

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

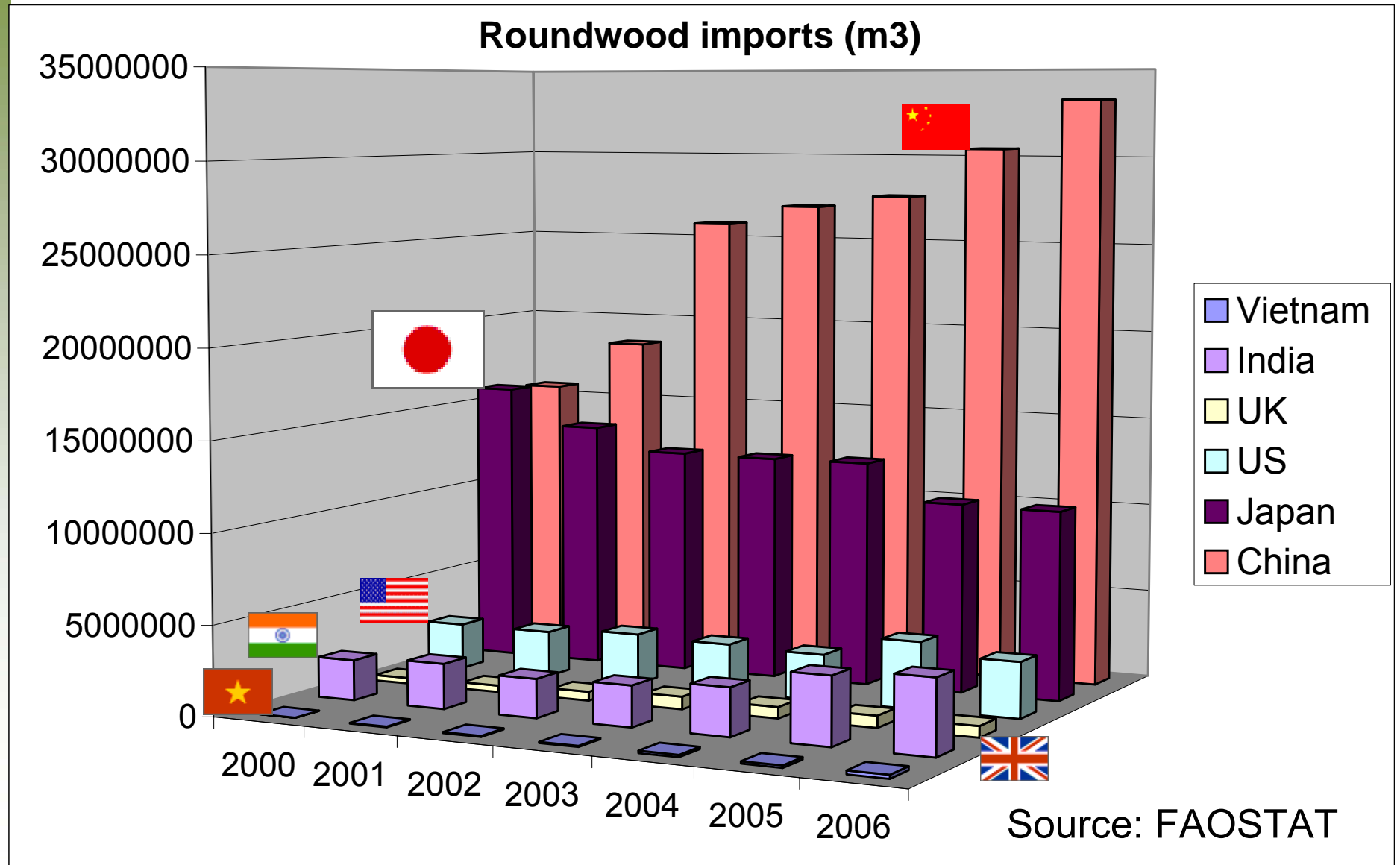


Presented by **Federico Lopez-Casero**,
Forest Conservation, Livelihoods and Rights Project,
Institute for Global Environmental Strategies (IGES)
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Presentation Outline

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1. Changing patterns of processing & consumption



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 derivatives 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)

