Laws, regulations and policy measures governing forest products trade in Japan

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Presentation Outline

1. Changing patterns of processing & consumption
2. Timber trade: Regulatory framework in Japan
3. Japan’s response to illegal wood imports
4. National timber procurement policies globally
5. Framework of Japan’s green procurement policy
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1. Changing patterns of processing & consumption

Source: FAOSTAT
2. Timber trade: Regulatory framework in Japan

Timber trade is **free in principle**, under following provisions:

- **Foreign Exchange and Foreign Trade Law**
  (外国為替及び外国貿易法) (Act No. 228 of December 1, 1949)
  - Chapter 6 Foreign Trade (Art 47 – Art. 55-9)
    - Principle of permitted export (Article 47)
    - Import Approval (Article 52)

- **Plant Protection Law** (植物防疫法)
  - All plant articles other than the prohibited items are subject to quarantine inspection (can be imported if they pass inspection)
  - Timber (other than sawn timber) and logs are inspected aboard the vessels or at the log pools after discharge.
  - Highly processed products such as wooden furniture are exempted from import inspection
Regulatory Framework in Japan (2)

- **Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES or Washington Convention)**, ratified by Japan in 1980:
  - Aiming at worldwide cooperation to protect endangered wildlife and plant species from excessive international trade
  - Flora and fauna and their derivates classified in appendices:
    - Appendix I: generally prohibited from commercial trade
    - II: may be imported for commercial purposes if export license
    - III: Certificate of origin is required for export and import

- **Green Purchasing Law (Law No. 100/ 2000)** (国等による環境物品等の調達の推進等に関する法律)
  - Relevant for procurement by central government and authorities
  - Revised in 2006, by including criteria for wood products
3. Japan’s response to illegal wood imports

• **G8 Process:**
  
  • Since the G8 Kyushu-Okinawa Summit in 2000, Japan has repeatedly expressed its commitment to tackle illegal logging
  
  • “We will not use timber that has been produced illegally” (Forestry Agency 31.03.2005)
  
  • At the Gleneagles Summit in 2005 Japan announced a procurement policy to favour legal and sustainable wood

• **Timber procurement policy** adopted in 2006 is Japan’s central measure to contribute to combating illegal logging

• **Financial/administrative support** to organisations and processes:
  
  • International Tropical Timber Organisation (ITTO)
  
  • Asia Forest Partnership (AFP)
Japan’s response to illegal wood imports (2)

• **Bilateral initiatives** with producer/intermediary countries:
  
  • **Indonesia:**
    
    • Joint Announcement on the Cooperation in Combating Illegal Logging and the Trade in Illegally Logged Timber and Wood Products & Action Plan (24.06.2003) with 5 objectives and 5 specified areas for cooperation
    
    • Development of a two-dimensional bar code for timber tracking (2005~2007) as main activity
  
  • **China:**
    
    • JFWIA participation at China Timber Distribution Association’s meeting (July 2008)
    
    • China-Japan top-level forest agency officials’ meeting in Tokyo on options for cooperation, including combating illegal logging (19.11.2008 press release)
## 4. National timber procurement policies globally

<table>
<thead>
<tr>
<th>Country</th>
<th>Enactment</th>
<th>Requirements presently</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AP</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Japan</strong></td>
<td>April 2006 (Oct: implement.)</td>
<td>Legal timber (sustainability as factor for consideration)</td>
</tr>
<tr>
<td><strong>NZ</strong></td>
<td>December 2006</td>
<td>Legal and preferably sustainable timber</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td></td>
<td>Policy under consideration</td>
</tr>
<tr>
<td><strong>NL</strong></td>
<td>February 1997</td>
<td>Legal and preferably sustainable timber</td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>June 2003</td>
<td>Legal and sustainable timber</td>
</tr>
<tr>
<td><strong>UK</strong></td>
<td>January 2004</td>
<td>Legal and preferably sustainable timber</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>April 2005</td>
<td>Legal and/or sustainable timber</td>
</tr>
<tr>
<td><strong>Belgium</strong></td>
<td>March 2006</td>
<td>Sustainable timber</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>2007 (old: 1998)</td>
<td>Sustainable timber</td>
</tr>
<tr>
<td><strong>Spain, Finland Sweden</strong></td>
<td>Policy under consideration</td>
<td></td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td>December 2005</td>
<td>Preferably sustainable timber</td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td></td>
<td>Tropical timber excluded from public procurement</td>
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</tbody>
</table>
5. Framework of Japan’s green procurement policy

Green Purchasing Law (Law No. 100/2000)

Basic Policy of the Green Purchasing Law

- Reviewed annually, in 2006 by including:

**Designated procurement items (wood):**
- paper
- stationary
- office furniture
- interior fixtures and beddings
- wood/wood products used in public works projects

