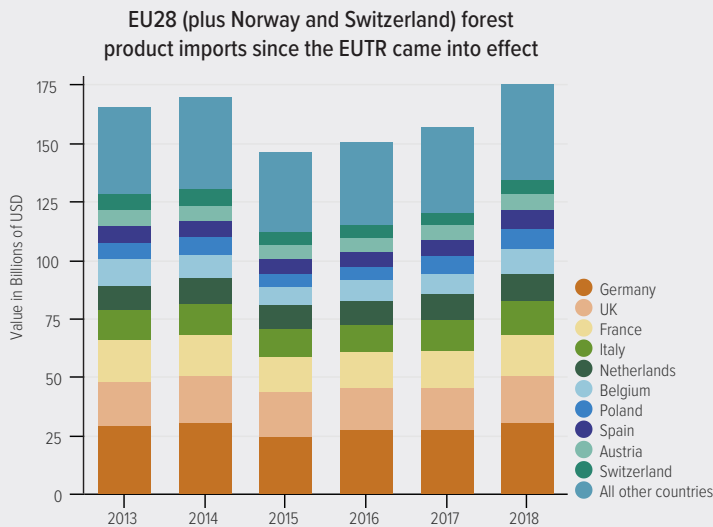


HOW HAS THE EU TIMBER REGULATION ENFORCED THE EUROPEAN TRADE OF TIMBER IN 2018?

Forest Trends assessed the latest United Nations (UN) Comtrade data for 2018, as well as other sources, to better understand the links between trade and enforcement activity.

1 European Union (EU) imports of forest products¹ regulated under the scope of the EU Timber Regulation (EUTR) reached a new high of \$175 billion in 2018, increasing 12% from 2017.



Germany, the UK, France, Italy, and the Netherlands account for more than half of Europe's forest product² imports.

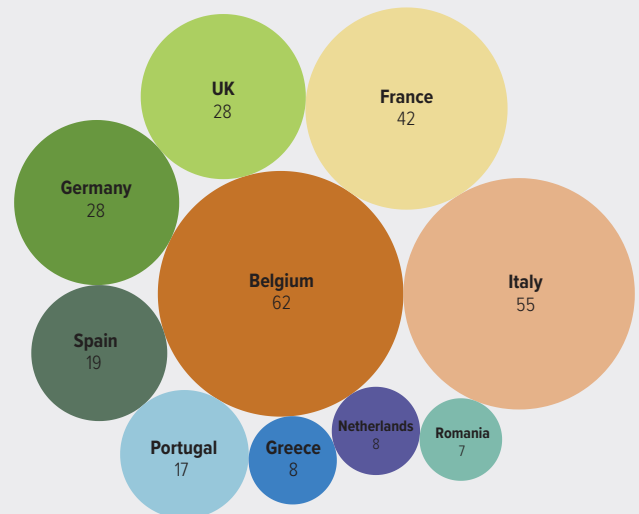
Slovenia, Poland, Finland, Portugal, and Latvia reported more than 20% increases in imports by value. The increasing market power of these players highlights the importance of consistent EUTR enforcement across all EU member states.

2 European imports of EUTR-regulated forest products from fragile and conflict-affected states increased 17% between 2017 and 2018 on the basis of value in USD.

Europe increased imports from 18 fragile and conflict-affected states. Europe sourced over 50% of these imports from the Republic of Congo, Côte d'Ivoire, Myanmar, the Democratic Republic of the Congo, and Central African Republic in 2018. Imports from Mozambique declined significantly by value, while imports increased over 1,000% from Djibouti (because of UK purchasing of cigarette paper products). Belgium, Italy, and France were the largest importers from fragile and conflict-affected states.

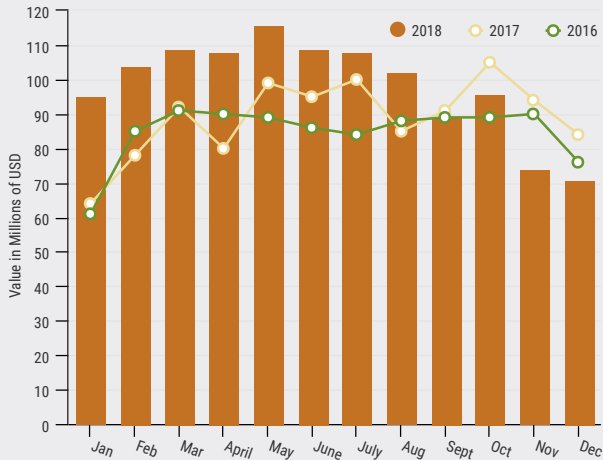
The World Bank's annual assessment of fragile and conflict situations, released as the "Harmonized List of Fragile Situations," was used for this analysis and classifies states experiencing violence, conflict, and instability. The European Commission published a draft guidance document for the EU Timber Regulation on the "prevalence of armed conflict sanctions and consideration of armed conflict in due diligence systems" in 2018. The document was finalized in June 2019.