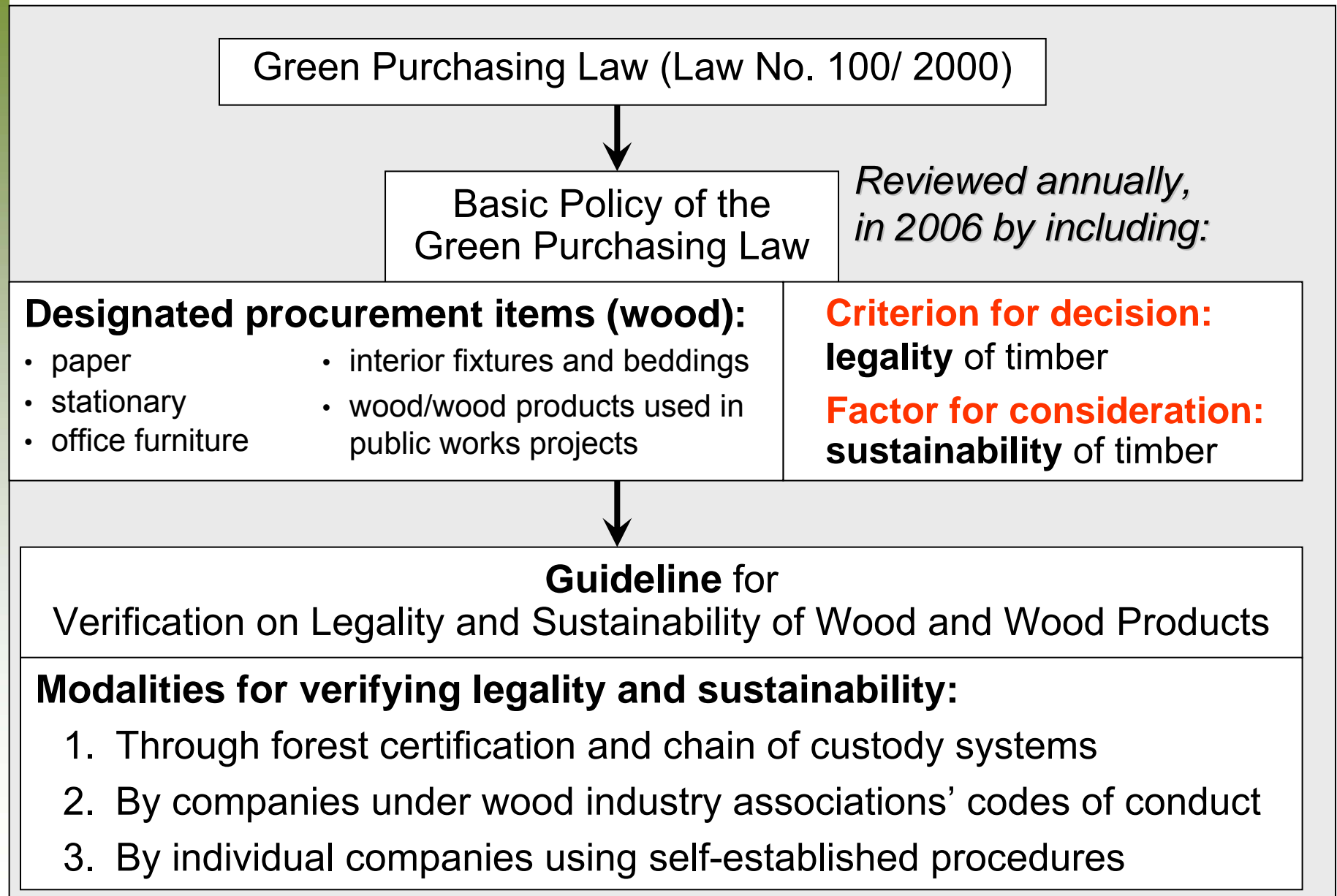
Japan's response to illegal wood imports (2)

- **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

		Enactment	Requirements presently
A P	Japan	April 2006 (Oct: implement.)	Legal timber (sustainability as factor for consideration)
	NZ	December 2006	Legal and preferably sustainable timber
	<i>Australia</i>	<i>Policy under consideration</i>	
	NL	February 1997	Legal and preferably sustainable timber
E U	Denmark	June 2003	Legal and sustainable timber
	UK	January 2004	Legal and preferably sustainable timber
	France	April 2005	Legal and/or sustainable timber
	Belgium	March 2006	Sustainable timber
	Germany	2007 (old: 1998)	Sustainable timber
	<i>Spain, Finland Sweden</i>	<i>Policy under consideration</i>	
	Mexico	December 2005	Preferably sustainable timber
	Norway	Tropical timber excluded from public procurement	

5. Framework of Japan's green procurement policy



a) Verification through certification scheme (modality 1)

