

Snapshot of China and the Mekong: Timber Trade and Governance

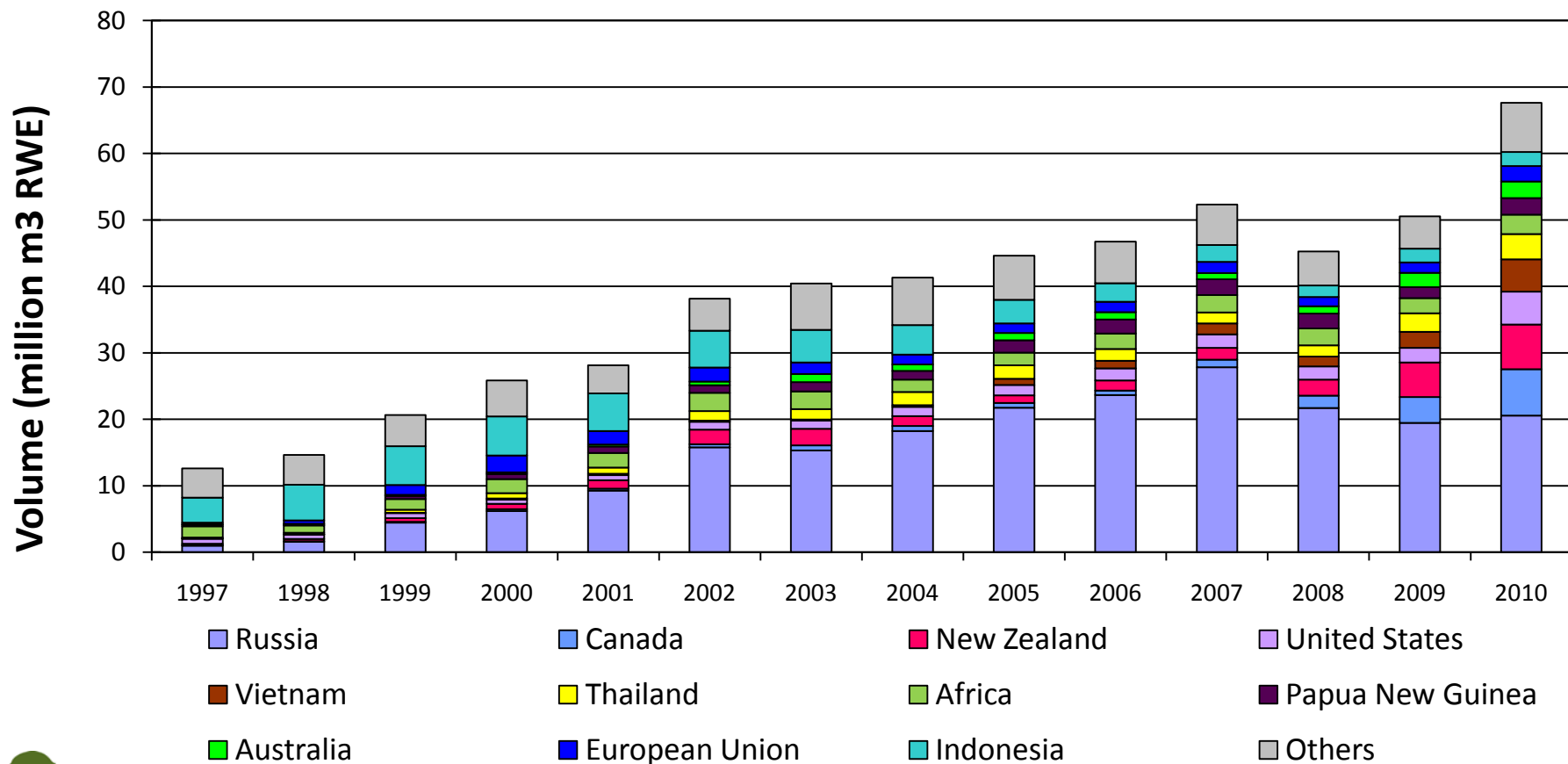
Kerstin Canby, Forest Trends
May, 2011

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China timber product imports (million m3 RWE)

