

# Role of ITTO FLEGT Independent Market Monitoring

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# FLEGT Independent Market Monitoring (IMM)



**EUROPEAN COMMISSION**

**DEVCO office for development and cooperation**

- Required by FLEGT 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



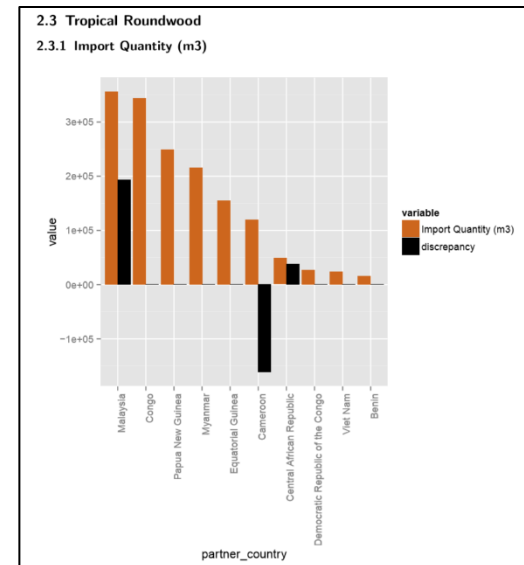
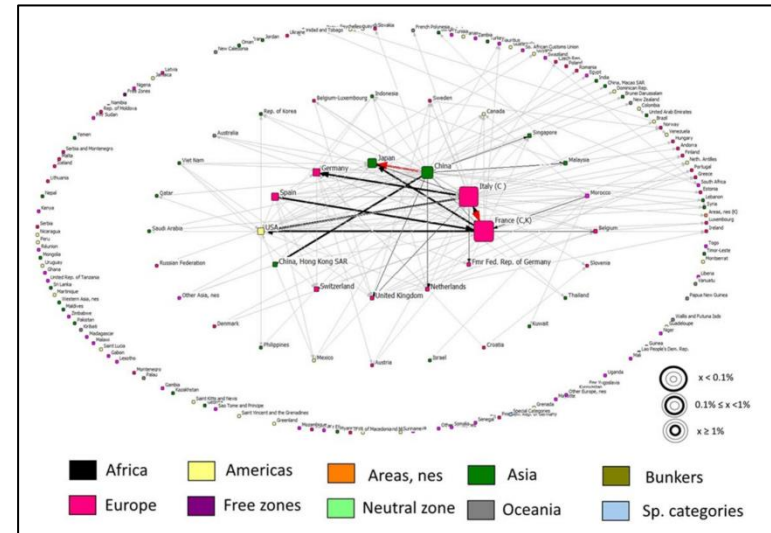
# IMM Progress

- **Baseline report** – 1<sup>st</sup> 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 1<sup>st</sup> Qtr of 2015
- **First Advisory Committee meeting** planned 1<sup>st</sup> 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



