

# A Brief Account of the Progress on Independent Forest Certification in China

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# Progress in Regulatory and Policy Front (1)

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- 2001: The ***Quality, Standards and Certification Division*** in SFA set up
- 2001: The ***National Working Group*** on Forest Certification set up
- 2001: A ***Leading Group*** in SFA to be set up

# Progress in Regulatory and Policy Front (2)

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- Explicit recognition by the government of forest certification, even though not necessarily independent forest certification
- Developing a Chinese national system of certification is high on the agenda but the feasibility and implications are unclear at this point of time

# Capacity Development

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- Two local groups in certification developed: RCEEE and Chinese Academy of Forestry Center for Sustainable Forestry Management
- One international NGO: WWF-China actively promoting forest certification
- Work focuses on information provision and convening

# Achievements

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- Some 20 COC certifications completed in about 1 year's time
- Some 10 COC certifications under preparation
- 1 FMC close to be completed
- 2 more FMC certifications in progress



# Drivers and Opportunities (1)

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- Export Market Demand
  - Primarily US and European buyers
  - Furniture export from China in 2000 totaled 3.66 billion US\$
- Opportunity: Export pulled domestic FMC certification

# Drivers and Opportunities (2)

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- Rapid Growth in Domestic Demand
  - Domestic furniture market totaled over 15 billion US\$ in 2000
  - Domestic market has grown over 16% in the past 5 years
- Opportunity: Domestic certification and importing of certified timber
  - Retailing outlets of overseas DIYs operating in China, particularly after WTO accession
  - High profile procurement e.g. the Olympic Games Village in Beijing

# Drivers and Opportunities (3)

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- Growing Re-export
  - Maturing manufacturing capacity
  - Cheap labor force
- Opportunity: sourcing certified wood overseas→to transform trade linkages



Demand from Europe and US

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graph TD; A[Demand from Europe and US] --> B[Chinese Processing and Sourcing]; B --> C[Overseas Supply of Certified Wood];
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A flowchart with three rectangular boxes connected by downward-pointing arrows. The first box at the top contains the text 'Demand from Europe and US'. A thick black arrow points down from the bottom center of this box to the top center of the second box. The second box contains the text 'Chinese Processing and Sourcing'. Another thick black arrow points down from the bottom center of the second box to the top center of the third box. The third box at the bottom contains the text 'Overseas Supply of Certified Wood'. The boxes are white with black borders. The background is light gray with a fine grid pattern. On the left side, there is a vertical gray bar with three darker gray vertical stripes. A horizontal blue grid line is positioned just below the first box.

Chinese Processing and Sourcing

Overseas Supply of Certified Wood

# RCEEE's work (1)

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- Promotional activities:
  - participation in PRI
  - Newspaper publication
  - Book translation
  - Surveys
  - Information brochure
  - Meetings

## RCEEE's work (2)

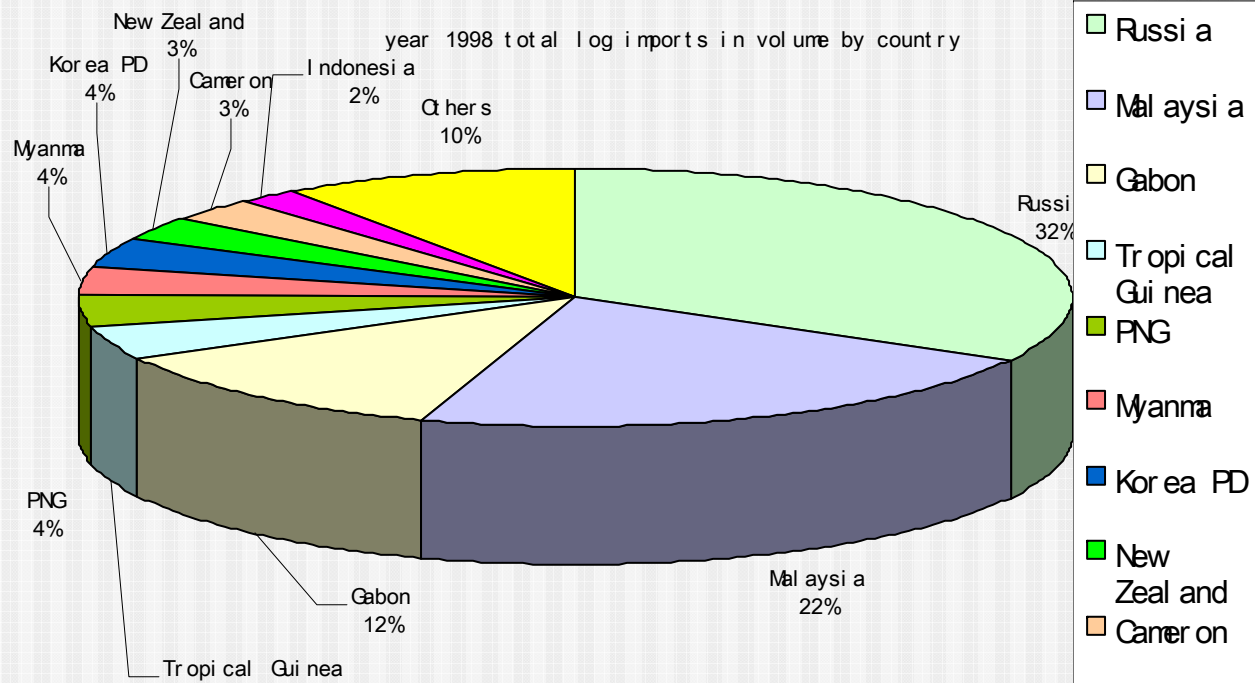
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- Pilot community-based forest certification in S. China
  - Building a supply chain of certified wood products from communities to overseas buyers
  - Seek alliance with communities, processors, buyers , aid agencies and investors

# RCEEE's work (3)

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- Transforming trade linkages
  - Consortium approach: Group COC certified companies so that they can source certified wood together
  - Russian FE would be a priority region of wood sourcing for certified wood





# Transforming trade linkages with RFE (1)

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- Chinese importing of logs from RFE
  - 1998: 1.6 million m<sup>3</sup>
  - 2000: over 6 million m<sup>3</sup>
- Russian timber
  - Cheap, stable and large wood source
  - Low transportation cost
  - Chinese logging operations in RFE

# Transforming trade linkages with RFE (2)

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- Chinese Importing of certified wood
  - 20 COC certified mills:  $60,000 \text{ m}^3 \text{ per year} = 20 \text{ mills} * 3,000 \text{ m}^3/\text{mill}$
  - This amount would double in a year or so
- Sourcing certified timber from RFE requires:
  - Availability of certified timber in the RFE
  - Establishing new distribution channels for timber

# In conclusion

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- ***Trade is not bad by definition***
- It is easier to change trade practices than stopping trade linkages, if either can ever be done
- Forest certification could provide a leverage for change in China-FRE timber trade