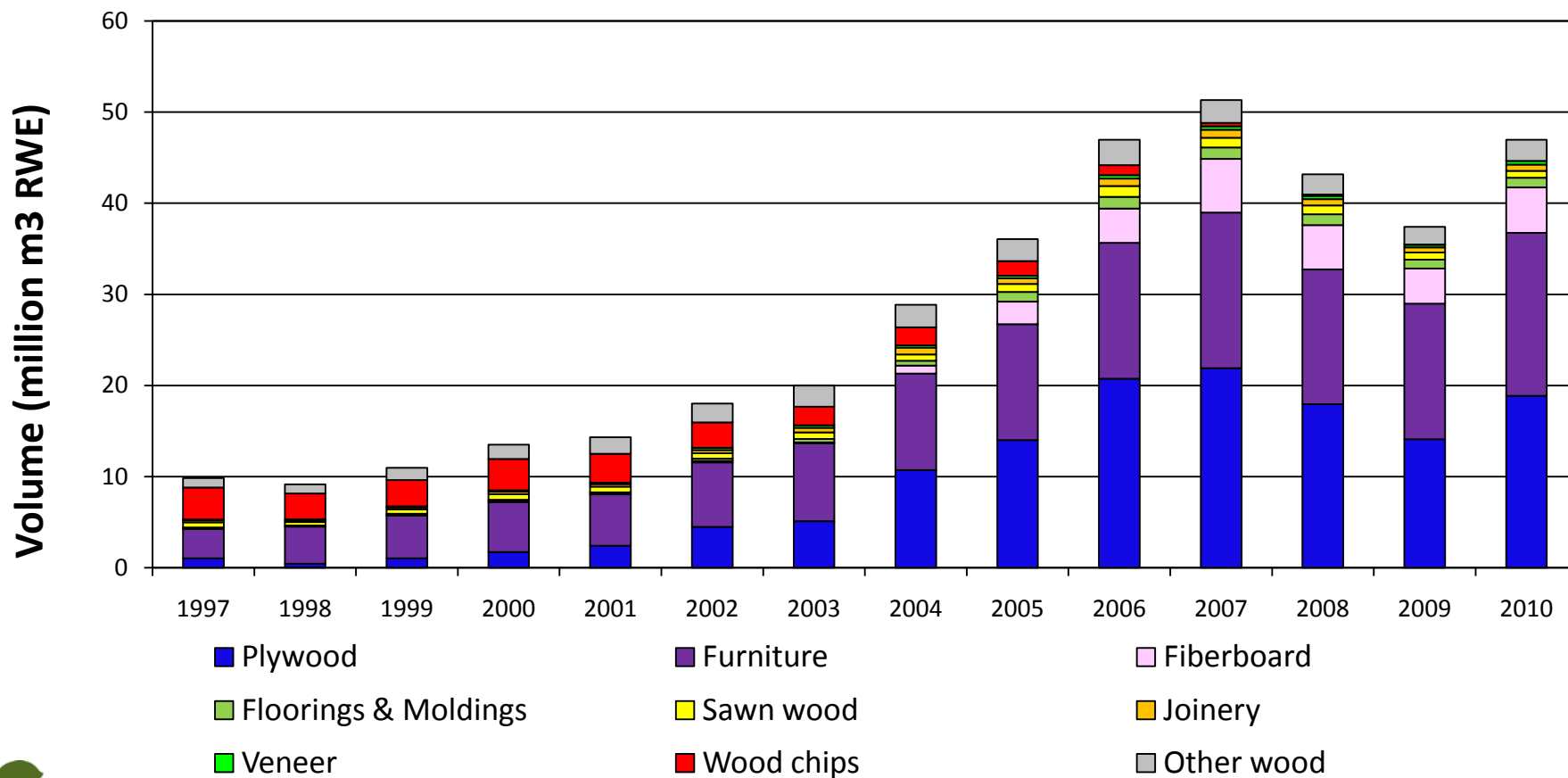


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China timber product exports (million m3 RWE)



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2009: China only major market show demand growth

	China	US	Canada	EU	Japan	M. East
Softwood lumber	+20%	-23%	-15%	-15%	-14%	+15%
Plywood	+5	-16	-16	-29	-17	+16
Particle board	+2	-5	-7	-13	-12	+3
MDF	+5	-3	-20	-20	-19	+46
Pulp	+21	-9	-19	-16	-21	
Paper	+7	-5	-2	-6	-14	
Packaging & Tissue	+2	-21	-2	-16	-13	

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

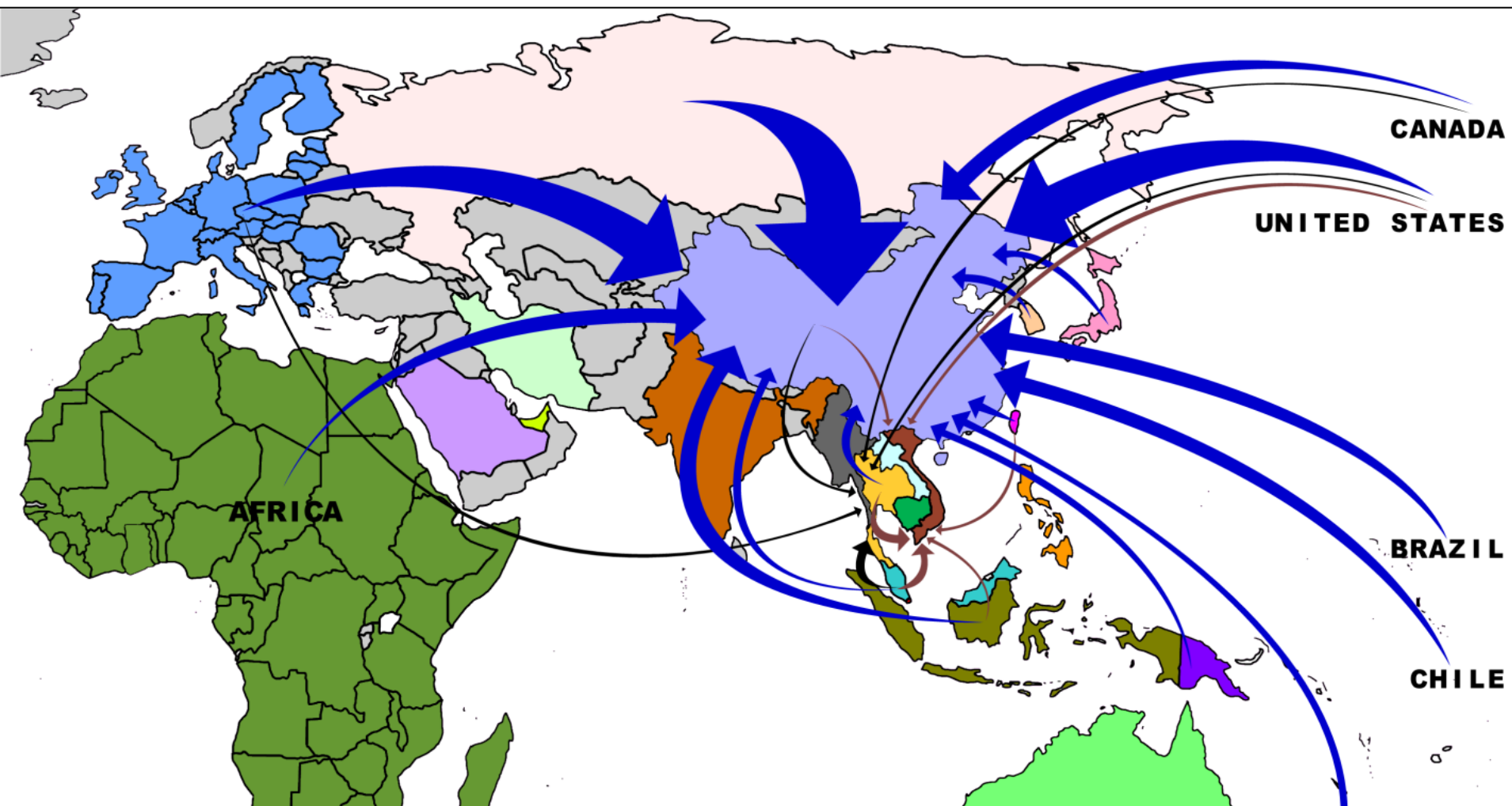
Green economy or procurement programs mainly focus on resource efficiency, not sourcing issues. This may change with recent food scandals.