- 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

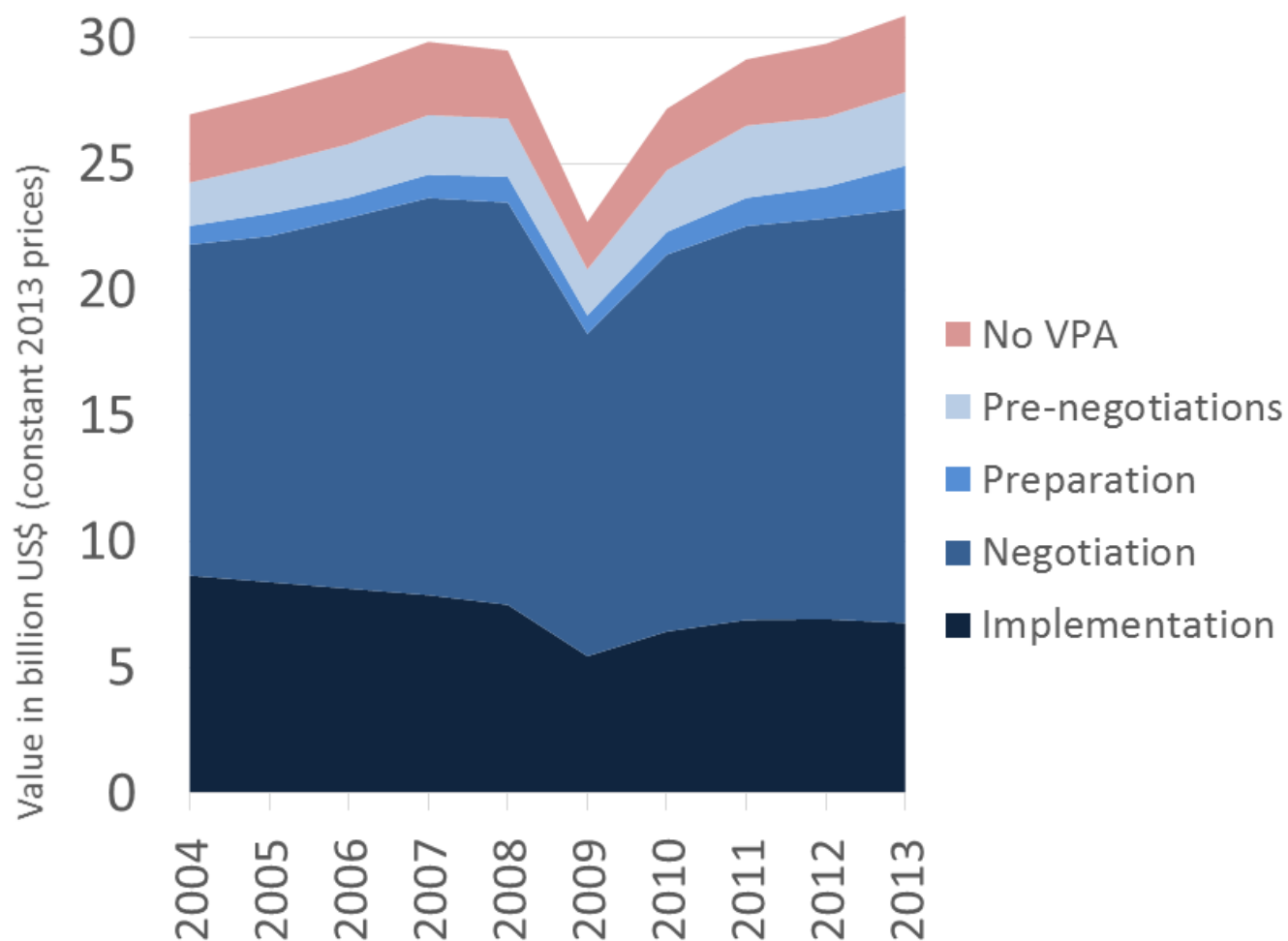


# FLEGT VPA Partners in international trade





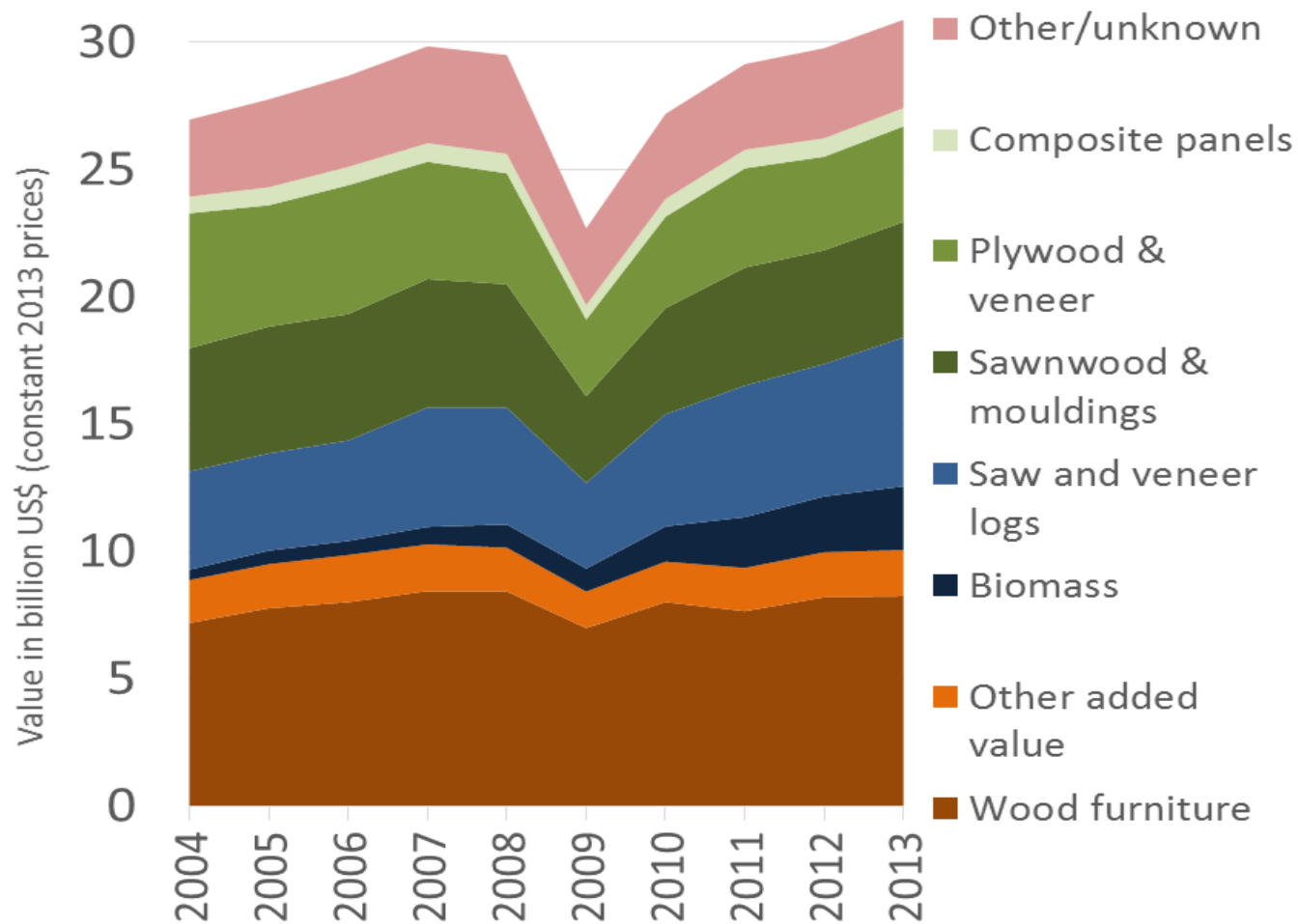
## Global tropical timber trade by VPA status of suppliers - years 2004 to 2013



