Role of ITTO FLEGT Independent Market Monitoring

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FLEG Independent Market Monitoring (IMM)

- Required by FLEG VPAs for impact assessment & annual reporting
- Funded by EU through EC DEVCO
- Budget: €4.4 million over 5 years (2014-2018)
- Hosted by ITTO
- Documented methodology
  - 53 draft indicators for quantitative assessment – e.g. trade & investment flows, prices
  - Participatory & publicly available
IMM Progress

- **Baseline report** – 1st review draft end November 2014, final report available Jan/February 2015
  - VPA Partner Countries in international & EU trade 2004 to 2014
  - Identify & preliminary review of factors driving change
- **Liaison with VPA Partners** – participation at Liberia JIC & Ghana JMRM in May/June 2014, workshops Indonesian Ministry of Forestry in November 2014, Cameroon/Congo Republic 1st Qtr of 2015
- **First Advisory Committee meeting** planned 1st Qtr 2015 (likely Brussels)
  - ITTO, FAO, UN-ECE, Eurostat, EFI, government agencies from EU & VPA Partner countries, trade associations, other organisations interested in timber market monitoring
- Preliminary negotiations with potential members of **IMM Correspondents Network**
  - Regular contact with market participants and trend monitoring
Improved access to statistics

- Responding to regular requests for trade statistics
- Supporting redevelopment of EFI Forest Products Trade Flow Database
  - Based on global COMTRADE & EU COMEXT data
  - HS Chapters 44 (Wood), 47 (Pulp), 48 (Paper), 49 (Printed papers), 94 (Furniture)
  - Validated - comparing unit values & mirror export/import data
- Publicly available
- Data visualisation
FLEGT VPA Partners

- Implementing: Cameroon, Central African Republic, Ghana, Indonesia, Liberia, Republic of the Congo
- Negotiating: Côte d’Ivoire, Democratic Republic of the Congo, Gabon, Guyana, Honduras, Laos, Malaysia, Thailand, Vietnam
- Informing: Bolivia, Colombia, Ecuador, Guatemala, Peru, Philippines, Cambodia, Myanmar/Burma, Papua New Guinea, Solomon Islands, Sierra Leone

- Indonesia legality system operating on a pilot basis since January 2013
- Ghana expecting first licensed deliveries in 2015
- Malaysia could quickly deliver licensed timber if political issues were resolved
FLEGT VPA Partners in international trade
Global tropical timber trade by VPA status of suppliers - years 2004 to 2013

Source: IMM analysis of Global Trade Atlas & UN COMTRADE
Global tropical timber trade by product group - years 2004 to 2013

Source: IMM analysis of Global Trade Atlas & UN COMTRADE
Export region share of global tropical timber trade - years 2004 to 2013

Source: IMM analysis of Global Trade Atlas & UN COMTRADE
Global tropical timber trade by import region - years 2004 to 2013

Value in billion US$ (constant 2013 prices)

Source: IMM analysis of Global Trade Atlas & UN COMTRADE
Source: IMM analysis of Global Trade Atlas & UN COMTRADE
FLEGT VPA Partners in EU trade
Value of EU28 import of tropical wood products by VPA status - monthly (moving average) March 2004 to June 2014

- Other tropical (no VPA)
- Tropical Brazil (no VPA)
- Pre-negotiations
- Preparation
- Negotiation
- Implementation

Source: IMM analysis of Eurostat COMEXT
Value of EU28 import of tropical and non-tropical wood products - monthly (moving average) March 2004 to June 2014

- Other
- North America
- Non EU Europe
- Russia/CIS
- China/HK/Taiwan
- Tropical

EUTR introduced March 2013
Eurostat construction production index
2010=100
Share of value of EU28 import of tropical and non-tropical wood products - monthly (moving average) March 2004 to June 2014

- Other
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EUTR introduced March 2013
A Perfect Storm: drivers of tropical hardwood market decline

- Economic downturn
- Diversion of supply to other markets
- Erosion of infrastructure for EU supply
- Importers & bankers increased aversion to commercial risk
- Just-in-time favours more regular less volatile supply
- Substitution by temperate wood & composites
- Prefabrication: Switch from adaptable utility woods to tightly specified materials
- Competition from China in markets for materials and finished goods
- Environmental prejudices & uncoordinated marketing
Market impact of the EUTR on tropical wood?
EU28 import of tropical wood products by supply country
Monthly (moving average) € million - Jan 2012 to June 2014

Source: ITTO IMM analysis of Eurostat
EU Member State imports of tropical hardwood
Monthly value (rolling) May 2012 to June 2014 € million
Concluding comments

• Significant gaps in information
  • Limited availability & poor quality of production and trade data
  • Systematic assessments illegality risks for specific countries/regions/products
  • Data on flows of certified/verified legal timber.
• Trade data yet to reveal significant direct trade impact of EUTR
• Other commercial factors more in evidence
• Different interpretations – DDS working? Effective forest regulation? EUTR ineffective?
• Decline in relative role of EU in tropical trade (short term?) reinforces importance of collective action on consumer side
• VPA wide international coverage - critical mechanism for EU engagement in tropical countries - foundation for tropical wood market development
Thank you!
IMM brochure available
www.itto.int/imm

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