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China, Thailand and Vietnam Forest Product Imports

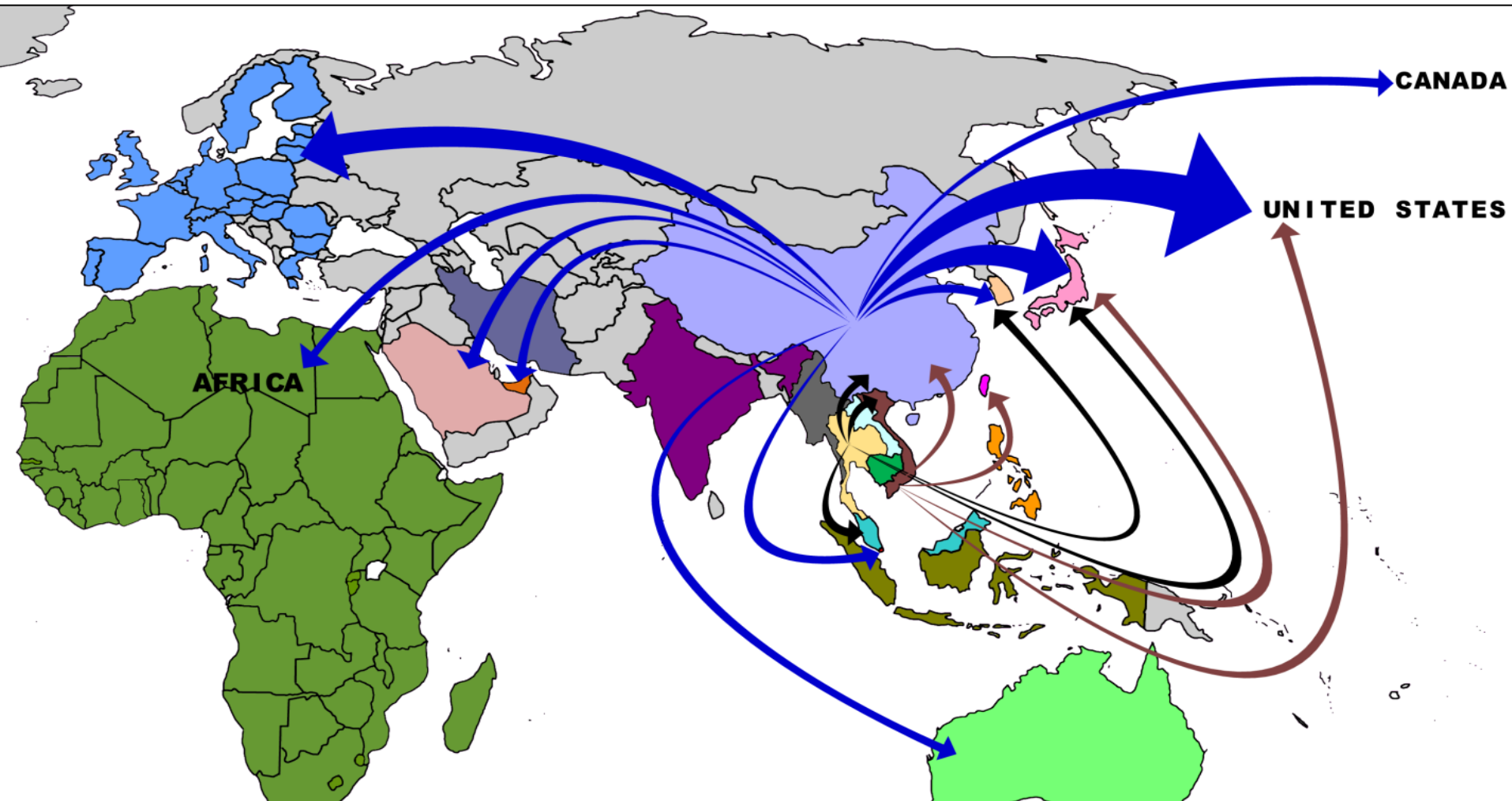


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China, Thailand and Vietnam Exports (US\$ billion)