Source: IMM analysis of Global Trade Atlas & UN COMTRADE



## Global tropical timber trade by product group - years 2004 to 2013

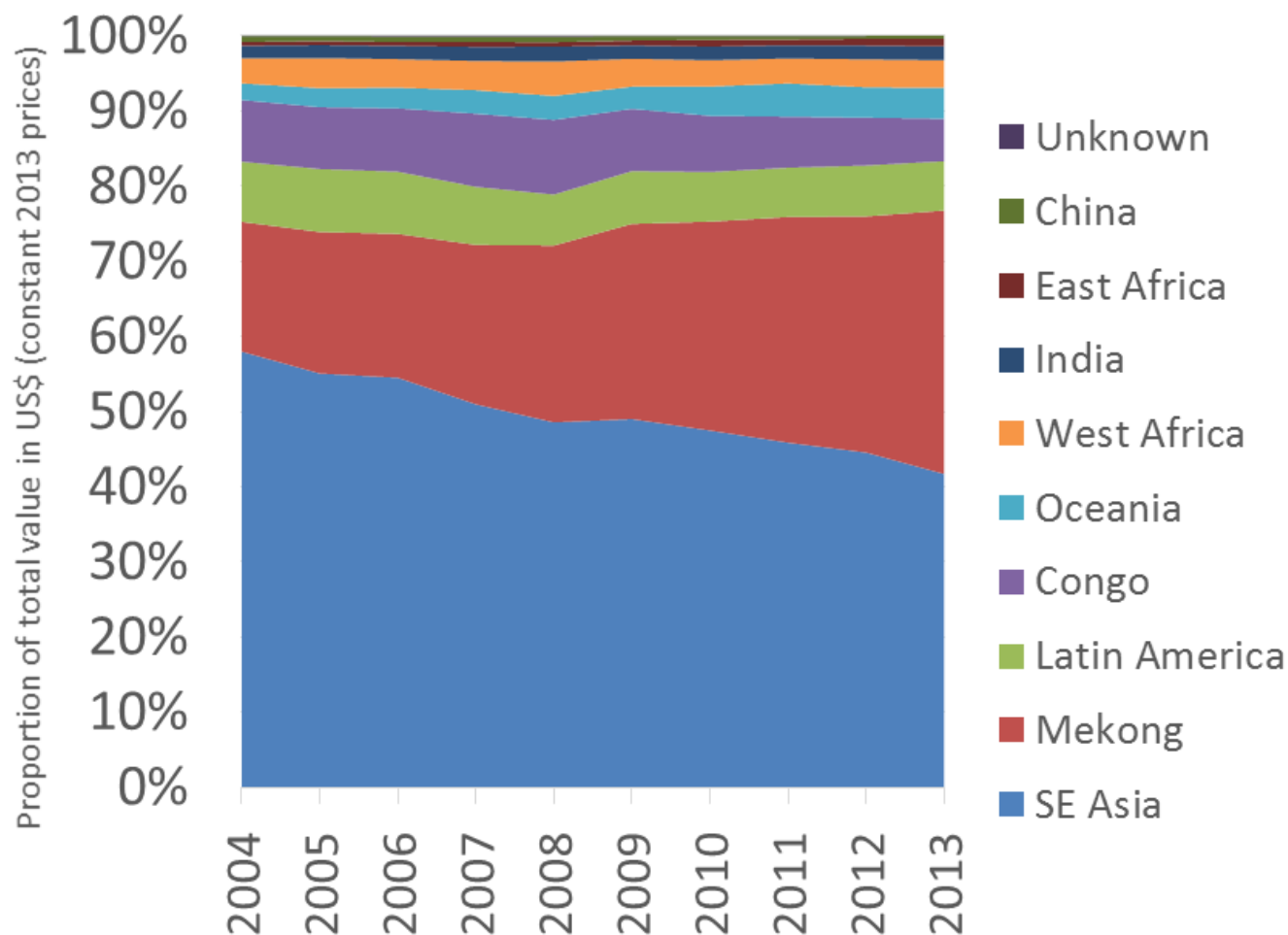


Source: IMM analysis of Global Trade Atlas & UN COMTRADE





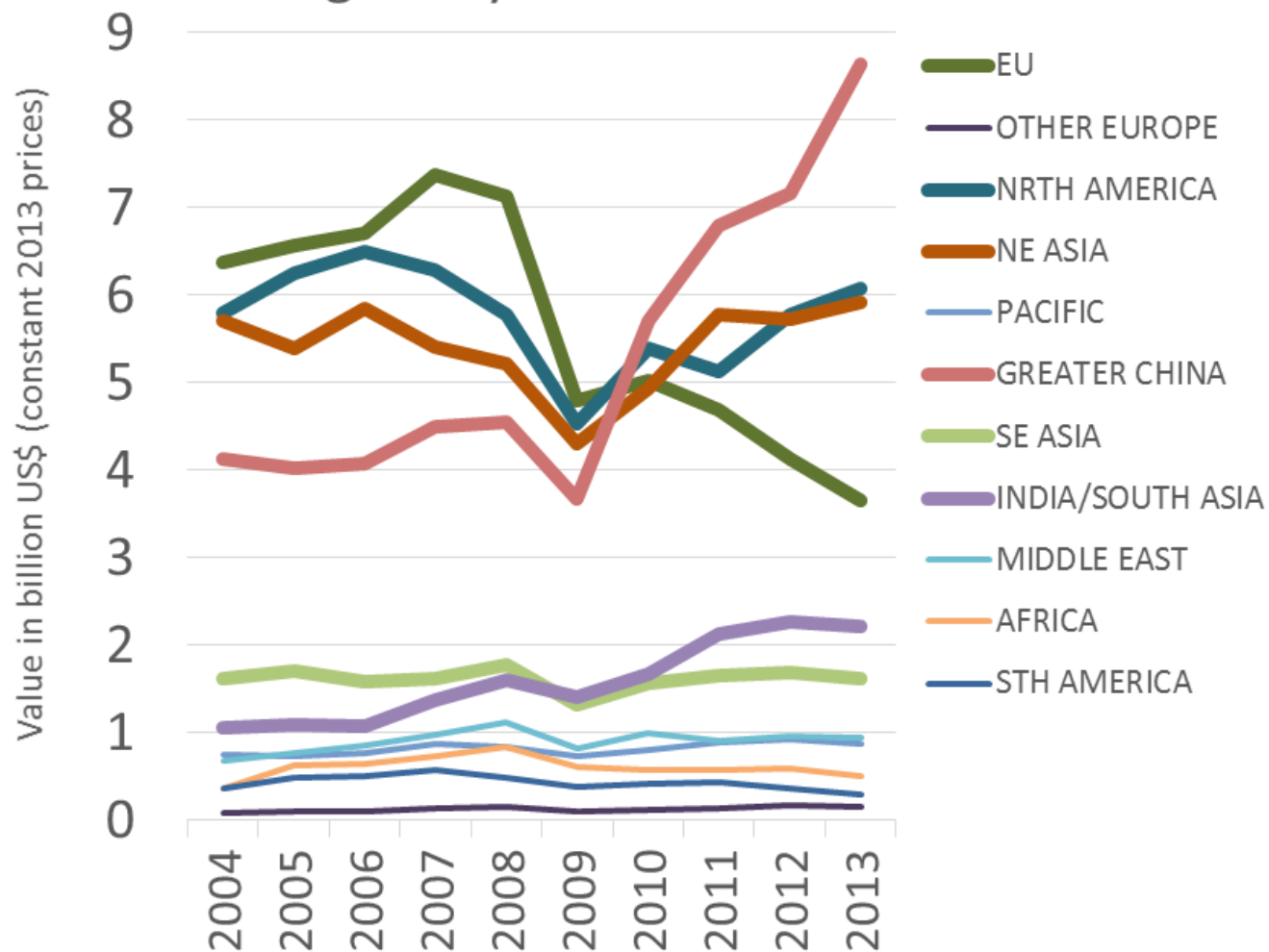
## Export region share of global tropical timber trade - years 2004 to 2013



