

# International Workshop on Promoting Legal and Sustainable China-Russia Timber Trade

20<sup>th</sup>-21<sup>st</sup> February 2014

Suifenhe, Heilongjiang Province

Meeting Summary

## 1. Overview

The *International Workshop on Promoting Legal and Sustainable China-Russia Timber Trade* was held on February 20-21, 2014 in Suifenhe, Heilongjiang Province. More than 120 representatives from government,

civil society,

universities,

research institutes,

and industry

attended the

workshop from

China, Russia, the

US and EU. The



workshop was organized by the Research Institute of Forestry Policy and Information of the Chinese Academy of Forestry, the International Trade Research Center of the State Forestry Administration, Forest Trends, the EU FLEGT Facility of the European Forest Institute and the World

Wildlife Foundation. Participants discussed the current challenges and opportunities of Sino-Russian timber trade and ideas were shared to improve timber legality, exchange information, promote policy dialogues and explore practical solutions for industry. Mr. Zhou Shengyi, the Vice Mayor of Suifenhe city and Mr. Alexander Mariev, Division Director, Ministry of Natural Resource and Ecology of Russia opened the workshop with welcome speeches.



Sino-Russian timber trade is currently shifting. The proportion of Russian logs imported into China decreased from a high of 68% in 2009 to 23% in 2013. Russia's status as No. 1 log supplier to China has been replaced by New Zealand, while the proportion of sawn timber imported from Russia continues increasing. Undeniably, Sino-Russian timber trade is still very important in the overall trade between the two countries. There are both opportunities and challenges for the future of Sino-Russian timber trade. The major challenge faced by enterprises is how to develop sustainably while meeting international market demands for legal timber, especially in the EU and US.

## 2. Main Summary

The workshop consisted of 6 sessions. In the first session, Ms. Zhang Yanhong (Director of the Division of Development Planning and Asset Management of the State Forestry Administration) made a keynote speech on “Chinese Forestry Sector’s Foreign Investment and

Cooperation.”She said SFA would promote investment and cooperation in overseas forestry following four measures:1) establish a demonstration area of



overseas investment and cooperation in forest resources; 2) establish an overseas forest resource cultivation and processing base; 3)establish a timber storage, processing and trading base; 4)empower the enterprises which have “go abroad” SFA encourages self-discipline of the industry, improved government services, increased awareness by enterprises of legality requirements and the importance of tracking the origin of imported timber.

Mr. Alekseenko Aleksandr, the Deputy Director of the Russian Far-East Forestry Institute introduced the Russian Round wood Act, a new law which aims to record and track round wood from logging to

transportation, processing and export while establishing a unified automated information system of timber statistics and transaction information. The goal is to reduce the risk of illegal logging and prescribe penalties for violation of procedures.



In session one speakers discussed ongoing efforts to promote a legal and sustainable timber trade between China and Russia Dr. Chen Shaozhi, the Director of the Research Institute of Forestry Policy and Information, Chinese Academy of Forestry, introduced China's achievements in combating illegal logging and trading in recent years. The International Forest Product Trade Research Center of SFA has launched pilot work in Russia to implement Guidelines for Chinese Enterprises on Sustainable Management and Utilization of Overseas Forest. More than



30 Chinese enterprises in Russia have been trained. Also, he called for greater bilateral, regional or multi-lateral cooperation and the establishment of a mutual recognition mechanism of timber legality. Ms. Sun Xiufang, representing Forest Trends in China, discussed the primary trade routes and ports for Russian forest products imported by China, as well as export markets. She described the challenges of illegal logging in the Russian Far-East and Siberia, the increased timber legality requirements for international markets, and the need to regulate the domestic timber market.

Mr. Brian Milakovsky from WWF Russia described the negative economic, social and ecological impacts of illegal logging in the Russian Far-East, as well as possible solutions. He recommended third-party oversight to combat illegal logging and related trade and ensure responsible purchasing. He also called for a stricter review and approval system and detailed rules for implementing the Russian Round wood Act.



In the second session, representatives from international organizations and non-governmental organizations talked about responsible investment and how to ensure a legal supply of Russian timber to China. The US and EU have



intensified their fight against illegal logging and trade through the US Lacey Act Amendment and the EU Timber Regulation (EUTR), regulations that aim to prevent illegal timber products from entering their markets. Mr. Vincent van den Berk, the Head of the European Forest Institute (EFI)'s and EU FLEGT Regional Asia Office in Kuala Lumpur, gave an overview of international market requirements on timber legality and an update on FLEGT Voluntary Partnership Agreements (VPAs). He explained the legality evidence required by enterprises importing Russian logs for processing and export to the EU. Mr. Christian Sloth, Manager of Nepcon's Timber Legality Program, analyzed the scope and implementing stages and procedures of the Russian Round wood Act. He described the limitations of the Act from the perspective of US Lacey Act and EUTR legality requirements.

Mr. Brian Milakovsky, on behalf of Ms. Kate Horner of the

Environmental Investigation Agency, analyzed the impact of the US Lacey Act on timber trade in China and the Russian Far-East. It is very difficult to ensure the integrity of the chain-of-custody for hardwoods from the Russian Far-East, so Chinese manufacturers have an important role to play, especially if they sell to the US and EU markets. Dr. Zhang Liyan, the Director of the Department of International Cooperation of China National Forest Product Industry Association discussed recent progress of the Chinese legal timber verification pilot project and the 8 pilot enterprises which have been certified. The pilot work was based on international experience in combination with Chinese forest management and consideration of the US Lacey Act and the EU Timber Regulation. Mr. Andrew Mitchell, the Senior Forestry Specialist for Europe and Central Asia Region, The World Bank, described the European Neighbourhood

and Partnership Instrument East Countries (ENPI) FLEG 1 program funded by the EU to



implement the St. Petersburg Declaration and the 2013-2017 FLEG II program, emphasizing the importance of resource management and

capacity building for small and medium sized enterprises, in cooperation with projects carried out by The World Bank in Russia.

In the third session - a thematic forum on “Measures Taken by the Private Sector,” Chinese and Russian entrepreneurs and purchasers discussed their investments and operations in Russia and efforts to ensure timber legality. They interacted with the audience in a Q&A session. It is notable that industry concerns have shifted from entirely profit-oriented to more responsible business management. Some of them have already prepared for FSC and PEFC certification, paid close attention to joint development of local enterprises and communities, and called for government policies to incentivize responsible enterprises to facilitate their development and encourage compliance with international market demands for legality.

In the fourth session, Professor John Hermanson from the Forest Product Laboratory of the US Forest Service introduced technologies for identifying timber species





and origin, such as stable isotope and DNA. The development of new technology provides convenience and reliability for identification of timber origin, expanding the scope and increasing accuracy. He also demonstrated the Wood Vision technology.

Ms. Jin Hongman, the Vice Commissioner of Suifenhe Customs, introduced the history of Suifenhe Customs and monitoring procedures

for timber import documentation in China. She recommended outreach to importers and exporters, development of legislation in China to curb illegal logging and trade, an improved timber



information statistical system, and support for forest restoration and afforestation.

The fifth session focused on future regional cooperation and policy recommendations. Representatives from government, industry and civil society shared recommendations for closer collaboration between China and Russia to organize trainings on the Russian Round wood Act (e.g. requirements for measurement, marking, registration and transport of



## Government's perspective:

- To strengthen government control and leadership, there must be cross-sector coordination between Forestry Departments, Environmental Protection Agencies, Commerce Departments and Customs. Two Chinese guidelines have been formulated and enforced. A new Trade & Investment guideline is being prepared;
- There is a need to guide consumers towards green consumption and advocate corporate social responsibility and awareness of corporate consumption behavior and green financing;
- More standards are needed for legality verification, protection practices, and harvesting regulations;

- Promote international cooperation in sustainable forest management and legal trade, mutual



acceptance of standards and certifications among different countries, and for cost-effective measures; and

- Regional cooperation such as APEC and bilateral mechanisms should be given visibility in order to demonstrate government efforts in the field and involve industry associations.

- The Russian Round wood Act has already come into effect and is a part of Russia/China forestry, so now is the time to prepare for the implementation of the law;
- Chinese enterprises, industry associations and government departments should carefully study the requirements and provisions of this Russian Forest Code; and
- China/Russian industry organizations and government should organize specific training for companies including on specific technical requirements, documentation and new requirements in transportation and customs procedures.

**International organization’s perspective:**

- Risks in illegal logging must be considered; third-party certification is an important tool, but higher costs may reduce small and medium sized enterprises’ competitiveness in marketplace;

- Provide clear idea of investment scale and loss due to illegal logging;



- Simplify supply chain, from Russian producer to Chinese consumer;
- Strengthen communication between government and enterprise associations which will lower costs and can decrease number of steps to access timber;
- Illegal logging has deep roots in society. Often it's the only way to make a living for local people. Targeted and specific measures are needed to solve fundamental economic and social problems; and
- Integrate production and processing capacity, to maximize resources and efficiency.