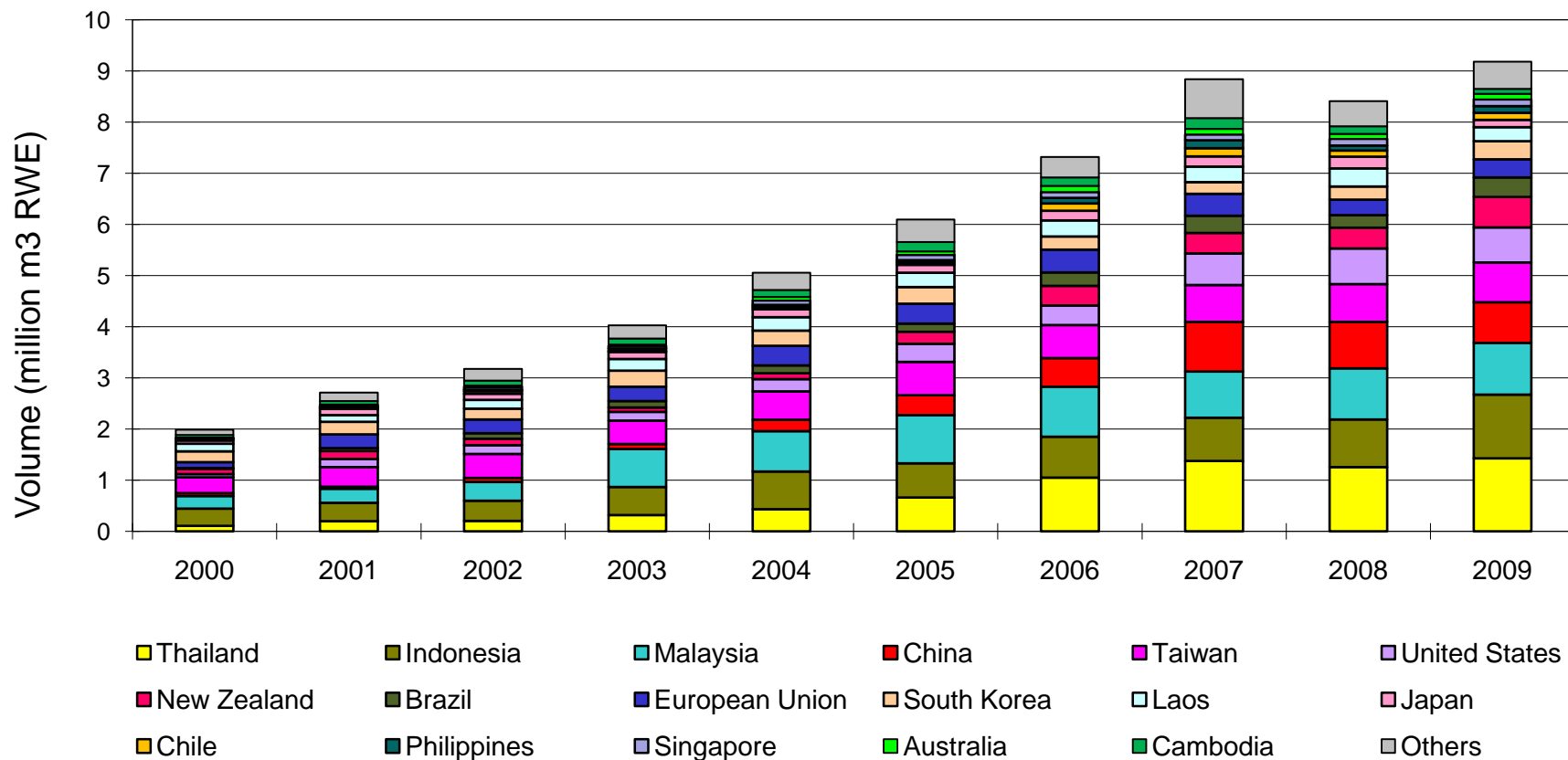


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Vietnam Forest Product Imports (million m3)