Source: IMM analysis of Global Trade Atlas & UN COMTRADE



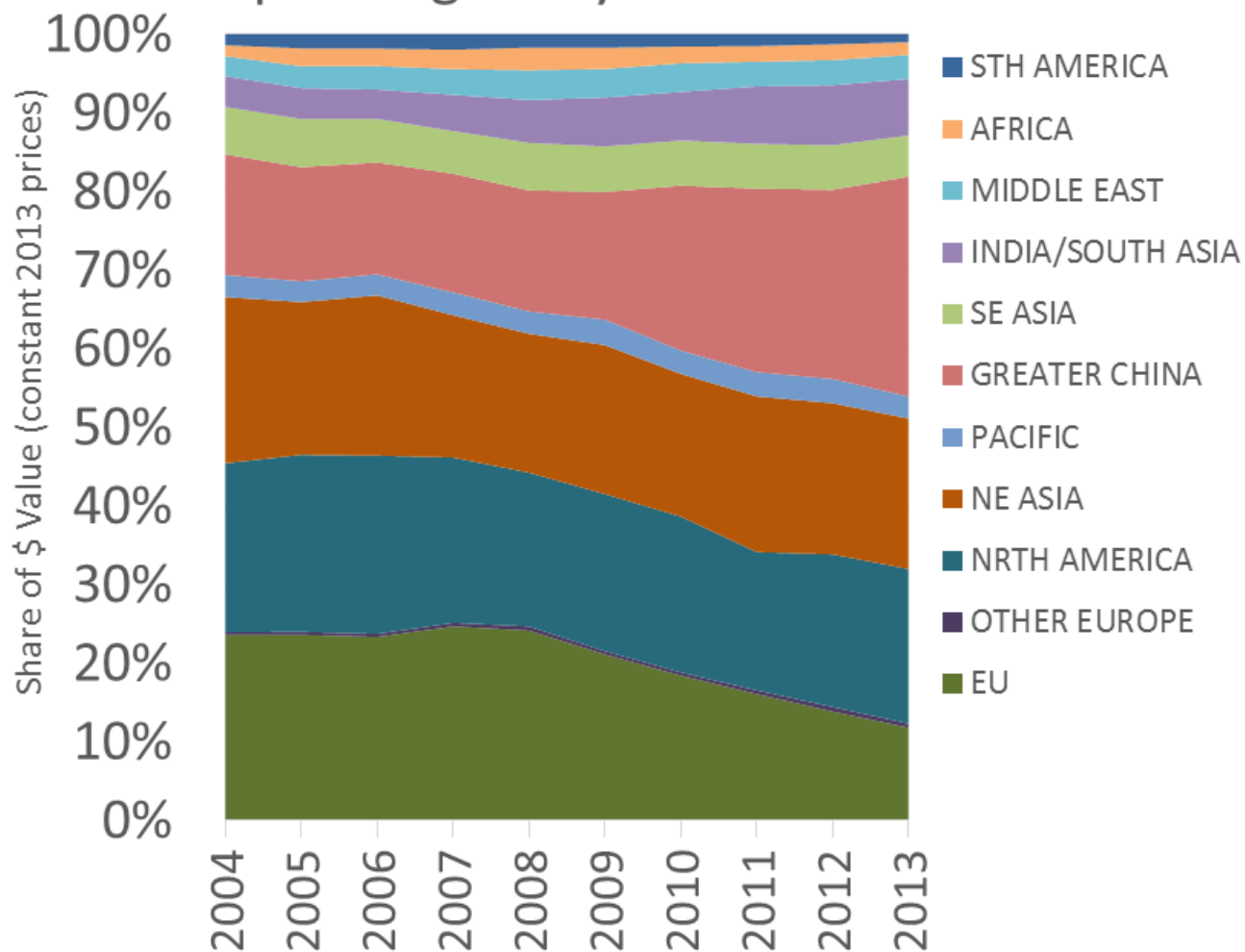
## Global tropical timber trade by import region - years 2004 to 2013



Source: IMM analysis of Global Trade Atlas & UN COMTRADE



## Share of global tropical timber trade by import region - years 2004 to 2013



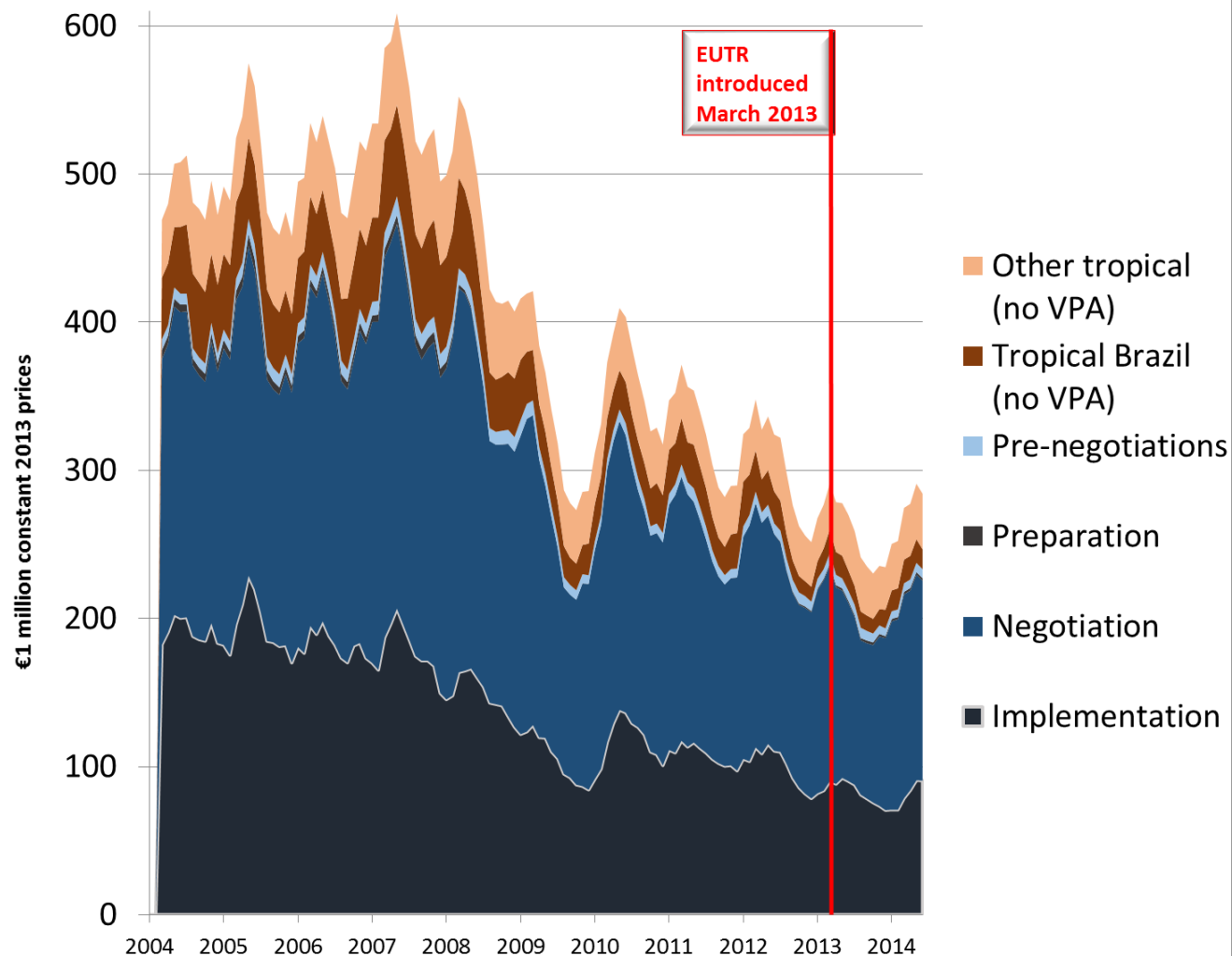
Source: IMM analysis of Global Trade Atlas & UN COMTRADE

