

INTERNATIONAL WORKSHOP ON PROMOTING LEGAL AND SUSTAINABLE CHINA-RUSSIA TIMBER TRADE

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US Lacey Act

- Prohibition on importing illegally sourced wood products
- Declaration of country of *harvest*, scientific name, quantity, & value
- “illegal” is defined according to host country’s laws relating to harvesting, trade, etc.
- Level of “due care” determines penalties

EIA's Investigation

- EIA tracked high-risk timber from Russia, through China, to manufacturers exporting to the US market
- Investigation uncovered widespread illegalities in Russian forest sector, including among suppliers to Chinese manufacturers
- US companies buying from these Chinese manufacturers could be in violation of the Lacey Act

Violations Identified

1. Logging outside of permitted cutting areas, widespread abuse of sanitary harvesting permits for cutting old-growth timber in protected areas
2. Laundering illegally-logged timber through official permits
3. US Lacey Act declaration fraud
4. Sourcing through multiple trading companies
 - Very difficult, if not impossible, to know the origins of the timber
 - High risk of illegality

Direct Involvement of Chinese Companies

- By many accounts, a majority of the companies and mills operating in the forest sector in Eastern Russia are owned and managed by Chinese individuals
- Many importers based in northeastern China have invested in forest concessions and sawmills in the Russian forest sector
- Manufacturers in Northeastern China showed a high level of understanding of illegalities present in Russian forest sector

Russian Government Action

- Russian government crack-downs on criminal networks involved in illegal logging at federal and local level
- Many new prosecutions of laws related to organized criminal networks indicates recognition that many illegal logging operations are coordinated by large-scale criminal organizations
- Many of these have involved Chinese citizens, or Russian companies supplying to Chinese exporters

Customs Book Fraud

- Customs book – Chinese government policy which allows duty free import of raw materials by a single manufacturer for further processing and export by same company
- Fraud – selling of rights to import between importers and exporters
- Many manufacturers in northeastern China admitted to customs book fraud

Mixed origins of timber in China

A large pile of cut logs at a lumber mill. The logs are stacked in neat rows, and the background shows a clear sky and some trees. The image is slightly faded to allow the text to be read clearly.

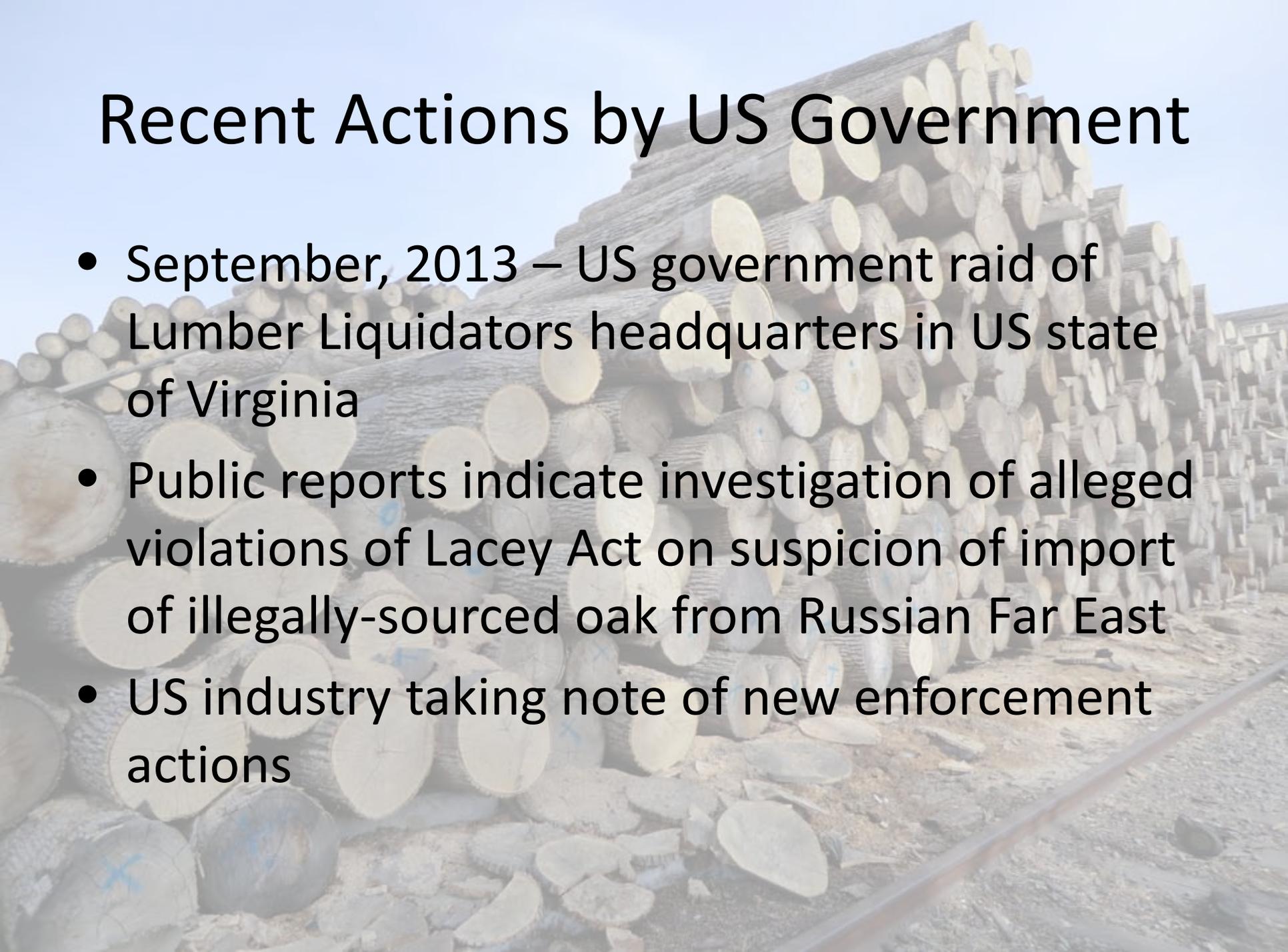
- Every flooring manufacturer that EIA spoke with in China used mixed sources of oak
- Mixing high-risk Russian oak with low-risk oak from China, Europe, and US
- Under Lacey Act, US wood product importers need to know exact origins of timber

New Timber Tracking Technologies – Relevance for Oak

Options for testing oak flooring (possible for solid or engineered flooring):

- **Wood Anatomy** – Determine among species (Red oak or white oak?)
- **DNA** – Determine among species (European oak (*Quercus robur*, *petraea*), American oak (*Quercus alba*, *macrocarpa*), or Asian oak (*Quercus mongolica*)?)
- **Stable Isotopes** – Determine location of origin (Russian or Chinese oak?)

Recent Actions by US Government



- September, 2013 – US government raid of Lumber Liquidators headquarters in US state of Virginia
- Public reports indicate investigation of alleged violations of Lacey Act on suspicion of import of illegally-sourced oak from Russian Far East
- US industry taking note of new enforcement actions

Conclusions

A tiger with orange and black stripes is walking through a snowy, hazy landscape. The tiger is the central focus, looking directly at the viewer. The background is blurred, showing more of the snowy terrain and possibly other tigers in the distance.

- Large amounts of high-risk hardwoods being exported from Eastern Russia to China
- Very difficult to ensure chain of custody for legal hardwoods sourced from Russian Far East
- Chinese manufacturers that can provide these assurances will be most successful in export market for US and EU
- Need for Chinese government to prohibit imports of illegally-sourced timber into China
- US increasingly willing to identify and investigate imports from China in violation of the US Lacey Act.