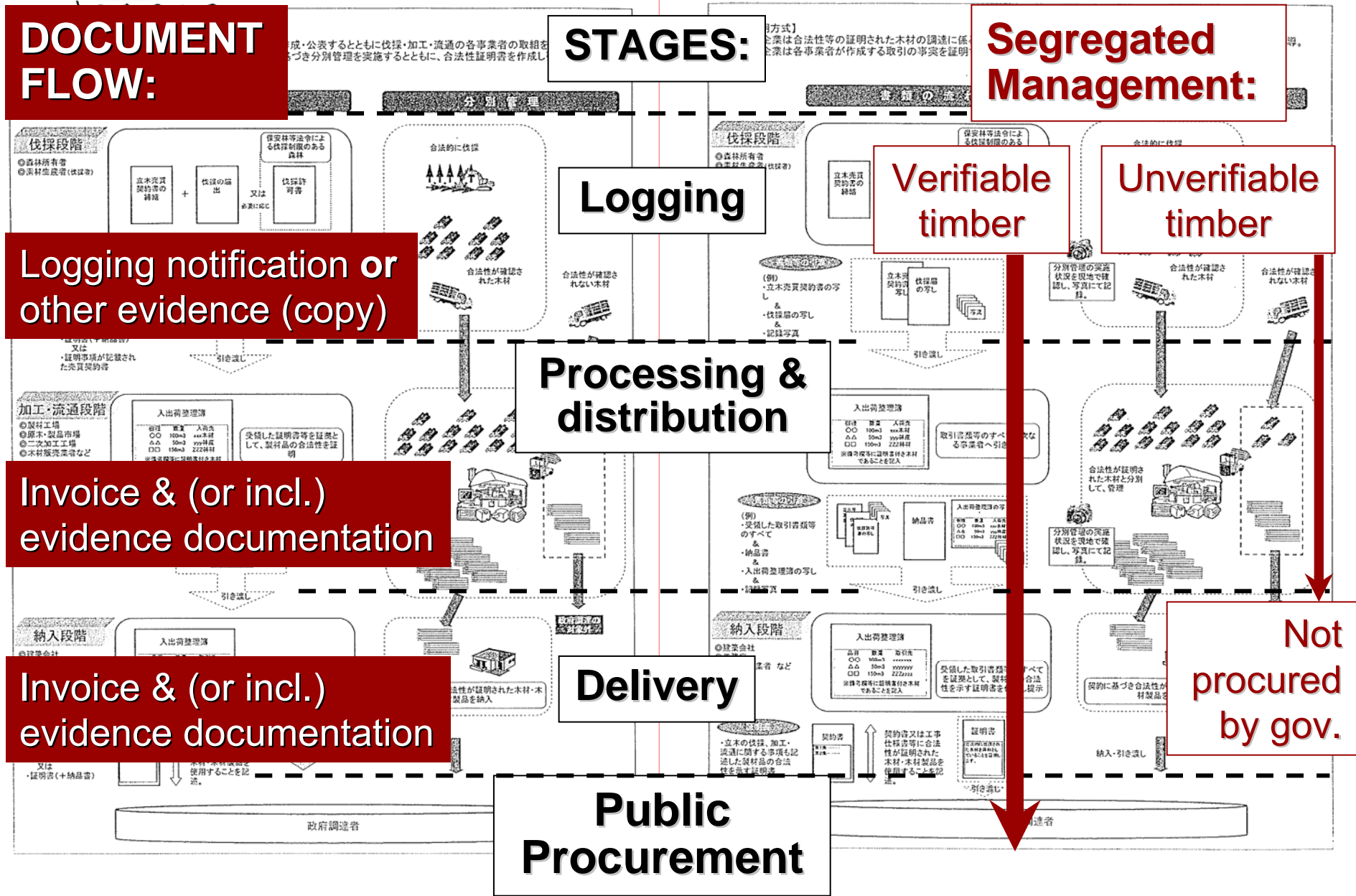
- Wood products certified under a national or international ***forest certification & chain of custody scheme***
- Accepted schemes include:
 - Local scheme: Sustainable Green Ecosystem Council (SGEC)
 - Overseas schemes: FSC, SFI, CSA, PEFC, LEI, MTCC
- No justification, no prior assessment
- Very limited 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:

Major exporter countries	Scheme
Indonesia	BRIK export permit, SKSHH transport permit
Malaysia	Statement on Legality of Timber Source; Export Declaration, Form 2
Papua New Guinea	Monitoring of all round log exports by SGS
Russia	Dalexportles Association of Timber Exporters Far East Russia (DEL) system
China (re-exported wood products)	Presently none, but options being explored ¹¹ by working group under Council

c) Flow under modality 2 (for JLIA members)



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 \Rightarrow 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/ 3rd 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!

<http://www.iges.or.jp/en/fc/index.html>
lopezcasero@iges.or.jp

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