Vietnam

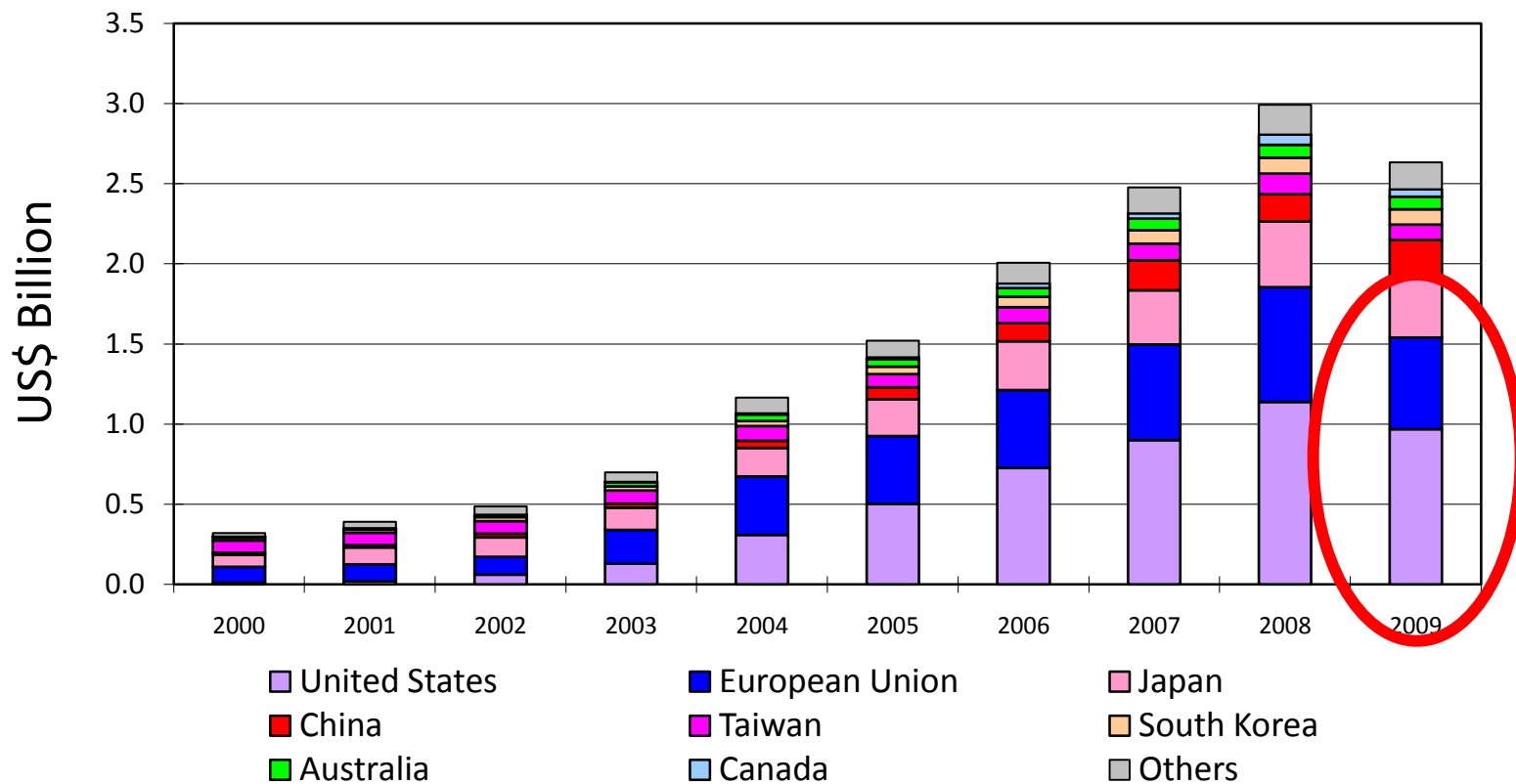
- Like China, stopped harvesting own natural forests
- Demonstrated “leakage” effect on neighboring countries (implications for REDD+)
- Plantations plantations plantations
- 0 land certified; many CoC certifications
- Industry very concerned about Lacey and EU TR
- VPA discussions on-going, with preliminary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

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Vietnam Forest Product Exports (US\$ billion)



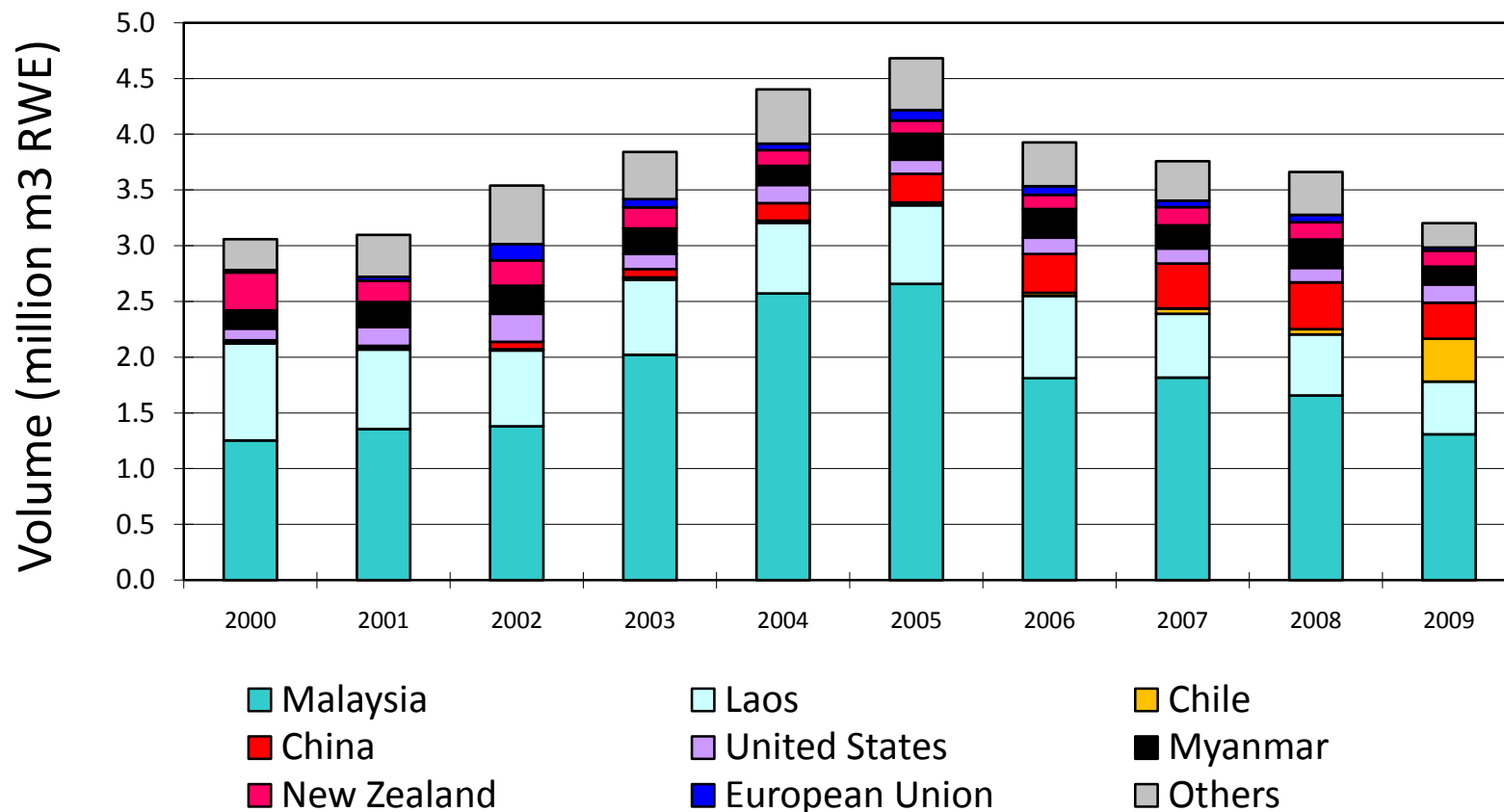
~75%

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Thailand Timber Product Imports (million m³)



