Snapshot of China and the Mekong: Timber Trade and Governance

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China timber product imports (million m3 RWE)

- Russia
- Vietnam
- New Zealand
- United States
- Canada
- Thailand
- Australia
- European Union
- Africa
- Indonesia
- Papua New Guinea
- Others
2009: China only major market show demand growth

<table>
<thead>
<tr>
<th>Material</th>
<th>China</th>
<th>US</th>
<th>Canada</th>
<th>EU</th>
<th>Japan</th>
<th>M. East</th>
</tr>
</thead>
<tbody>
<tr>
<td>Softwood lumber</td>
<td>+20%</td>
<td>-23%</td>
<td>-15%</td>
<td>-15%</td>
<td>-14%</td>
<td>+15%</td>
</tr>
<tr>
<td>Plywood</td>
<td>+5</td>
<td>-16</td>
<td>-16</td>
<td>-29</td>
<td>-17</td>
<td>+16</td>
</tr>
<tr>
<td>Particle board</td>
<td>+2</td>
<td>-5</td>
<td>-7</td>
<td>-13</td>
<td>-12</td>
<td>+3</td>
</tr>
<tr>
<td>MDF</td>
<td>+5</td>
<td>-3</td>
<td>-20</td>
<td>-20</td>
<td>-19</td>
<td>+46</td>
</tr>
<tr>
<td>Pulp</td>
<td>+21</td>
<td>-9</td>
<td>-19</td>
<td>-16</td>
<td>-21</td>
<td></td>
</tr>
<tr>
<td>Paper</td>
<td>+7</td>
<td>-5</td>
<td>-2</td>
<td>-6</td>
<td>-14</td>
<td></td>
</tr>
<tr>
<td>Packaging &amp; Tissue</td>
<td>+2</td>
<td>-21</td>
<td>-2</td>
<td>-16</td>
<td>-13</td>
<td></td>
</tr>
</tbody>
</table>
China’s domestic markets responsible for a large part of global recovery

- Strong economy & rise of large middle class
- Stimulus package > infrastructure & construction
- Increased acceptance of lumber construction

Green economy or procurement programs mainly focus on resource efficiency, not sourcing issues. This may change with recent food scandals.
China, Thailand and Vietnam Forest Product Imports
China, Thailand and Vietnam Exports (US$ billion)
Vietnam Forest Product Imports (million m3)

- Thailand
- Indonesia
- Malaysia
- China
- Taiwan
- United States
- New Zealand
- Brazil
- European Union
- South Korea
- Laos
- Japan
- Chile
- Philippines
- Singapore
- Australia
- Cambodia
- Others
Vietnam

- Like China, stopped harvesting own natural forests
- Demonstrated “leakage” effect on neighboring countries (implications for REDD+)
- Plantations plantations plantations
- 0 land certified; many CoC certifications
- Industry very concerned about Lacey and EU TR
- VPA discussions on-going, with preliminary studies being undertaken w/ strong government – industry collaboration
Vietnam Forest Product Exports (US$ billion)

~75%
Thailand Timber Product Imports (million m³)

- Malaysia
- Laos
- Chile
- China
- United States
- New Zealand
- European Union
- Myanmar
- Others

Year:
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009

Volume (million m³ RWE)
Thailand

- Like CN, like VN, stopped harvesting own natural forests
- Existing control systems to track domestic wood
- Plantations plantations plantations
- 7,000 ha certified (FSC)
- History of land conflict, and a highly controversial policy process related to community forest management / enterprises
- Industry very concerned about Lacey and EU TR
Thailand Forest Product Exports (US$ billion)
Laos

- “Conversion timber” predominant source of exported timber
- Questions about due process in land allocation process
- Land use conflicts increasing
- Means to justify harvesting timber outside quota system?

- Significant challenges defining “legal”
  - Many legal loopholes
  - Difficult to find out why there are apparent exceptions to a log export ban
Cambodia Forest Product Exports (US$ million)
Cambodia

- No industrial scale forest concessions since early 2000s
- “conversion timber” *likely* dominant export source
  - Land use permits not following legal procedures
  - Land use conflicts increasing
  - Importance of Vietnamese & Chinese investment
- Plantations plantations plantations
Myanmar timber product exports (million m3 RWE)
Summary of main issues:

1. Garden variety issues:
   - Capacity, political and financial means for effective forest governance (including lack of domestic experts / civil society with practical experience with legality verification processes)
   - Confusing laws & regulations
   - Lack of good data...

2. “Conversion timber”
   - All countries pursuing large-scale agribusiness or infrastructure development programs which will require land clearance (rubber, sugarcane, hydropower, roads)
3. Many of these programs are associated with irregularities in process and land use conflict
   • If they proceed according to law, these developmental projects are within sovereign rights of each individual country – thus legal.
   • However, land allocations not proceeding according to law, even in China (recent RRI report on Stora Enso plantations)
   • Underlying this is insecure land tenure, rights of access, etc.

4. Are these legitimate development projects, or just fronts to gain permits to clear-cut the forest (and then never proceed with the investment project)?
4. How do legal verification programs handle conversion timber?
   • Will it be accepted by markets?
   • Are verification / certification programs designed to handle this type of timber?

5. Potential for REDD / FLEGT mutual benefit huge,
   • VN, Cambodia, Laos engaged in UNREDD, FCPF, FIP....
   • Lao P-RR – majority of “REDD implementation” activities are basic forest governance: inventories, monitoring, etc.
   • VN plans to spend $80m (4 yrs) on performance based payments presumably to households – land rights will be important to both REDD and forest legality processes.
Thank you for your time

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