



CHINA AND THE GLOBAL MARKET FOR FOREST PRODUCTS PROMOTING TRADE OF SUSTAINABLE AND LEGAL WOOD

SEPTEMBER 22, 2006

Information Sharing Workshop for Technical Experts

WORKSHOP PROCEEDINGS

Sponsored by: Office of International Program - U.S. Forest Service, Forest Trends, the Tropical Forest Trust.

Background: The trade in unknown- or illegally-sourced wood products has become an internationally recognized problem over the past few years. Ministerial-level declarations such as the Bali Declaration and St. Petersburg Declaration have signaled both consumer and producer governments' commitment to combat illegal logging and associated trade. Major international institutions such as the International Tropical Timber Organization (ITTO) and the World Bank have developed work programs to support governments and other institutions institute measures to combat this trade. Several Chinese institutions and researchers have been working on this issue.

Objective: This meeting is to convene all those who are working on some aspect of the trade of unknown / illegally sourced wood products to share information about their work programs, share experience and findings, and to explore complementarities and avoid duplication in the future. Simultaneous translation provided.

Location: Conference Building, Friendship Hotel, 3 Bai Shi Qiao Road, Beijing

Chairs: Hugh Blackett (Tropical Forest Trust) & Xiufang Sun (Forest Trends)

The World Bank Approach to Forestry Development, Poverty Reduction and Environmental Protection

William Magrath, World Bank

The World Bank's illegal logging-related activities in Asia are centered on prevention, detection, and enforcement, with prevention being the largest part. They are heavily engaged in the FLEG ministerial processes, negotiating customs issues and money laundering legislation among other items. In China in particular, the focus is much more on forestry and associated technical issues, rather than FLEG, yet they have engaged some Chinese participation on these ministerial processes. The Bank has also pursued collaborative studies with the FEDRC. In addition, the theme for this year's edition of the annual Country Economic Memo for China is "Growth in Resource-Scarce Economy."

Forest Trend's Relevant Program

Kerstin Canby, Forest Trends

Over the past 5 years, Forest Trends' work has looked at the overall supply and demand for forest products, and the impacts on the global market, local economies and livelihoods in both China itself as well as major supplying countries. In the last 2 years, Forest Trends has begun to look more closely at issues related to the trade in unknown or illegally sourced wood products. Last year, Forest Trends helped the SFA to organize a multi-agency preparatory meeting prior to the ENA FLEG ministerial process. A new "Information Brief" series highlights issues related to the trade of forest products. In the next year, Forest Trends hopes to start a major program on responsible trade between Russia and China. The organization has recently put out livelihood studies and compiled trade statistics on this trade and its impacts on the Russian forest base. One product of this work was a workshop near Lake Baikal, Russia in August 2006, which produced a statement illustrating a strategy for a sustainable, mutually beneficial trade in forest products between the two countries. Future plans to develop this work include updating the statistics in summer 2007, making them publicly available, tracking large Chinese investments in Russia, and holding another workshop on Russia-China trade in May 2007. Forest Trends also hopes to start up a program on China-Africa trade flows. Other work related to China and illegal logging will continue, with trade modeling, market statistics, policy briefs, studies on who benefits from the trade, working with provincial governments on forestry, and potentially holding more meetings similar to the current one.

Chinese Academy of Forestry's Relevant Work

Tan Xiufeng, Chinese Academy of Forestry

Reporting on their analysis of legality in the Chinese forest products trade, researchers from the CAF explained that there are no stringent custom requirements for the massive amounts of timber imported into China. Tariffs have gone down on imports and there are more tax refunds available for export-oriented timber products. Lax enforcement combined with these incentives drives illegal trade in forest products. Even within China, the actual amount of harvesting far exceeds quotas, thus technically there is domestic illegal logging as well. Despite some transparency and enforcement of regulations, the amount of allocated quotas remains far too small, and current management of the quota system is not compatible with the country's goals of tenure reform and marketization.

