Controlling Illegal Logging through cooperation with Customs:
Lost in Transit: Export and import protocols as contributors to discrepancies in international timber trade data

Chen Hin Keong
Global Forest Trade Programme Leader
TRAFFIC
Exporters and importers reviewed for the study

<table>
<thead>
<tr>
<th>Producers</th>
<th>Processing/ transit countries and territories</th>
<th>Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>China</td>
<td>France</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Hong Kong</td>
<td>Germany</td>
</tr>
<tr>
<td></td>
<td>Singapore</td>
<td>Italy</td>
</tr>
<tr>
<td></td>
<td>Taiwan POC</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Netherlands</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rep. of Korea</td>
</tr>
<tr>
<td></td>
<td></td>
<td>UK</td>
</tr>
<tr>
<td></td>
<td></td>
<td>USA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>USA</td>
</tr>
</tbody>
</table>
A comparison of the export volumes for HS4403 logs as reported by Indonesia and its importing partner Japan

<table>
<thead>
<tr>
<th>Year</th>
<th>Country</th>
<th>HS4403</th>
<th>m3</th>
<th>Difference</th>
<th>% Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Export</td>
<td>Indonesia</td>
<td>30,774</td>
<td>46,330</td>
<td>-15,556</td>
</tr>
<tr>
<td></td>
<td>Import</td>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td>219,252</td>
<td>167,615</td>
<td>51,637</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td></td>
<td>1,506</td>
<td>8,067</td>
<td>-6,561</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td>440</td>
<td>110</td>
<td>330</td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td></td>
<td>67</td>
<td>27</td>
<td>40</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td>17</td>
<td>57</td>
<td>-40</td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td>25</td>
<td>82</td>
<td>-57</td>
</tr>
</tbody>
</table>

Source: Central Bureau of Statistics BPS, Indonesia, and Statistics Department, Japan
A comparison of the export volumes for HS4403 lumber between INDONESIA and trading partners with huge discrepancies (m3)

<table>
<thead>
<tr>
<th>Year</th>
<th>Country</th>
<th>Difference</th>
<th>% Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Export</td>
<td>Import</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>534</td>
<td>116087 (CN)</td>
<td>-115553  -21639</td>
</tr>
<tr>
<td>2004</td>
<td>99</td>
<td>92518 (CN)</td>
<td>-92419    -93353</td>
</tr>
<tr>
<td>2005</td>
<td>0</td>
<td>49897 (CN)</td>
<td>-49897    #DIV/0!</td>
</tr>
<tr>
<td>2006</td>
<td>25</td>
<td>35806 (CN)</td>
<td>-35781    -143124</td>
</tr>
<tr>
<td>2003</td>
<td>53</td>
<td>1849 (KR)</td>
<td>-1796     -3389</td>
</tr>
<tr>
<td>2005</td>
<td>207</td>
<td>4369 (MY)</td>
<td>-4162     -2011</td>
</tr>
<tr>
<td>2004</td>
<td>1</td>
<td>28571 (SG)</td>
<td>-28570    -2857000</td>
</tr>
<tr>
<td>2005</td>
<td>25</td>
<td>35836 (SG)</td>
<td>-35811    -143244</td>
</tr>
<tr>
<td>2006</td>
<td>42</td>
<td>13647 (SG)</td>
<td>-13605    -32393</td>
</tr>
<tr>
<td>2003</td>
<td>13</td>
<td>51960 (USA)</td>
<td>-51947    -399592</td>
</tr>
</tbody>
</table>
Comparison between numbers of pairs of records of timber trade discrepancies for a range of % variance between import and export data for HS4403, HS4407, HS4408, HS4412.
Factors influencing discrepancy at export:
1. Change in fiscal year
2. Production valuation
3. Time lag between export and import
4. Data entry errors
5. Units and conversion factors
6. Log scaling methods
7. Mixed products in shipment
8. HS code classification
9. Under invoicing
10. Mis-speciation and grading
11. Smuggling

Factors influencing discrepancy at import:
1. Time lag between export and import
2. Production valuation
3. Units and conversion factors
4. Data entry errors
5. Log scaling methods
6. Mixed products in shipment
7. HS code classification
8. Under invoicing
9. Mis-speciation and grading
10. Smuggling
Export procedures and how statistics are derived

Documents:
- Contract
- Invoice
- Shipment permit
- Manifest
- Bill of Lading
- Endorsement
- Delivery Order
- Export Declaration form

Official endorsement:
- Forestry Department
- CITES
- Agriculture Department, etc.

Customs:
- Receives the Export Declaration form
- Data automatically transmitted
  - Customs Central offices
  - Central Bank
  - Etc.

Department of Statistics
Import procedures and how statistics are derived

**Documents**
- Contract
- Invoice
- Bill of Lading
- Tally sheet (prepared by wood checking enterprises (in Japan only))
- Official documents (e.g. phytosanitary, CITES, etc.)

**Customs Agents**
- Input data to prepare Import Declaration
- Check the data

**Customs**
- Examine the Import Declaration and inspect the shipment
- Give import permit

Data automatically transmitted to National Statistics Agencies
Recommendations

• Customs export declaration form to submit to Customs during imports
• Customs export-validated documentation
• Capacity building and training on proper use of HS codes, measurement techniques
• Evaluate possible prior notification for timber trade
• Regular dialogue between government agencies to promote reciprocal policies
• Regular Customs bodies meeting
Recommendations (cont.)

• Conversion factors standardised by ITTO
• Cross reference unit measurements with weights
• Study influence and impact of Free Trade Zones, and warehousing
Thank you

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