Thailand

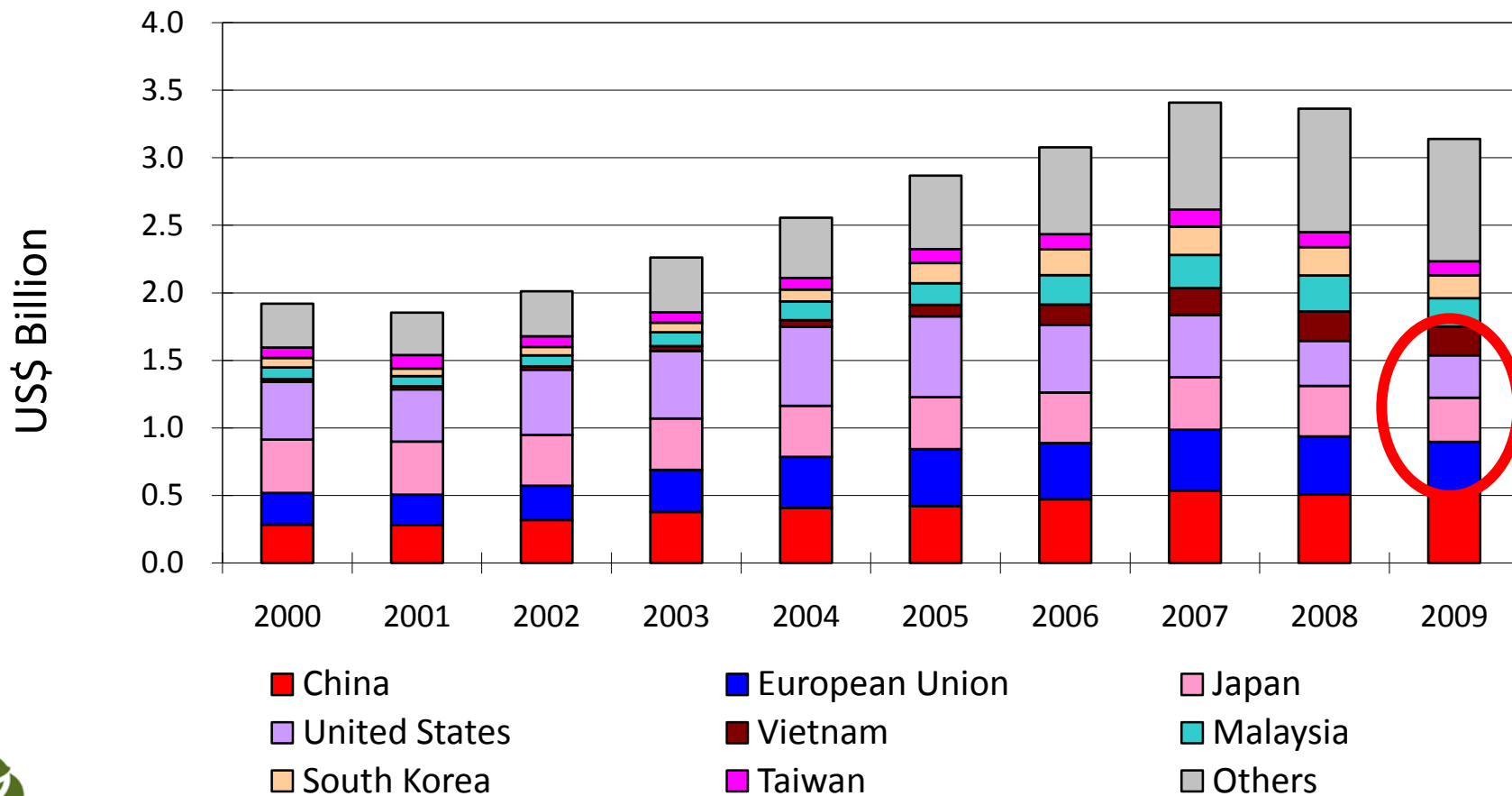
- Like CN, like VN, stopped harvesting own natural forests
- Existing control systems to track domestic wood
- Plantations plantations plantations
- 7,000 ha certified (FSC)
- History of land conflict, and a highly controversial policy process related to community forest management / enterprises
- Industry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

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Thailand Forest Product Exports (US\$ billion)

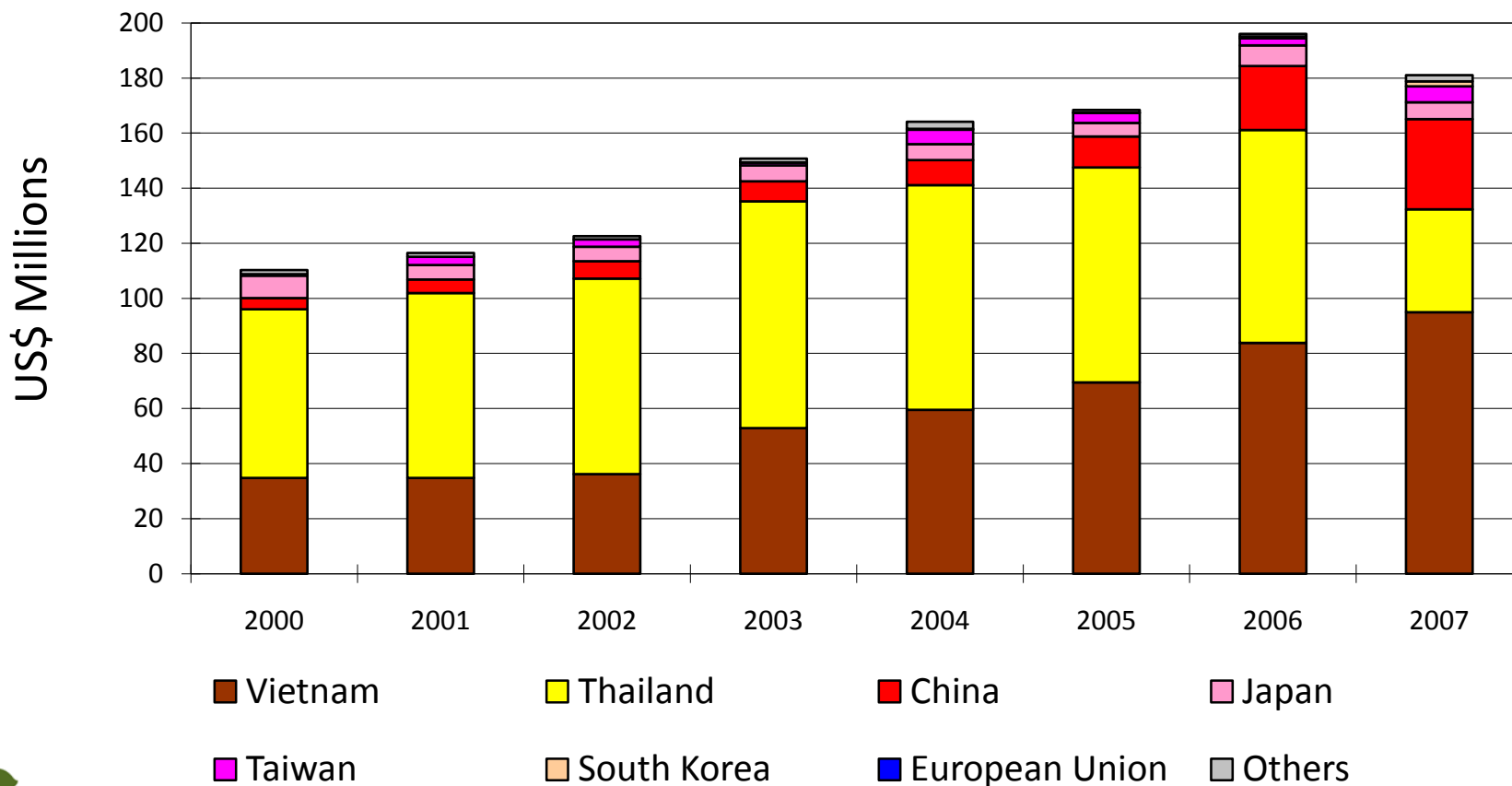


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Lao Forest Product Exports (US\$ million)



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Laos

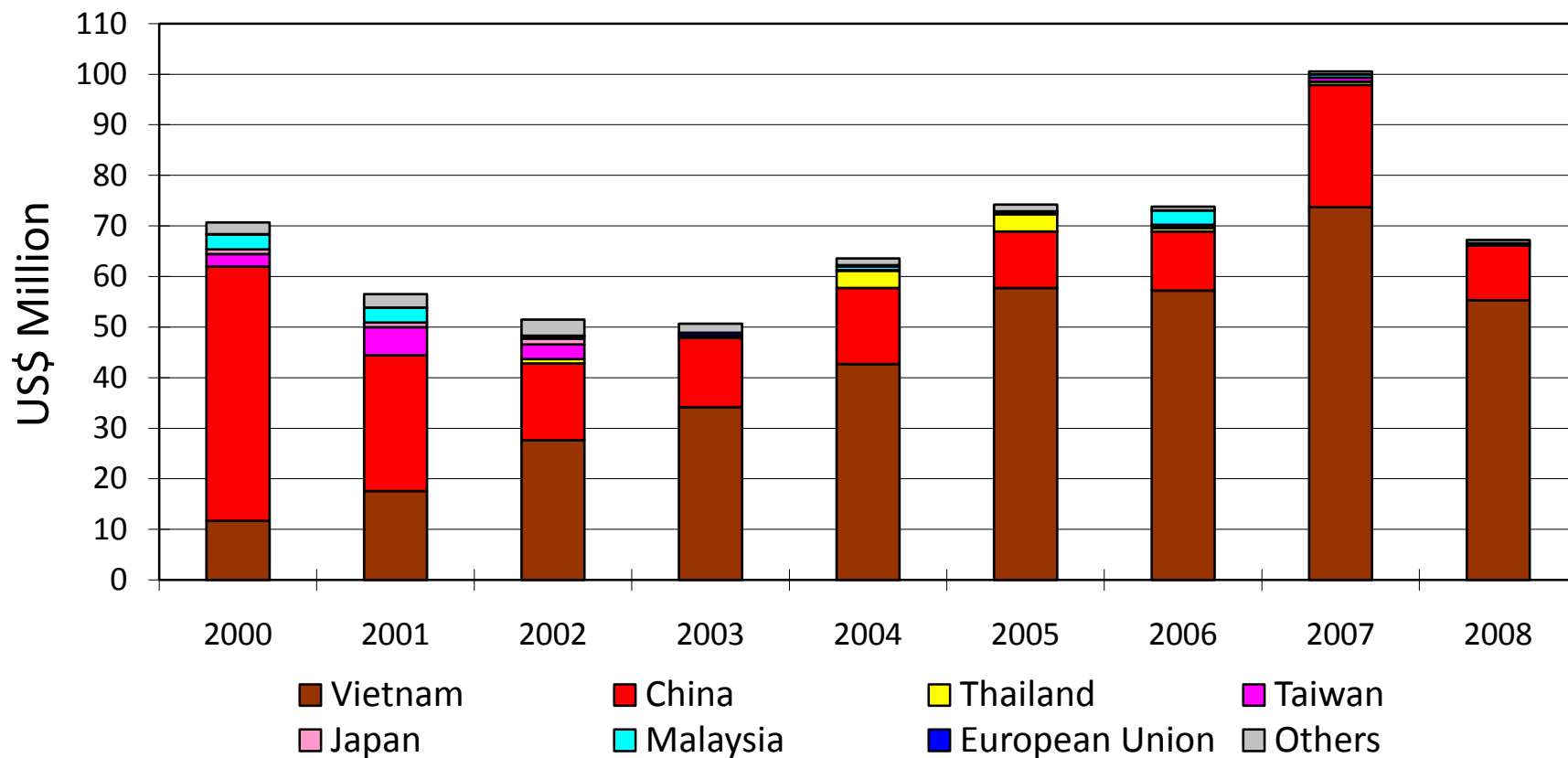
- “Conversion timber” predominant source of exported timber
 - Questions about due process in land allocation process
 - Land use conflicts increasing
 - Means to justify harvesting timber outside quota system?
- Significant challenges defining “legal”
 - Many legal loopholes
 - Difficult to find out why there are apparent exceptions to a log export ban

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Cambodia Forest Product Exports (US\$ million)



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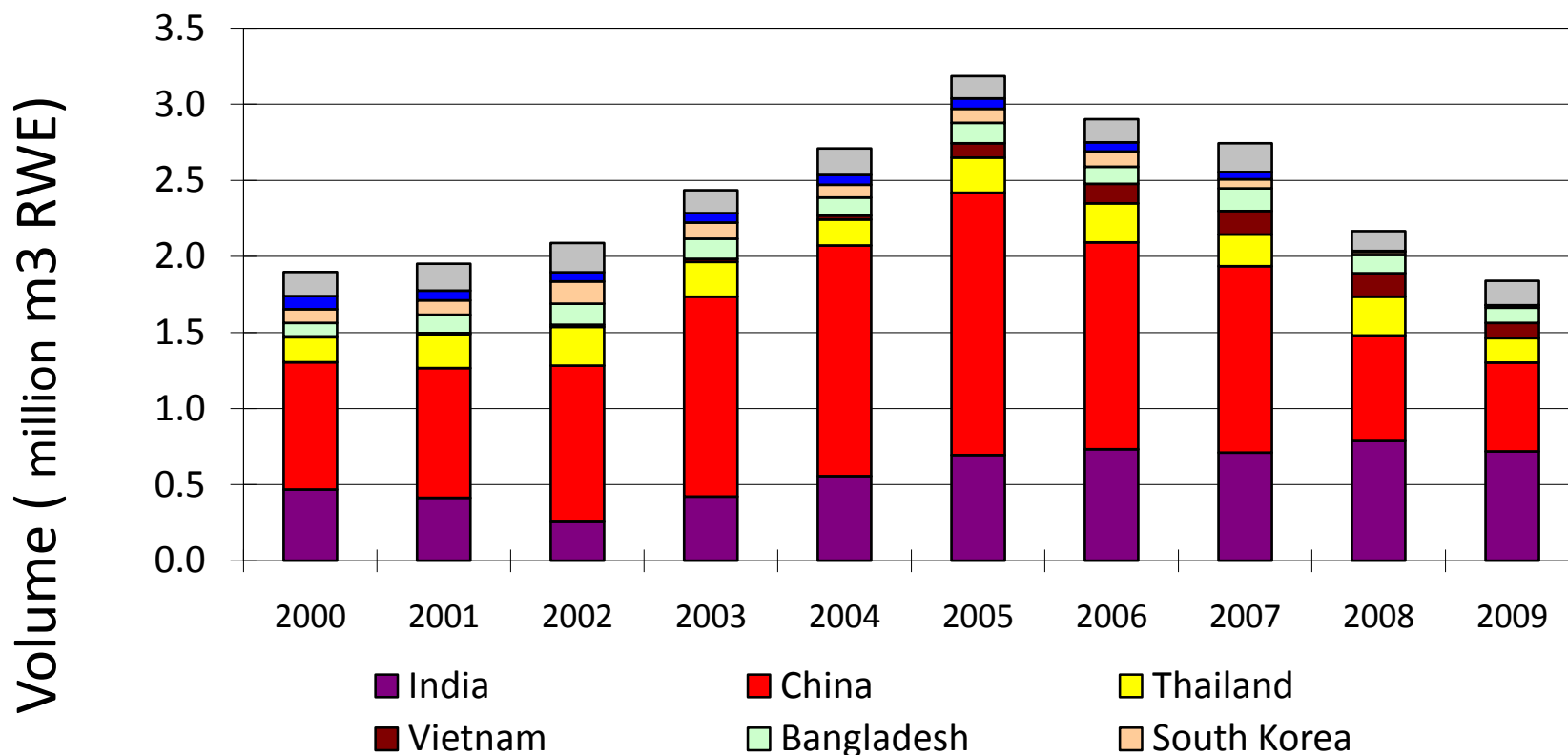
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Cambodia

- 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.

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