Top 10 EU member states sourcing from fragile and conflict-affected states in 2018 (USD millions)



3 Imports of EUTR-regulated forest products from high-risk Ukraine declined 33% between July and December 2018, bucking the upward trend over the previous two years.

EU28 (plus Norway and Switzerland) imports of EUTR-regulated total forest products from Ukraine by month (2016-18)



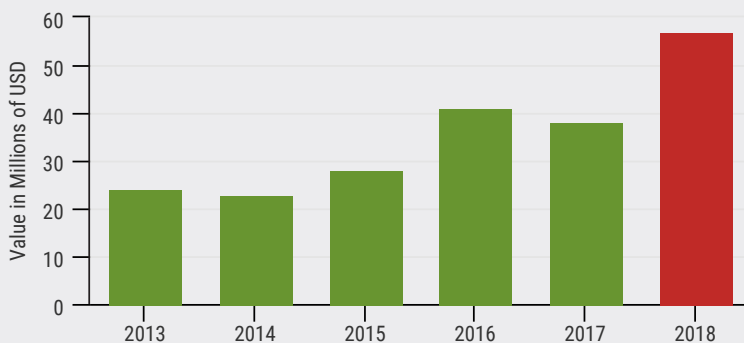
Illegalities and corruption in Ukraine’s forest sector have been a focus of concern since the release of Earthsight’s “Complicit in Corruption” report in July 2018. In late September 2018, the European Commission (EC) Expert Group began to look into the allegations.

Monthly fluctuations in import values are normal. However, 2018 imports into the EU28 (plus Norway and Switzerland) started declining below 2017 and 2016 values. European imports of Ukrainian logs decreased 75% by value between October and December 2018; plywood declined 50% by value. Data for 2019, when fully reported by EU member states, will indicate whether imports continue to decline.

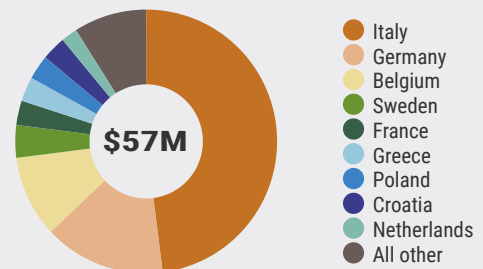
4 EU28 (plus Norway and Switzerland) imports of EUTR-regulated forest products from Myanmar increased by 50% between 2017 and 2018.

In 2017, an EC Expert Group concluded that “none of the assurances that the Member State EUTR competent authorities have received can be relied upon as sufficient for demonstration of compliance with the EUTR” with regard to teak from Myanmar. In 2018, to encourage consistent approaches to enforcement, EU member states developed a common enforcement position for forest product imports from Myanmar.

EU28 (plus Norway and Switzerland) imports from Myanmar



Percentage of European imports of Myanmar total forest products by member state

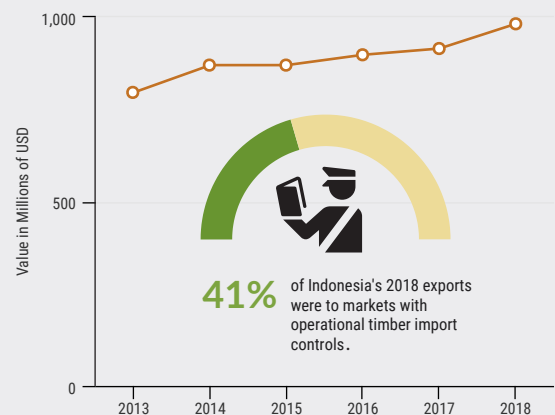


5 Indonesian 2018 forest product exports to European markets have increased 23% by value since 2013. Since November 15, 2016, when Indonesia started to issue FLEGT licenses, there has been a 9% increase in exports to Europe.

Forest Law Enforcement, Governance, and Trade (FLEGT) licenses are designed to verify the legality of the timber for countries that have signed a Voluntary Partnership Agreement with the EU and are considered to comply with the requirements of the EUTR.