Green Wood Procurement and Sustainable Forestry in China

Chen Xiaoqian, The Nature Conservancy

TNC's work program on illegal logging in China focuses on facilitating green wood procurement for developing countries to reduce suspicious imports wood, and sustainable timber management within China to augment sustainable timber production. In their initiative on green government procurement, TNC promotes cooperation with suppliers for increased transparency and supports a sustained policy dialogue on the topic. They have convened dialogues between China and Indonesia resulting in a memorandum of understanding (although they regret that this MoU has not been implemented since the signing). Their major partner is the SFA; other partners include Beijing Forestry University, Chinese Academy of Forestry, and Chinese timber trade associations. TNC's research in this area comprises three baseline studies: a description of Chinese imports of illegal wood, a cost-benefit analysis on green public procurement, and a report analyzing the responsibilities and capacities of the various institutions in China relevant to illegal logging enforcement. Other studies have analyzed FLE legislation and regulation in China. TNC has a good level of cooperation with the State Forestry Administration, obtaining log import prices with the SFA's help, assisting the

Administration in developing responsible practice guidelines for Chinese forestry businesses, and facilitating visits of high-level SFA officials to Chinese ports, the China-Myanmar border, and Indonesia. In the future, they hope to begin work on timber tracking technology, training programs for customs officers, promoting certification systems, compiling a lessons-learned study, and pressing high-level Chinese officials to raise taxes on hardwood floorings.

The OECD Roundtable on Sustainable Development

Richard Doornbosch, Organization for Economic Cooperation and Development

The OECD Roundtable on Sustainable Development has programmed a ministerial meeting on illegal logging and associated trade for mid-December or the first week of January. Building on the success of a similar roundtable on overfishing in international waters and an ongoing program on governance and corruption, the Roundtable seeks to bring discussion of these issues to the top level of ministries of OECD member countries and the lower-income countries who receive OECD development assistance. The objective of these meetings is to raise the actual Ministers' awareness and have them actually discuss and debate the issue, rather than simply issuing a statement. The audience is generally Ministers of trade and finance in developing countries, and Ministers of forestry and environment in developed countries. A review paper is being prepared for this purpose, focusing on the economic and trade policy drivers of illegal logging. This paper will include statistics on a global scale, and place emphasis on the international aspect of the problem, for instance the impacts on world biodiversity and global warming.

Video: "Above Board: Trading Legal Timber"

John Hudson, UK DFID

This 30 minute video delved into the UK's public procurement program for legal and sustainable wood through interviews with suppliers, importers, environmental NGOs, and UK government officials. It shows the policy's effect on supplier countries and demonstrates how importers from the UK were able to adapt to the requirements and supply timber in compliance with the new standards. "Above Board" is available on DVD from DFID on request.

Experience with Russia-China Softwood Commodity Chain Analysis

Cheng Baodong, Beijing Forestry University

Cheng and colleague Song Weiming presented their investigations on the supply chain of Russian softwood imports to China. The major conclusions of their research are that most softwood imported from Russia is low value-added lumber, mostly passing through two gateway cities (Suifenhe and Manzhouli) which double as crucial timber markets. The impacts on the livelihoods of Russians vary greatly along the supply chain; however the large Chinese importers in gateway cities benefit greatly and control much of the importation process as well as distribution within China. New trends that they identified are rising temperate hardwood log imports, instead of cheaper softwood, a significant increase in marine transportation of imports (versus rail, the dominant mode), rising Russian tariffs on their raw log exports, and greater encouragement of domestic processing from Russian government.

Promotion of Trade in Legal and Sustainable Wood

Dong Ke, World Wildlife Fund China

WWF China has been encouraging verified legal and certified wood for several years, pursuing both supply and demand-side measures. To induce more responsible purchasing by Chinese companies, WWF China developed a film on the trade in illegal logs between Russia and China, released to DVD and TV. They have also worked to unify the incongruous trade statistics between these two countries, increasing the accuracy so that illegally harvest forest product imports do not slip through cracks in the data. Recently WWF has also produced a cost-benefit analysis of implementing wood tracking system in Heilongjiang Province. One ongoing project is the China and Forest Trade Network (CFTN), launched in March 2005, an association of select private companies that receive advice from WWF on green wood procurement. CFTN currently has eight members and 15 applicants pending. Another is the Forest Conversion Initiative to create a development standard for palm oil and soy plantations in Brazil and Indonesia. China is a major importer of soy and palm oil, crops which are fueling tropical deforestation in some regions. WWF China hopes that in the future it will expand its work dialoguing with businesses and industry.