# FLEGT VPA Partners in EU trade





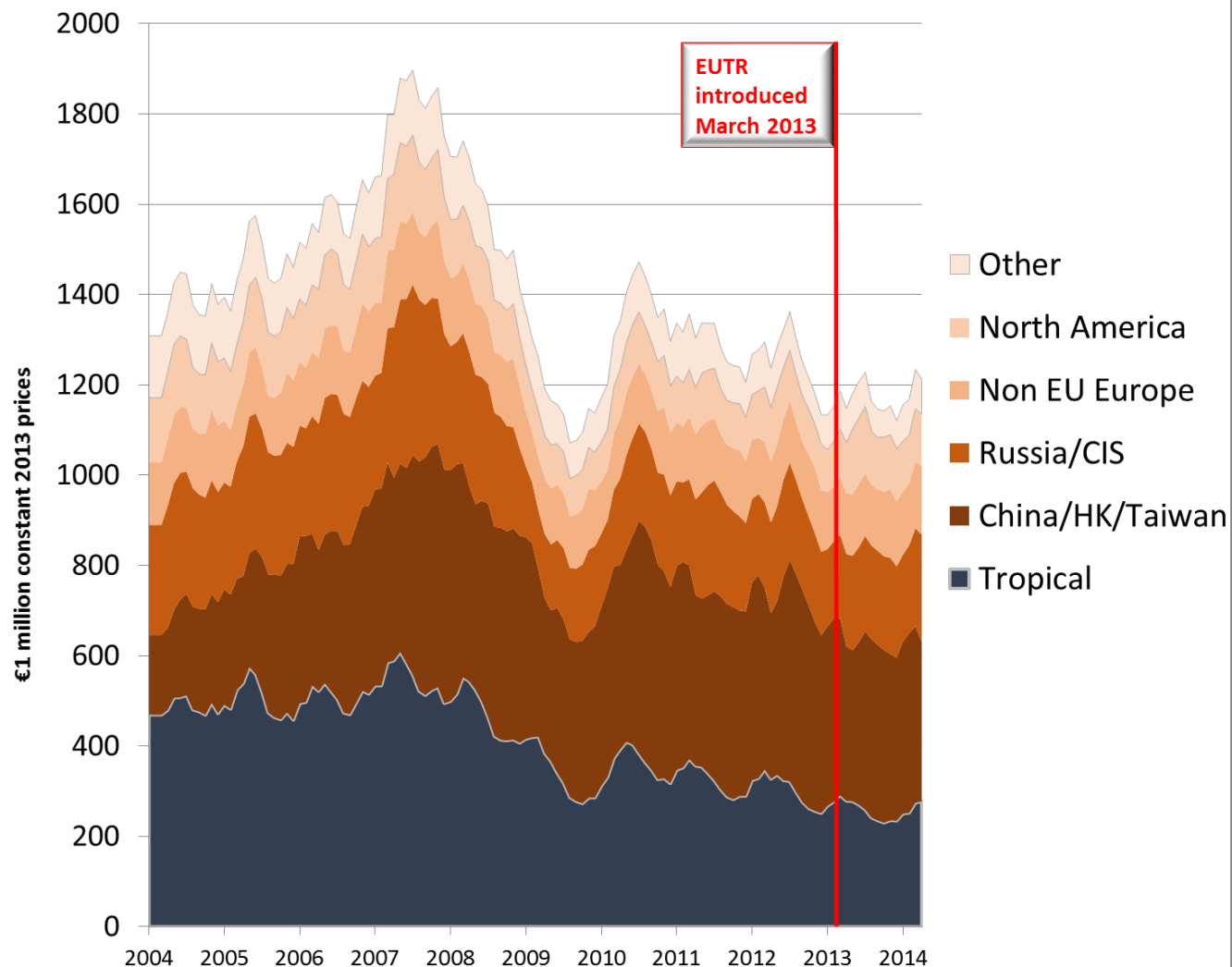
### Value of EU28 import of tropical wood products by VPA status - monthly (moving average) March 2004 to June 2014



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**

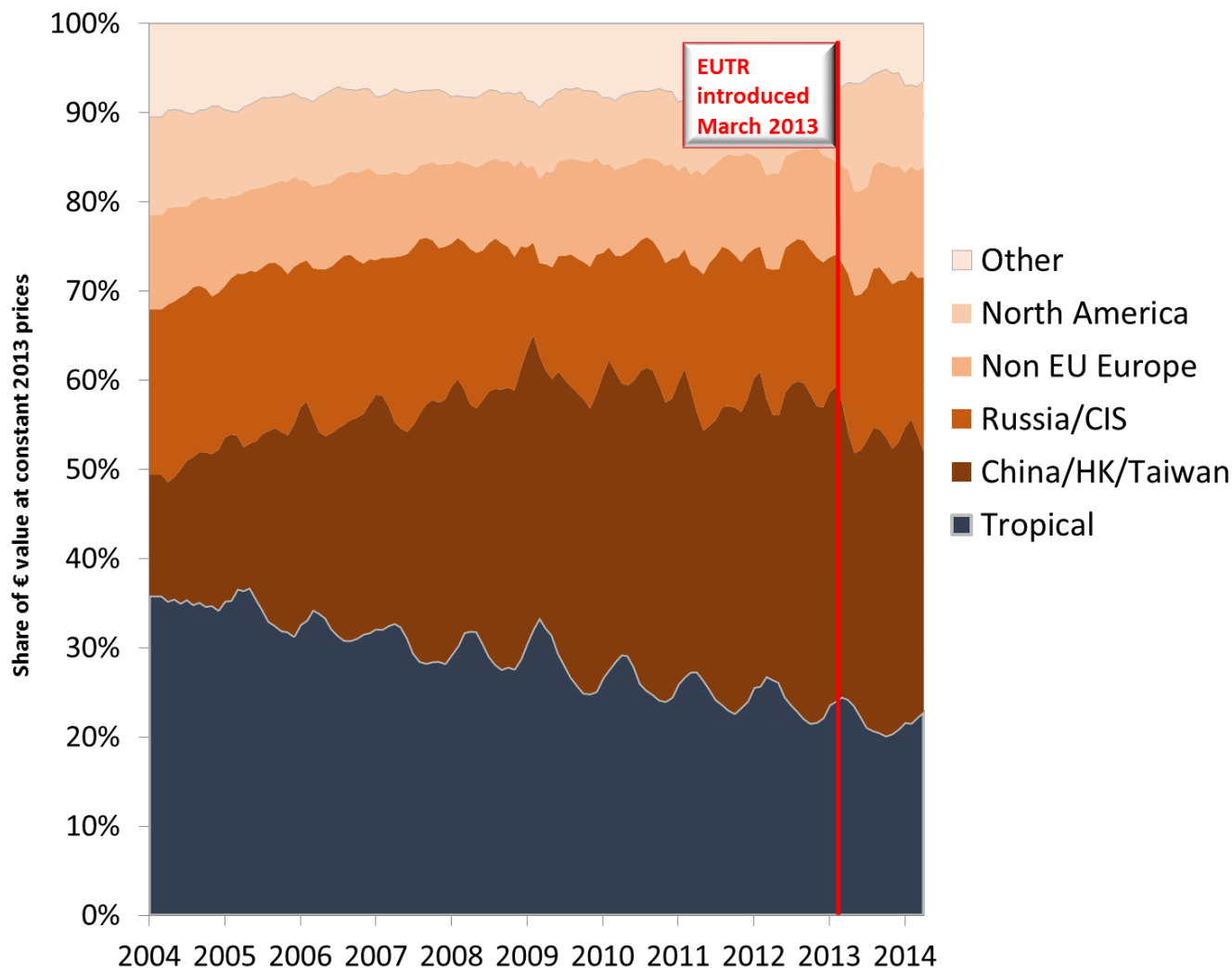


# Eurostat construction production index 2010=100





Share of value of EU28 import of tropical and non-tropical wood products - monthly (moving average) March 2004 to June 2014





# 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

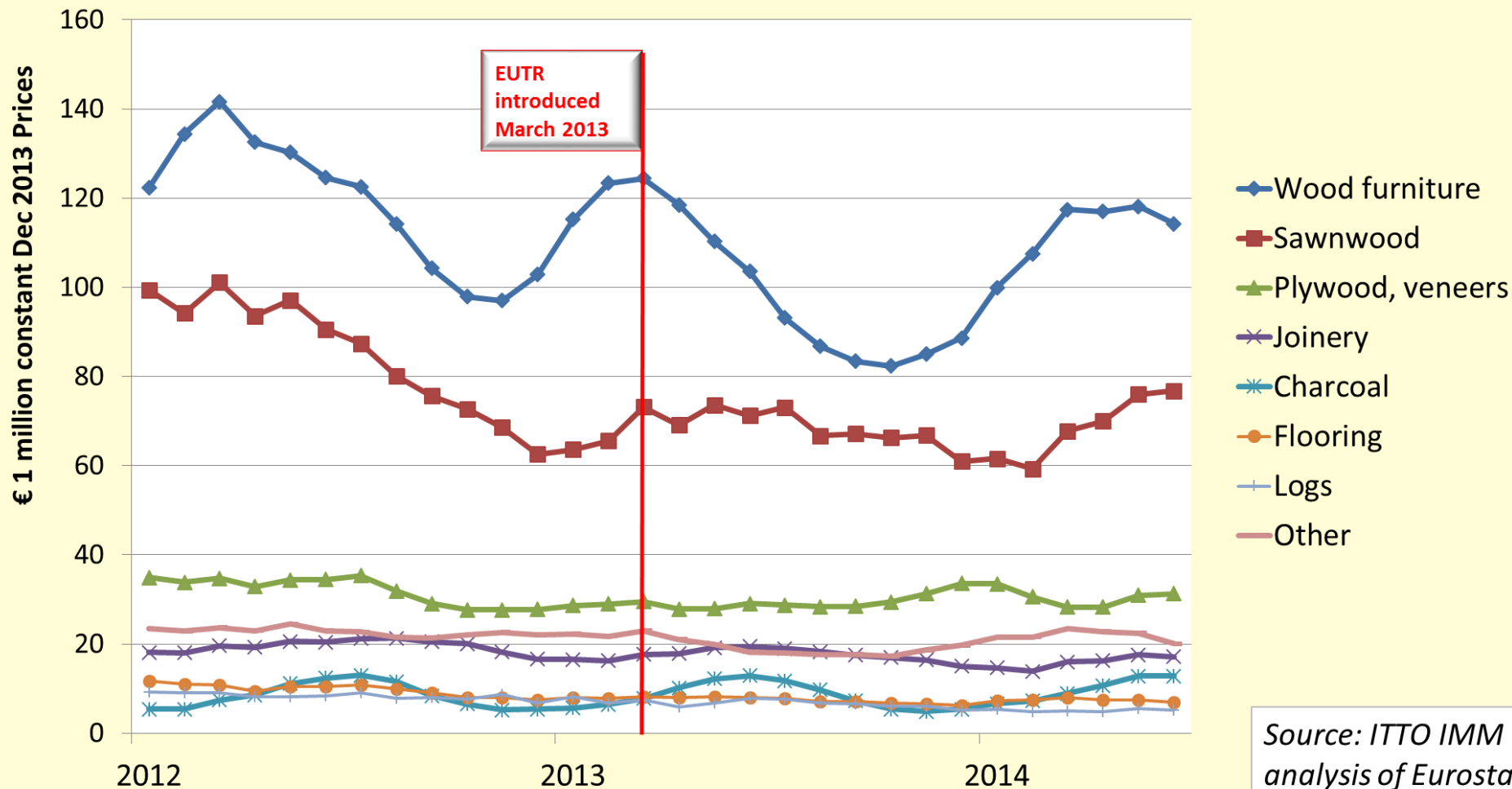


# Market impact of the EUTR on tropical wood?



# EU28 import of tropical wood products by product group

## Monthly (moving average) € million - Jan 2012 to June 2014

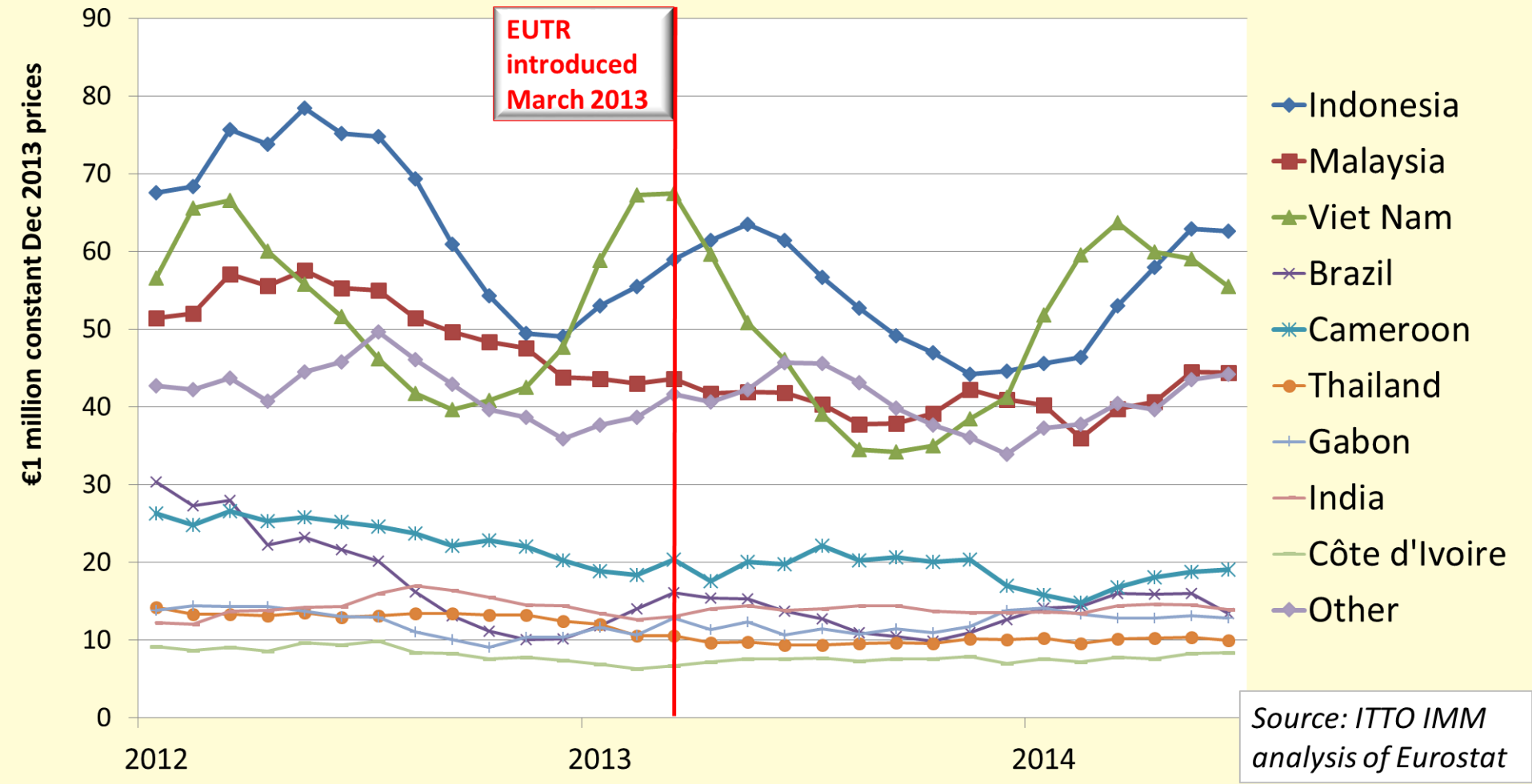


Source: ITTO IMM  
analysis of Eurostat



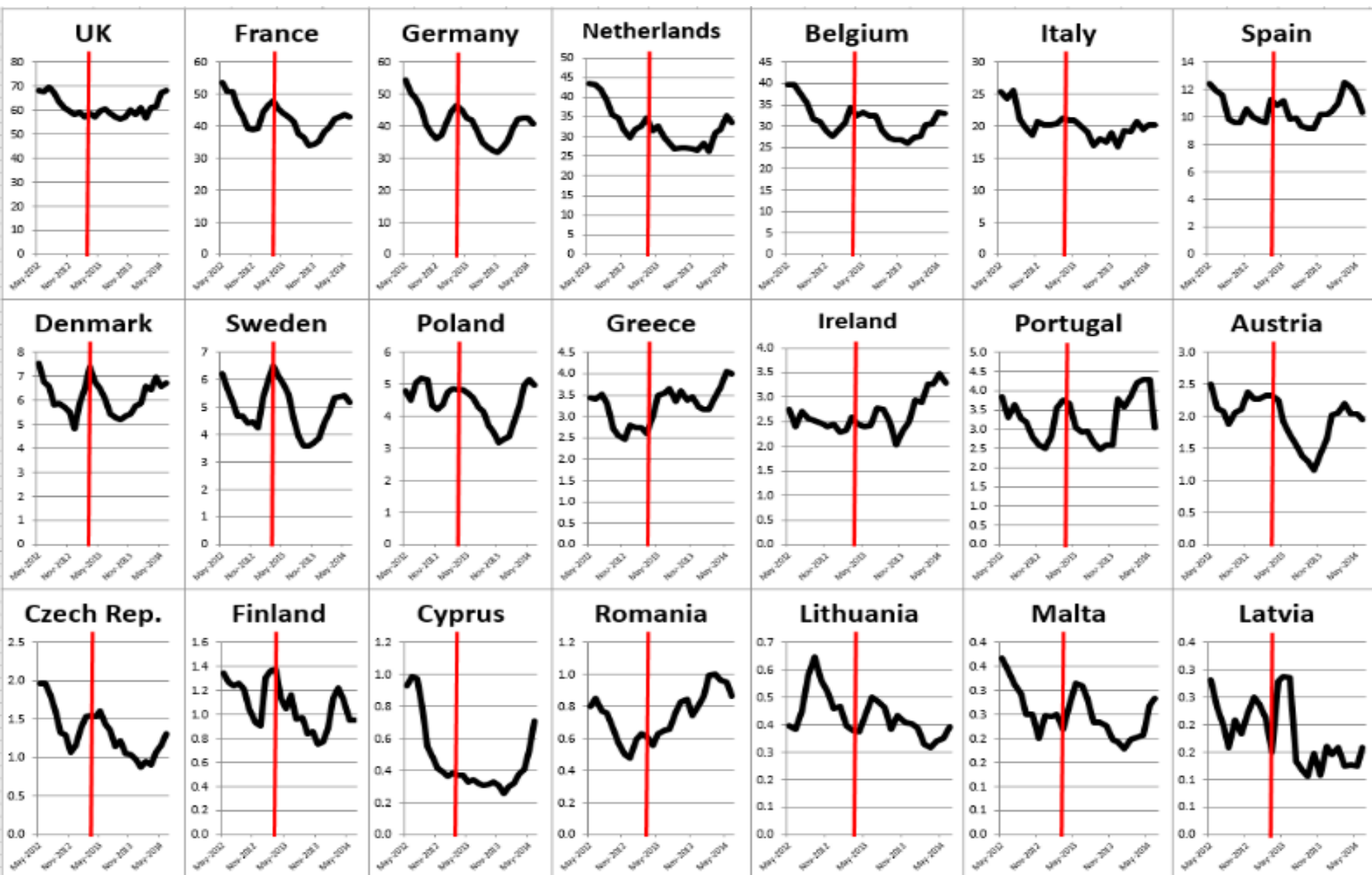
# EU28 import of tropical wood products by supply country

## Monthly (moving average) € million - Jan 2012 to June 2014



# 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



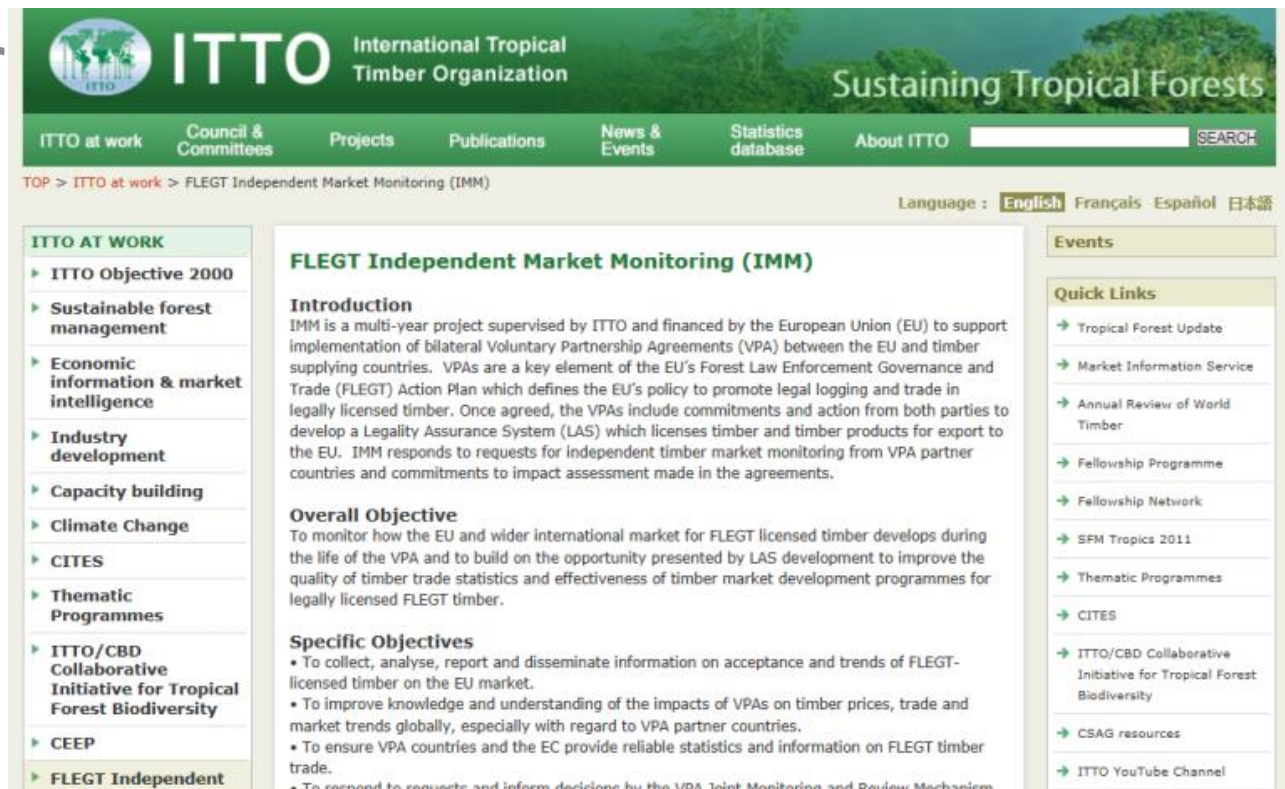
# Thank you!

## IMM brochure available

## [www.itto.int/imm](http://www.itto.int/imm)

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The screenshot shows the ITTO (International Tropical Timber Organization) website. The header features the ITTO logo and the tagline "Sustaining Tropical Forests". A navigation bar includes links for "ITTO at work", "Council & Committees", "Projects", "Publications", "News & Events", "Statistics database", and "About ITTO". A search bar is also present. The main content area is titled "FLEGT Independent Market Monitoring (IMM)" and includes an introduction, overall objective, and specific objectives. The left sidebar lists "ITTO AT WORK" categories, and the right sidebar lists "Events" and "Quick Links".

**ITTO** International Tropical Timber Organization

Sustaining Tropical Forests

ITTO at work Council & Committees Projects Publications News & Events Statistics database About ITTO

TOP > ITTO at work > FLEGT Independent Market Monitoring (IMM)

Language : **English** Français Español 日本語

**ITTO AT WORK**

- ▶ ITTO Objective 2000
- ▶ Sustainable forest management
- ▶ Economic information & market intelligence
- ▶ Industry development
- ▶ Capacity building
- ▶ Climate Change
- ▶ CITES
- ▶ Thematic Programmes
- ▶ ITTO/CBD Collaborative Initiative for Tropical Forest Biodiversity
- ▶ CEEP
- ▶ FLEGT Independent

**FLEGT Independent Market Monitoring (IMM)**

**Introduction**

IMM is a multi-year project supervised by ITTO and financed by the European Union (EU) to support implementation of bilateral Voluntary Partnership Agreements (VPA) between the EU and timber supplying countries. VPAs are a key element of the EU's Forest Law Enforcement Governance and Trade (FLEGT) Action Plan which defines the EU's policy to promote legal logging and trade in legally licensed timber. Once agreed, the VPAs include commitments and action from both parties to develop a Legality Assurance System (LAS) which licenses timber and timber products for export to the EU. IMM responds to requests for independent timber market monitoring from VPA partner countries and commitments to impact assessment made in the agreements.

**Overall Objective**

To monitor how the EU and wider international market for FLEGT licensed timber develops during the life of the VPA and to build on the opportunity presented by LAS development to improve the quality of timber trade statistics and effectiveness of timber market development programmes for legally licensed FLEGT timber.

**Specific Objectives**

- To collect, analyse, report and disseminate information on acceptance and trends of FLEGT-licensed timber on the EU market.
- To improve knowledge and understanding of the impacts of VPAs on timber prices, trade and market trends globally, especially with regard to VPA partner countries.
- To ensure VPA countries and the EC provide reliable statistics and information on FLEGT timber trade.
- To respond to requests and inform decisions by the VPA Joint Monitoring and Review Mechanism

**Events**

**Quick Links**

- Tropical Forest Update
- Market Information Service
- Annual Review of World Timber
- Fellowship Programme
- Fellowship Network
- SPM Tropics 2011
- Thematic Programmes
- CITES
- ITTO/CBD Collaborative Initiative for Tropical Forest Biodiversity
- CSAG resources
- ITTO YouTube Channel