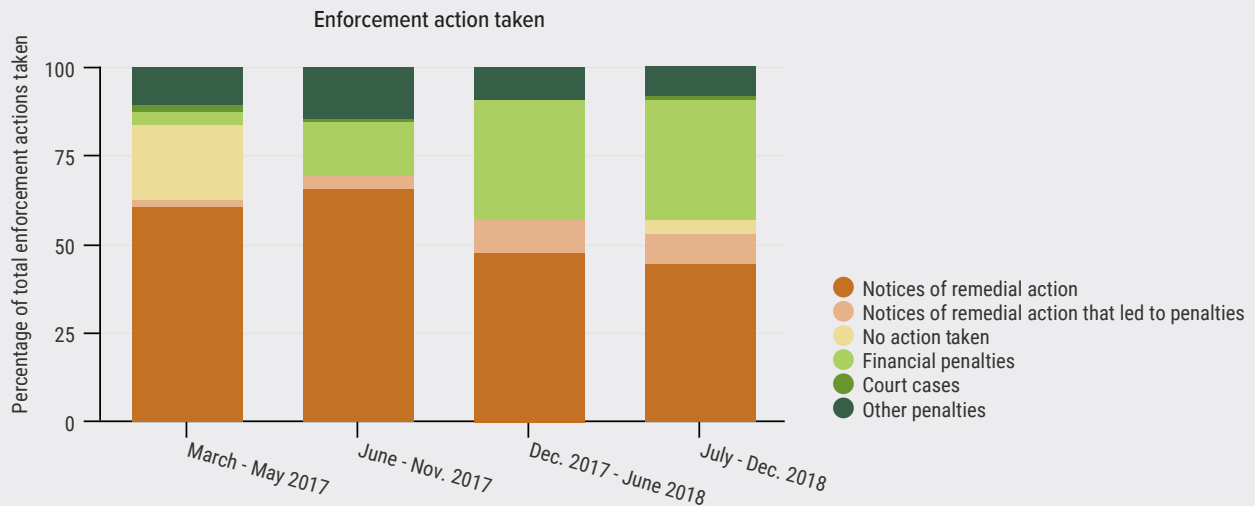
In 2018, 41% of Indonesia’s timber exports were destined for markets with operational timber import measures designed to exclude illegal timber: the US, the EU, Australia, Canada, Japan, and the Republic of Korea.

Indonesia’s exports of forest products to the EU28 (plus Norway and Switzerland) by value in USD



6 EUTR enforcement is evolving. Enforcement officials are increasingly focusing on issuing financial penalties.

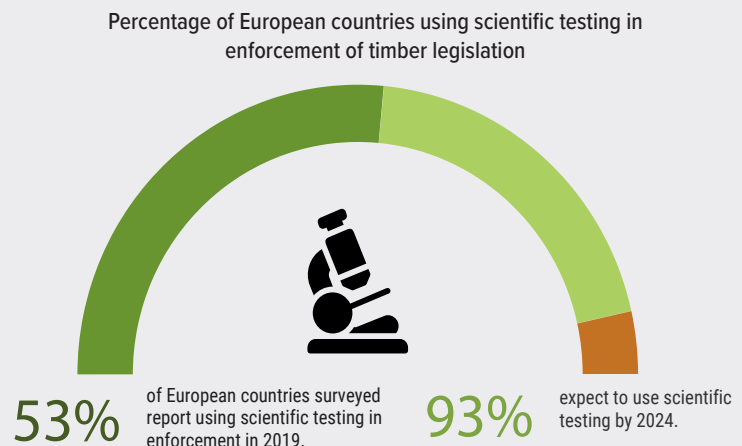
In the last six months of 2018, enforcement officials issued a greater proportion of financial penalties and of “notices of remedial action that were leading to financial penalties” than in previous years.³



7 Enforcement officials are considering new technologies to check for fraud and mismanagement in traceability systems.

New data collected by Forest Trends⁴ shows that 53% of EU member states are already using scientific testing in enforcement of timber trade legislation. This figure is expected to rise to 93% by 2024. Of the European countries surveyed that report using scientific techniques in their enforcement, three-quarters are testing sawnwood, the product most likely to be tested by enforcement officials. Plywood, other board and panel, and composite products are currently being tested by two-thirds of the EU member states that report testing.

Authentication of species and origin is increasingly mainstream in the enforcement of laws to exclude illegal wood from global trade as enforcement officials seek to respond to growing evidence of fraud and mismanagement in traceability systems.



³ Data from the United Nations Environment Programme’s World Conservation Monitoring Centre provided by competent authorities on a voluntary basis through *Overview of the EUTR Compliance Checks Performed and Penalties Imposed by EU Member States and EEA Competent Authorities*. https://ec.europa.eu/environment/forests/timber_regulation.htm

⁴ Data collected by Forest Trends and published in aggregate form in “5 Things to Know about the Use of Scientific Testing in the Enforcement of Timber Import Regulations.” <https://www.forest-trends.org/wp-content/uploads/2019/08/5-Things-To-Know-About-the-Use-of-Scientific-Testing-in-Enforcement-FINAL.pdf>