The TRAFFIC Program

Liu Xueyan, Wildlife Trade Monitoring Network

A joint program of the IUCN and WWF, TRAFFIC was started in 1976 with the express purpose of monitoring the illegal harvesting of and trade in endangered species. Their research addresses the illegal forest products trade in China through evaluations of the legal system and forest code reforms. They have also run fieldtrips, seminars and interviews to raise awareness. Partners in China include WWF China, the China Forest & Trade Network, the China National Forest Economy and Development Research Center of the SFA, Chinese Academy of Forestry, and the Beijing Forestry University. Their assessment found a serious lack of clarity in the legal definitions and standards that regulate the trade, and recommends that the strengths and weaknesses of current legislation be reviewed.

Greenpeace's Program

Liu Bing & Dong Wan, Greenpeace China

Some of Greenpeace's activities in China on illegal logging include a consumer education project on chopsticks, a "good wood guide" showing companies how to source verified legal wood, an eco-forestry pilot project in the Solomon Islands and Papua New Guinea, a report entitled "Sharing the Blame" which details the role China plays in the global trade of illegal wood. Greenpeace recently finished their March 2006 push to save Paradise Forest, mobilizing hundred of Chinese university students to advocate for the threatened forest reserve.

Lessons Learned from Supply Chain Management and the Tropical Forest Trust Work Program as it Relates to China

Hugh Blackett, Tropical Forest Trust

Hugh Blackett described the function of TFT to workshop participants, highlighting the new branch they have opened in China. Under the special arrangements for China, Chinese companies that sell to the UK may now be nominated by their buyers to join TFT. In addition, Defra, the British Department of Food and Rural Affairs, has offered to subsidize the membership costs of nominated companies. The wood processing companies that TFT is helping achieve FSC certification are not huge conglomerates but rather family-owned enterprises. Primary timber producers brought into TFT can be even smaller. Through this system, TFT demonstrates that certification is feasible even for small-scale companies without global clout.

IUCN's Relevant Work

Li Ning, IUCN China

IUCN currently does not yet have a major program on illegal logging and trade issues in China, but is rather concentrating their resources on technical support for protected areas. However, IUCN is looking to fit this into their program. In particular, they wish to encourage Chinese civil society to engage the government on the public procurement issue. They also hope to promote the implementation of the North Asia Action Plan derived from the FLEG process, beginning with a dialogue with the Ministry of Construction, and continuing policy research.

The Chatham House International Updates on Illegal Logging: Is this an option for China?

Jade Saunders, Royal Institute for International Affairs (Chatham House)

The Energy Environment and Development Program of Chatham House in London hosts the popular international updates on illegal logging, a biannual information-sharing meeting of NGO, government and industry shareholders. Jade Saunders described the dialogues and sought input from the participants on whether a Chinese version of such meetings would be constructive. The illegal logging international update meetings are a forum for those working on illegal logging and associated trade to freely share their experiences as individuals, not representatives of organizations, and to hear updates from across the globe without being obligated to decide on formal outcomes. Presently over 100 people come from more than 20 countries to participate. The presentations are brief but cover a broad range of topics, designed to give the gathering a sense of the momentum surrounding the issue. The ninth meeting will take place in January 2007. In China, a similar dialogue could be set up a number of ways: it could be regional in scope or just focus on domestic issues. Meetings could be held through one institution such as the SFA, or independently. Particular emphasis could be placed on the commodity trade and the domestic natural resource base. They could also be a forum for presenting updates on market developments in the UK relevant to Chinese suppliers. