The Wal-Mart—China Relationship

• In 2004, Wal-Mart and its suppliers comprised 10% of all U.S. imports from China
• If Wal-Mart were an independent nation, it would be China’s 8th-largest trading partner
• China produces 84% of Wal-Mart’s wood products
Number of import transactions of wood products, based on export country, going to Wal-Mart between May 2006 and April 2007
Results of EIA’s Investigations

• All 8 Wal-Mart wood products suppliers visited by EIA investigators said that Wal-Mart never asks questions regarding the origin of the raw material.

• Wal-Mart’s only concern regarding raw material sourcing is on finding the lowest price.

• The above two criteria lead to wood products supply chains of particularly high-risk.
  – *For Example:* Wal-Mart suppliers rely heavily on raw material from the Russian Far East, where up to 50% of logging is estimated to be illegal.
Case Study: Dalian Huafeng Furniture Co. Ltd.
Sends over 200,000 cribs to Wal-Mart per year under the Simplicity brand name
Suppliers include:

– Chuguevskaya LPK
  • Investigators observed LPK truck drivers passing cash to police at checkpoints
  • buys from Araliya Ltd. and Svetlyanka Ltd., both of which are known locally for illegal logging

– Longjiang Shanglian Imp. & Exp. Co.
  • buys timber from some of the worst actors in the Russian Far East
  • described to investigators how they pay Russian criminals to secure timber supplies
Opportunity for Impact

- Wal-Mart’s market size and influence over suppliers creates significant opportunity to influence the way wood products are traded in China.
- Wal-Mart has recently begun to incorporate sustainable practices into their business model and has shown interest in improving their wood products supply chains.
- EIA and Wal-Mart have met several times to discuss their wood sourcing policies and practices.