products are produced with legal, domestically sourced, timber.

Welcome, aims and introductions to EUTR enforcement in Spain

Welcomes

Julià Alvaro Prat, Regional Secretary for the Environment and Climate Change welcomed participants to Valencia and noted that the city is an important port for Spain's wood product imports. The regional authorities of Valencia employ more than 14 staff for the implementation of the EUTR, which is an indication of the Valencian Government's commitment to enforcing the EUTR.

Kerstin Canby of Forest Trends further welcomed participants to the meeting and provided some background and context for the discussions. TREE was initiated in 2012, with regular bi-annual meetings bringing together government enforcement agencies from across Europe, the US and Australia. The Valencia TREE meeting welcomed back many TREE participants who have been active since 2012, as well as many who are completely new to TREE. Valencia TREE meeting participants ranged from EUTR Member State Competent Authorities (CAs), regional authorities of the EUTR in Spain, forest agencies, prosecuting agencies, compliance specialists, inspection services, export and import control authorities – reflecting the wide range of specialties that have been given roles and mandates to implement import control legislation in the US, Europe and Australia. Other invited participants included expert speakers and trainers, and representatives of the European Commission.

Presentations

José Brotons Martínez of the Ministry of Agriculture and Fisheries, Food and Environment in Spain provided an introduction to implementing the EUTR in Spain. There are 17 autonomous regions and cities in Spain which share responsibilities for EUTR enforcement with the national government. The regions have ability to develop their own competence for implementation.

Royal Decree 1088/2015 requires an annual Operators Statement of Responsibility. To date, there has been limited information available on Spanish Operators and, therefore the Operators Statement of Responsibility will help inspectors carry out their enforcement checks on companies. The Operators Statement of Responsibility will soon be available online and Operators will be expected to fill out general information, including the type of Operator, origin of the product and country of harvest for all products. Copies of the Operators Statement of Responsibility will be sent to the Operator, the central CA, and the regional CA.

A Working Group has also been established to help coordinate approaches between autonomous regions, facilitating improved procedures and communication. Spain has also developed a National Plan to Control the Legality of Marketed Timber. This helps to identify the reliability of the Operators and distribute the controls among the autonomous regions. Spain is also working with France and Portugal on a joint plan aimed to harmonize the way that each of the three Member States carries out the checks on their Operators.

To date, Spain has more than 100 inspectors and 31 CAs. In total, 650 Operators have submitted Statements of Responsibility, but they are expecting more once the online Statement is functional. Spain has also validated 1,350 FLEGT licenses. In the future, Spain would like to improve the online system for Operator reporting and pursue further integration and harmonization of enforcement approaches with neighboring Member States such as Portugal.

The presentation is available [here](#).

Eduardo María Perez-Laorga Arias of the DG of Environment Management and Environmental Assessment from the Valencia Government described the complex legal framework of the Spanish state and autonomous regions. The Valencia region has its own EUTR CAs, including the Directorate General for Environmental Management, Agricultural and Environment Department where there are 14 staff.

Valencia is an important port in Spain, yet Operators remain unfamiliar with the EUTR legislation and therefore have required training and advice from CAs. To date, the Valencia CA has conducted market research, collected information from the Operator Operators Statement of Responsibility and conducted checks on Operators. The CA has also developed best practice guides, leaflets, an informational website, training courses, and bespoke training specifically focusing on how to fill out the Operators Statement of Responsibility. CAs have also sent out more than 1,000 letters to Operators in order to notify companies of the requirement to complete an annual Operator Statement of Responsibility.

The presentation is available [here](#)

Discussion

Discussion focused on understanding more about the number of Operators in Spain and the process of completing the Operators Statement of Responsibility. Mr Brotons Martínez indicated that there may be between 10,000 and 11,000 Operators in Spain. The major regions for imports and wood processing are Valencia, Madrid, Galicia, Bilbao and Catalonia.