**Criterion for decision:** legality of timber

**Factor for consideration:** sustainability of timber

**Guideline for Verification on Legality and Sustainability of Wood and Wood Products**

**Modalities for verifying legality and sustainability:**
1. Through forest certification and chain of custody systems
2. By companies under wood industry associations’ codes of conduct
3. By individual companies using self-established procedures
a) Verification through certification scheme (modality 1)

- Wood products certified under a national or international **forest certification & chain of custody scheme**
- Accepted schemes include:
  - Local scheme: Sustainable Green Ecosystem Council (SGEC)
  - Overseas schemes: FSC, SFI, CSA, PEFC, LEI, MTCC
  - No justification, no prior assessment
- Very limited availability of certified timber in Japan/Asia:
  - Less than 1.85 % of total forest area in Japan (461,000 ha) in 2005
  - Less than 1% of natural production forests in Asia
b) Verification under codes of conduct of industry associations & companies (modality 2)

- Voluntary *codes of conduct*:
  - regulating *accreditation* of manufacturers and suppliers of verified wood and wood products
  - mandatory for members (incl. monitoring & penalisation)
- Verification based on self-declarations and document flow
- Verification schemes considered as evidence of legality:

<table>
<thead>
<tr>
<th>Major exporter countries</th>
<th>Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>BRIK export permit, SKSHH transport permit</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Statement on Legality of Timber Source; Export Declaration, Form 2</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>Monitoring of all round log exports by SGS</td>
</tr>
<tr>
<td>Russia</td>
<td>Daleexportles Association of Timber Exporters Far East Russia (DEL) system</td>
</tr>
<tr>
<td>China (re-exported wood products)</td>
<td>Presently none, but options being explored by working group under Council</td>
</tr>
</tbody>
</table>
c) Flow under modality 2 (for JLIA members)

**DOCUMENT FLOW:**
- Logging notification or other evidence (copy)
- Invoice & (or incl.) evidence documentation
- Invoice & (or incl.) evidence documentation

**STAGES:**
- Logging
- Processing & distribution
- Delivery

**Segregated Management:**
- Verifiable timber
- Unverifiable timber

**Public Procurement**
d) Verification through own procedure set up by an individual company (modality 3)

- Applies mainly to suppliers, which:
  - are not members of wood industry associations
  - prefer handling timber under own code of conduct
- Used by chip/pulp importing/processing businesses under the Japan Paper Association (JPA)
- In principle it works similarly to modality 2
6. Policy implementation

- **Japan Federation of Wood Industry Associations (JFWIA)** as umbrella organisation established code of conduct in March 2006 and developed “goho (=legal) wood”

- Codes of conducts established by all 134 national and prefectural wood industry associations (July 2008)

- 7,151 enterprises accredited by JFWIA under the code-of conduct modality by July 2008 ⇒ 1/3 of all enterprises

- Central state purchases accompanied by evidence of legality (Oct. 2006 ~ Mar. 2007, figures for FY 2007 to be published) :
  - □ 62.2% of sawn wood
  - □ ~ 57% of plywood
  - □ 6.6% ~ 20.3% of paper products

- Questionnaire survey among procurement agents revealed potential for increasing awareness of policy regulations
7. Focus of Japan’s policy

- **Main focus** on the private sector:
  - Granted wide **autonomy** to establish their own voluntary codes of conduct for the verification of legality
  - Considered **trustworthy** by the Japanese government
    - Status of Japan Federation of Wood Industry Associations

- **Less focus** on the public procurement agents:
  - Expected to **require** provided documentation for legality verification in accordance with one of the modalities
  - **No independent** government/ 3\textsuperscript{rd} party verification required
  - **No broad definitions** or **criteria** of legality/sustainability
  - **No major capacity building** efforts or advice intended
  - Limited options to pay price **premiums** for certified products
8. What this means for China’s industry

• Except for CITES regulation there is no legal restriction for exporting timber to Japan

• In order to supply wood / wood products to central state authorities (estimated 3% share of total demand in Japan) there are 2 options:
  
  • **Modality 1:**
    – Export timber produced under existing forest certification schemes (FSC, SGEC) utilising chain of custody (CoC) system
    – Finalise and adopt Chinese certification scheme CFCC including CoC system
  
  • **Modality 2 and 3:**
    – Establish scheme for legal document flow compatible with Japan’s goho wood system and negotiate acceptance by Japan
9. What next?

- More **enterprises to be accredited** under industry associations’ code of conducts (> 50%?)
- Goho wood to be **gradually strengthened** under private sector (JFWIA) initiative
- Further **bilateral cooperation with Indonesia**, toward gradual implementation of 2D bar code tracking system
- No revisions to the timber procurement policy likely until at least end of FY 2009 (March 2009)
- Adoption of legislative measures by Japan unlikely
- **Dialogue with Chinese counterparts** to lead to MoU?
- **G8 (8?) process** as platform / driving force for Japan to show further initiatives
Thank you!

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Mill for primary wood processing owned and run by a Chinese company in Russia - Primorsky **Krai**, Feb. 2007