**NGO's perspective:**

- *Recommendation to the Ministry of Natural Resources and Ecology and Federal Forest Management Agency of the Russian Federation:*

Provide maximum possible access to importers of Russian wood products to the Unified Automatic



Information System for wood reporting, so that they can use this information in the due care/due diligence process;

- *Recommendation to the Chinese State Forestry Administration:*  
Provide for participation of Russian stakeholders in the development of the new Chinese guidelines for responsible wood purchasing. Provide for participation of Russian stakeholders in the assessment of the implementation of these guidelines by Chinese companies in Russia, and also for the assessment of the implementation of the Guidelines for Overseas Forest Management by Chinese Companies; Organize education for Chinese companies about compliance with the requirements of the Russian Forest Code regarding the transfer and sale of wood products and the accompanying normative acts to this law. The training should instruct companies on how to adapt their operations to achieve compliance with the new amendments to the law.

The training should take place in Russia, where these companies are based.



- *Recommendation to the Russian government, industry and civil society:*  
Look for methods to minimize costs related to confirming timber

legality for Russian wood exporters, so that these activities do not become an undue financial burden on law-abiding companies;

- *Recommendation to Chinese companies, forest and trade authorities:* Become acquainted with the new amendments to the Russian Forest Code regarding the transfer and sale of wood products and the accompanying normative acts to this law; and
- Develop legislation to prevent illegal timber imports. Without this it is difficult for Customs or other officials to take action. They need legislation to empower them to act;
- In meantime, development and implementation of guidelines is very important. It is useful to refer to good practice examples from other sectors. For example, the Chinese government, as a UN Security Council permanent member, already endorsed due diligence standards

for minerals  
supply chains  
to remove  
illicit materials.  
These Security  
Council due  
diligence



standards have a very robust methodology that could be applied to timber supply chains; and

- Monitoring and public reporting on implementation of the existing 2007 and 2009 guidelines and the new guideline on timber trade. This could encourage companies by recognizing good practice that can be shared. Companies that are not interested in implementing the guidelines would also have more of an incentive to follow them if they knew that their failure to do so would be noted in this kind of monitoring exercise.

**Industry's perspective:**

- The development of the EUTR created great momentum. Now that it's operational, it should be consistently enforced. High energy level and expectations amongst the industry players has dissipated as in the Lacey Act Amendment due to lack of enforcement action;
- There should be uncompromising enforcement of the new Russian Federal Round wood Act;
- Guidelines to Chinese companies should become compulsory, and there are high expectations on China developing legislation against illegal logging and its associated trade, including the necessary monitoring mechanism; and
- Stress the importance of voluntary forest certification, and call to the governments of China and Russ to promote FSC certification, quoting President Putin to facilitate equal opportunities for all certification schemes.



### Research institute's perspective:

- Step up the level of trade between the two countries by establishing a government-led cooperation framework;
- Facilitate green growth by improving forest quality in the border between China and Russia;
- Build further timber processing zone/park in the bordering areas;
- Increase China-Russia cooperation on forestry law enforcement;
- Provide stronger guidance over enterprises to regulate their management; and
- Set up China-Russian Commercial Chamber on Forestry.

## 4.Next steps



4.1 Continue to promote Sino-Russian dialogues on policy and inter-enterprise communication, continue to conduct pilot work in Russia for “*Guidance for Chinese Enterprises on Sustainable Management and*

*Use of Overseas Forest,*” regulate enterprises’ investment and cooperation, and cover newest requirements of Russian Round Wood Act;

4.2 Build favorable environment for investment and cooperation, and establish a platform for Chinese enterprises to carry out further processing in Russia;

4.3 Both China and Russia should commit to fight against illegal logging and related trade, promote normalized/regulated bilateral forest product trading, as well as maintain the cooperation and communications between the Standing Group of Sino-Russian Forest Development and Utilization as well as participate in the Expert Group of Illegal Logging and Trading (EGILAT) of the Asia-Pacific Economic Cooperation (APEC); and

4.4 Encourage inter-enterprise and inter-association communication and training on legal timber origin, in order to better understand new international market requirements on timber legality.