Further clarity was provided on the way that Spanish law requires Operators to make the statement each year. A first failure to submit an Operators Statement of Responsibility, will result in a minor infringement, but repeated non-compliance can lead to a bigger penalty of up to 100,000 Euros based on non-cooperation with a government ministry. Mr Brotons Martínez further highlighted that there are many different ways to identify companies that have not submitted the Operators Statement of Responsibility, such as comparing with company registrations and customs data.

Follow-up discussion questioned the ease in which the Spanish CAs can access data that could help provide clarity on the number of Operators. Mr Brotons Martínez noted that there is good coordination with customs on FLEGT licenses, but it has been much harder to establish protocols for accessing customs information that could help in implementing the EUTR. This is a general problem in a number of other EU Member States where data is protected, and can prevent the responsible authorities from sharing general information beyond a specific enquiry from a CA.

Presentation

Alberto Romero of the Spanish Timber Trade Federation Asociacion Esponola del Comercio e Industria de la Madeira (AEIM) provided some context about the federation which has 112 member companies. AEIM has been operating since 1957, when their focus was on tropical timber from Africa. In 2016, the group's imports were worth 5.8 million Euros. Major products imported into Spain include paper and paper products (accounting for 60% of member company imports) and wood pulp (14% of imports). Other products include panels, sawn timber, veneers, joinery, wood furniture and parts.

AEIM has developed a number of standards and tools for EUTR implementation. The first code of good environmental practice assessment was developed in 2006 and was followed by a responsible purchasing policy in 2010 and a standard on Due Diligence in 2012. There are now policy plan commitments on legality and sustainability of timber imports for the period 2017-2020.

AEIM is also collaborating with other EU timber trade federations and is now working towards a European DDS, especially for non-negligible risk producer countries.

To support their member companies in carrying out Due Diligence, AEIM provides a Timber Trade Portal where it is possible to find country profiles on both the timber industry and forest legislation of producer countries. They also circulate the European Timber Trade Federation News quarterly and have carried out a risk assessment for the 110 countries supplying Spain, based on the origin of the timber products.

From AEIM's analysis, Mr Romero suggested that just 8% of Spanish imports come from countries that the federation has categorized as non-negligible risk, which is very different from public opinion which tends to think that more than 60% of Spanish imports are from countries which are potentially high-risk for illegal logging. However, it was noted that "non-negligible" risk does not necessarily mean that the timber is illegal, and is based entirely on country of origin/export. AEIM are streamlining this assessment so that the analysis can differentiate between regions within a country.

The presentation is available [here](#)

Discussion

Questions from CAs focused on how AEIM carried out the assessment that concludes which countries are "non-negligible risk" source countries and the extent to which plantation timber could be differentiated from timber sourced from natural forests, as well as how the assessment took into account any illegal conversion to plantation forests.

One CA asked what AEIM is doing to ensure that its members are properly implementing a Due Diligence System (DDS); noting that it is not acceptable for a company to merely say that they are an AEIM member, if they do not put in place the DDS. Mr Romero responded that AEIM is making efforts to inform and educate members that they need to integrate the AEIM DDS in their own systems of buying and stock control.

VPA institutions: Information for due diligence and enforcement session

Presentations

Iola Leal of the European Forest Institute FLEGT Facility provided an update on the VPA institutions and roles of those employed to support VPAs, including what information they can provide to support DDS and the validation of the legality of timber from countries negotiating VPAs. The EFI FLEGT Facility ultimately provides advice and support during all phases of VPA dialogues.

The VPA process clarifies the documentation required for legal compliance. A VPA includes a legality definition annex which provides an up to date legal reference on the documentation required, including templates as well as information on who prepares, checks or approves the document in the country. While the VPA process will clarify the legality definition, the VPA annexes do not include a full catalogue of documents which could be

useful to CAs. However, the VPA process is designed to build transparency and there is also a specific annex that commits the government of the country to make forest-related information publically available. Each of these annexes specifies how this information will be made available such as through a website, official journal, radio. A key challenge has been for countries to maintain these resources.

The EFI FLEGT Facility also conducts data analysis to support VPAs including timber trade studies, baseline studies, domestic market studies, imported timber and customs studies as well as case studies on specific topics such as China's hongmu furniture industry. Almost all are publicly available on the EFI Facility website. During VPA implementation, before FLEGT licenses are available, annual reports also provide information on any improvements in supply chain control. Minutes of VPA Joint Implementation Committee meetings may provide information on responses to NGO concerns and impact monitoring reports may also provide some useful information for timber regulation enforcement.

The VPA process is impacting the way that companies source timber. Ms Leal suggested that companies who want to operate legally appreciate the clarity of the legal framework set out in the VPAs as it helps them understand the risks in their supply chains.

The presentation is available [here](#)

Hugh Speechly of Palladium provided an update on the role of the VPA facilitators and advisors in VPA countries. Palladium, for example, has a contract with the UK's Department for International Development to provide facilitators in Ghana, Liberia, the Republic of Congo and the Democratic Republic of Congo (DRC). In the case of Myanmar and Guyana, the contract provides for both facilitators and a VPA implementation fund.

The role of the facilitator is to help stakeholders to work together, to overcome any difficulties and reach agreements. An advisor role is dedicated to supporting the Government, and specifically, the Ministries regulating the forestry sector. The role involves building trust with the Ministry.

Mr Speechly provided an example from Palladium's experience where a supplier to an EU Operator used a photograph with a facilitator at a timber auction to claim that the timber was legal. As such, it is important to note that advisors and facilitators cannot say whether timber is legal or not. Instead, they have information on the main forest sectors and the main actors in the country. CAs are welcome to contact facilitators to ask questions, but there are limitations to what can be shared as they must maintain trust.

Discussion

Questions focused on whether facilitators can or do engage with the private sector in VPA countries. Mr Speechly explained that VPAs have to be agreed by all stakeholders in-country, including the private sector, and therefore facilitators will work with private sector, but it often depends on who represents the major participants in a country.

Tuesday 24th 2017

WRI Open Timber Portal Interactive

Presentations

Marie Vallee of WRI presented a new online web platform which aims to tackle the information gap in forest producing countries and promotes trade in legally harvested wood products by compiling information from complementary sources. The resource has been designed in collaboration with civil society, government and industry with key partners including Resource Extraction Monitoring (REM), Field Legality Advisory Group (FLAG) in Cameroon and local independent monitors in Africa. To date, the resource has been piloted in the Republic of Congo and the DRC but will expand to cover Cameroon, Gabon, the Central African Republic next year.

Ms Vallee explained that there are three main sources of data that feed into the site:

1. **Government:** This will include a list of registered operators, concession maps, contracts for harvest rights and management plans where available;
2. **Companies:** A specific list of documents is made for each country based on VPA legality definition and developed with local stakeholders. Relevant companies are then invited to share this information voluntarily (legal registration, compliance with social requirements, worker rights, payment of taxes, CITES permits etc).
3. **Monitors:** Independent monitors will be invited to upload their own reports and data through an app with structured forms to standardize methodology and ensure consistency and relevance in reported information.

All of this data will be overlaid with geospatial data from WRI's Global Forest Watch. The online portal then ranks producer companies according to the percentage of documents that they have uploaded. It is also possible to access an individual producer profile and an observations database to check companies within a supply chain. To date, the site has 1,200 observations and the figure is growing weekly.

WRI is expecting that the site will be live in early 2018 and will be aimed at supplier companies who want access to regulated markets, governments in producer countries, timber buyers, enforcement agencies in importing countries, independent monitors in producer countries, civil society and donors.

The presentation is available [here](#)

Discussion

Questions focused on how WRI is engaging with companies to both communicate that the Open Timber Portal is a new tool, and to ensure that the companies provide information for the site. Ms Vallee explained that WRI has included information on the Open Timber Portal in the European Timber Trade Federation newsletter as well as the Association Technique Internationale des Bois Tropicaux (International Tropical Timber Technical Association) newsletter. Other questioners queried the role and mandate of independent monitors. Ms Vallee indicated that this is usually a formal independent monitor, mandated by the Government and working according to an agreed

methodology, delivered by local organizations employing forest engineers and lawyers. Non-mandated informal monitoring also happens but these organizations often have less access to the forest and relevant documents. Therefore, WRI is making the system available to all monitors and considers a combination of the two models to be the most robust arrangement. The Open Timber Portal is open to all independent monitors who use the standardized forms on which the site is based, and WRI will set up different validation processes depending on whether the independent monitor is mandated or not.

A key concern raised during the discussion was the extent to which the Open Timber Portal can keep track of a company over time, particularly if its name is changed. Ms Vallee noted that this is challenging but needs to be addressed. One key issue for further consideration is how the company registration process works in-country. Can companies just change their names or is there a legal process for making these changes? Ultimately, the Open Timber Portal keeps track by Forest Management Unit/concession which stays constant even if a company changes its name.

New furniture processing hubs

Presentations

Marigold Norman of Forest Trends presented trade statistics for India's furniture exports based on data reported on UN Comtrade. Ms Norman highlighted that India is a growing hub for furniture manufacturing/export and ranks 21st globally for their exports of all furniture HS codes in 2016. China ultimately dominates the global market for furniture manufacturing and export, followed by Italy, Poland, Germany and Malaysia.

Wood furniture products are now India's most significant timber product export category by netweight in kg and are the second greatest exports earner behind paper. Over time, India's furniture exports have been increasing. In 2009, exports were worth \$225 million and increased 128% by 2016, to more than \$514 million. Ms Norman highlighted that 83% of India's wooden furniture exports fall under the HS code 940360 or "wooden furniture-other". However, the biggest percentage increases over time have been in exports of seating (both up-holstered and non-upholstered seating) which have seen more than a 2,000% increase since 2009. In addition, wooden office furniture exports have increased by 1,000% over the same period. The only furniture category to see a decrease on the value of exports since 2009 is wooden kitchen furniture.

India's main export markets are the EU, the US and Australia which were the destination for 87% of the exports in 2016. These markets have continued to increase since 2009, but India's exports have increased most significantly in terms of percentage change to Angola, Ghana, Barbados, Guatemala, Mozambique, Namibia, Papua New Guinea, Uganda Swaziland, Rwanda and Bolivia. Seating (non-upholstered) and office wooden furniture are also significant products for Europe and the US (and to a lesser extent) Australia. Wooden seating under HS codes 940161 and 940169 are currently outside the scope of the EUTR but are regulated under the scope of the Australian ILPA and the US Lacey Act.

To meet growing demand both domestically, and for the developing furniture manufacturing industry, India has increased imports of logs and sawn wood. Sawn wood imports have seen a steady increase in imports since 2009, while imports of logs have fluctuated and actually decreased since 2014. India's main source countries for logs and sawn wood have been Malaysia, Myanmar, New Zealand (for logs and some sawn wood), Papua New Guinea, Ghana, Ecuador, Cote d'Ivoire and Costa Rica (for logs) and Germany, Indonesia, the USA and Brazil (for sawn wood).

The presentation is available [here](#)

Rajesh Rawat of the Export Promotion Council for Handicrafts (EPCH) in India highlighted that there are over 1.1 million artisans across the country that are making wooden handicrafts and the industry was worth US\$584.09 million between 2016 and 2017. The major importers of Indian wooden handicrafts are Australia, Canada, France, Germany, Italy, Japan, the Netherlands, UAE, Switzerland, Saudi Arabia, USA and UK. In India the definition of handicrafts includes a significant artisanal furniture sector.

Market access for MSMEs in India was under threat by legislation aimed at tackling the trade in illegally-logged timber, as artisans found it challenging to demonstrate that their products were produced with legal timber. Exporters therefore came together to develop a Due Diligence Standard and Chain of Custody system so that they would be able to demonstrate that the wood has come from legal sources in India. As a first stage, EPCH has been nominated as an alternative CITES management authority, to issue certificates to exporters using two specific CITES species, demonstrating that their products are manufactured from timber that has been legally acquired. The standard, known as VRISKH, is designed to certify legal right to harvest and trade, compliance with local legislation, compliance with taxes and royalties and compliance with requirements of trade and export procedure for domestic timber. It does not currently include timber imported into India for processing or domestic consumption. Currently, around 394 exporters in India are VRISKH certified.

The presentation is available [here](#)

Discussion

Questions focused on how VRISKH deals with recycled timber. Mr Rawat indicated that this is currently outside the scope of VRISKH. Enforcement officials noted that wording on the website for VRISKH might be considered misleading as it could be seen to be guaranteeing compliance with the US Lacey Act and the EUTR. It is important to be clear that VRISKH can only “help companies to demonstrate some form of Due Diligence Standard.”

Additional questions related to increasing international recognition and harmonization with existing best practice in CoC and auditing, specifically whether EPCH would be seeking recognition from PEFC or other relevant schemes. Although this is not currently planned, the value of international recognition was acknowledged.

USG Risk Flag database

Presentations

Shelley Gardner of the US Department of Agriculture (USDA) Forest Service and **Cynthia Stahl** of USDA Animal and Plant Health Inspection Service (APHIS) presented ideas and an early prototype for a risk flag database that the US government has been developing. The database has been adapted from the US Forest Service Common Names Database and was tied specifically to species with the idea that enforcement officials could tell whether a specific genus of a species reported actually grows in the reported country of harvest.

There are more than 3,400 US Lacey declarations a week and officials are looking to streamline the process by which there are reviewed. There needed to be a way to automatically target or flag certain declarations to help identify where officials should take a closer look. Therefore, the US Forest Service developed a tree species

based reference system with a database that integrates taxonomy, vernacular conservation status and trade regulations. End users could be anyone monitoring timber trade for compliance and enforcement.

The US Forest Service wanted to use existing but disparate data available on the web and to link this through an Application Programming Interface which means that any updates on original websites will also update in the US Forest Service database.

Content for the database currently comes from the Catalogue of Life database, CITES Species Plus and the IUCN redlist. Information on export bans comes from the WRI website but this will have to be updated manually.

The presentation is available [here](#)

Wednesday 25th 2017

Complex supply chains in focus

Presentations

Marigold Norman of Forest Trends presented some initial research which looked at supply chains for non-processed product which, nonetheless, travel through multiple countries. The complexity of a supply chain is one key consideration in assessing the level of risk of buying illegal wood, since each node in the chain is an opportunity for laundering or product mixing. The more complex the supply chain, the harder it may be to trace the origins of a product's timber back to the logging source. Failure to obtain the necessary information at any point in the supply chain may increase the possibility of illegally harvested timber entering the supply chain. Ms Norman highlighted that there are significant volumes of logs and sawn wood entering regulated markets via countries that do not necessarily produce or process large volumes of timber products. The aim of the presentation was to highlight that a risk-based approach to enforcement should consider checking importers from a broader set of countries than just those NGOs report on significant levels of illegal logging. In addition, it will be important for Operators to increase their level of scrutiny when buying via these sorts of suppliers/ supply chains.

Ms Norman showed that over the last four years, the regulated markets of the EU28, Norway and Switzerland, Australia and the US have seen increasing log and sawn wood imports from the non-producer countries identified. In particular, imports from Singapore, Belize and Nigeria have been increasing most significantly based on netweight in kg as reported on UN Comtrade. In terms of value, the most significant increases since 2013 have been in imports of logs and sawn wood via Mauritius and Nigeria.

From the countries researched, the US, Germany and Poland are primarily sourcing logs and sawn wood via Nigeria. Australia is sourcing a significant volume of logs and sawn wood via Mauritius, while Sweden has sourced through Panama. The UK, France and the Netherlands have sourced the majority of the logs and sawn wood via Singapore. Austria is sourcing through the Seychelles.

Since these countries are not major producers of timber they are sourcing from a wide number of high(er)-risk source countries. Gabon, Cameroon, Cambodia, Myanmar, Central African Republic, Cote d'Ivoire, Madagascar, Ukraine, Bosnia Herzegovina, the Congo, DRC and the Russian Federation are some of the main countries from which these "trader" countries source.

The presentation is available [here](#)

Jago Wadley of EIA described the practice of ‘off-shoring’, which involves timber being sent outside the country of harvest for regulatory or enforcement reasons. As with the previous presentation, the data demonstrated that customs information fails to identify Operators buying through this sort of supply chain, as it often only identifies direct trade flows from high risk countries of harvest.

In addition, risk-based compliance checks should be undertaken in the knowledge that there is a distinction between occasional and constant Operators. Sometimes Operators just buy large quantities of timber or a product once in a while, or there may be a number of retailers selling timber within a country but no Operators importing the timber directly into that Member State. However, under the EUTR Traders must retain records of purchases and make them available to EUTR Competent Authorities and this can be a great way to identify indirect trade flows and intermittent Operators, which may not necessarily show up in customs searches.

Mr Wadley described the case of sourcing teak from Myanmar, where there was direct trade into the regulated markets of the EU and the US before the log export ban in 2014. EIA showed how logs were sent to third countries prior to the 2014 ban, then shipped as logs to the EU or milled and shipped as sawn wood to the EU after the ban in Myanmar. There are many reasons why traders stockpiled Myanmar logs in other countries, most notably India, Thailand, Malaysia Singapore and China. For example, many investors did not want to develop mills in Myanmar and were also concerned about Western sanctions on Myanmar. There are now a number of possible indirect trade routes into regulated markets which may appear to be low risk. These are likely to be exploited as teak is a high value material with very few alternatives, particularly in the context of the yacht building industry.

Enforcement officials therefore need to conduct checks on all types of teak suppliers as new operators may pop up to meet occasional needs and to find ways of bringing teak into regulated markets through ad hoc deals via third countries with significant stockpiles.

The presentation is available [here](#)

Discussion

Discussion focused on whether it is possible to identify where teak was grown and harvested using DNA or isotope testing.

Enforcement officials in the audience provided some updates which suggest that more information is becoming available on teak DNA extracts which could help with future testing. For example, work is now underway at the Thünen Institute to be able to identify where teak was grown and harvested using isotope testing. However, given the value and unique characteristics of Burmese/ Myanmar teak, companies normally want to advertise the origin of their timber.

Presentations

Shingo Masuda of the Finnish Agency for Rural Affairs presented latest developments from the Nordic-Baltic coordination group, including efforts to address complex supply chains and varying trade routes into the EU.

The group includes the enforcement authorities for Iceland, Norway, Sweden, Finland, Estonia, Latvia Lithuania and Denmark. The first meeting took place in 2013 and now takes place on an annual basis. The joint work includes online meetings and telephone calls, some joint inspections and mutual projects.

The group works together as the countries share some of the same Operators and suppliers, and as such want to ensure uniformity of enforcement.

To date, the group have learned a number of lessons which include that there are differences in the working methods between the competent authorities within the Nordic-Baltic group, which they are aiming to overcome, and that they need an online platform to share information freely. When the group shares customs data, it is always done in accordance with national legislation. It would be helpful to have a tool or resource through which Member States can securely share information. In addition, supplier information is not always mandatory for customs clearance in all EU Member States and this can make it more challenging to map out supply chains.

The presentation is available [here](#)

Discussion

A number of enforcement officials indicated joint initiatives and coordinated approaches to enforcement. For example, the UK has coordinated enforcement checks with the Republic of Ireland.

Other regions within Europe suggested a plan to set up similar groups to coordinate approaches particularly where they might also share Operators and suppliers. There is interest in establishing a Mediterranean group with nine proposed members, and an Eastern European group has recently been set up with a meeting in 2018 scheduled to take place in the Czech Republic.

Discussion also focused on the need for greater clarity on communicating and sharing data across Member States. Ultimately, enforcement officials also need clarification of the legal basis for sharing trade and customs data including the methods and channels for sharing this information.

Enforcement and Investigation Update: Peru

Presentations

Patrick Duggan of the US Department of Justice (DoJ) provided an update on two recent cases related to Peru. The first involved a Lacey Act and Endangered Species Act violation by Young Living Essential Oils for illegal trafficking of rosewood, frankincense and spikenard oil. This type of “essential oil” product is not covered under the scope of the EUTR. The case was also relatively rare in that the company self-reported violations to the DoJ.

The company was distilling essential oils from illegally-logged CITES-protected rosewood and had stockpiled rosewood in Peru before it was listed on the CITES appendices. The company was then importing the oil into

the US through Ecuador after the CITES listing. This meant that an illegal product was being “laundered” through another country in order to make it seem legal. Essential oils are not on the enforcement schedule for the Lacey Act, and therefore do not require a declaration. Companies only need to provide a customs declaration for the source country and therefore, there was no legal requirement to report that the trees from which the oil was sourced were harvested in Peru. Despite the absence of a misdeclaration, it was still possible to prosecute, because company staff volunteered all the information necessary for them to do so.

The second case involved the Office of the US Trade Representative which published a decision in October 2017 announcing a block on all imports from La Oroza, a company based in Peru, with offices in Mexico. The decision is the first action taken under the United States-Peru Trade Promotion Agreement which has an annex on forest sector governance. The main reason that the US Trade Representative took the action reflected the very clear public evidence that over 90% of the wood that they have exported to the US has been illegal. Before the Office of the US Trade Representative could take affirmative action, they needed evidence. They asked Peru’s OSINFOR (the Agency for Supervision of Forest Resources and Wildlife, charged at the national level with monitoring forest resources) under the provisions of the annex to validate all shipments that La Oroza had sent to the US. OSINFOR found that more than 96% of all those shipments were illegal.

Discussion

An enforcement official asked whether, given the recent case, essential oils will now be added to the enforcement schedule. It was clarified that US APHIS is now looking at listing essential oils on the enforcement schedule. Discussion then focused on the need to be able to track names and subsidiaries of companies. La Oroza had changed its name and continued to operate despite earlier claims that the company had been exporting illegal timber for several years. Mr Duggan suggested that some information sources already exist which can help track company names and subsidiaries including OSINFOR’s Forest Management Information System (SIGO) a database which allows you to search by concession owner to find out if OSINFOR has detected illegalities. Operators importing from Peru (even via China) should have documentation on the concession that their wood came from.

Presentations

Melissa Blue Sky of the Centre for International Environmental Law presented research into exports from Lima in 2015. The research started by analyzing more than 800 certificates of visual inspection signed at port by SERFOR inspectors, representing 25% of total exports in 2015. Information from the certificates was collated into a database and showed that the timber was destined for 35 countries, with 6 exporters accounting for more than 50% of all the exports analyzed.

One major finding was that half of all management plans from which the exported wood purported to be harvested had not been audited at all and this means that the legal status of all exports remains unknown. Of those that were supervised, 51% ended up on a red list (a list suggesting significant legal violations) for issues with transport, no harvesting, wrong site of logging etc.

71% of the exports to China and 75% of the exports to Mexico were from exports on the red list. In terms of exports to Europe, while the volumes are smaller, Belgium, Spain, France imports from the red list. La Oroza (the company banned by the Office of the US Trade Representative from exporting to the US) also exported

timber to Spain in 2015. The company specifically failed to include the year of harvest on the Forest Transport Permits (GTF), which can be a way of obscuring the supply chain and it also makes it more challenging to check whether timber was identified by OSINFOR as legally or illegally harvested.

Other Peruvian companies had exported timber from concessions on the red list, and notably, that wood had been cleared through EU customs in Belgium. The timber was likely harvested outside the declared concession, where there was no evidence of harvesting, and the declared species of export was different from the species listed on the certificate of visual inspection.

The presentation is available [here](#)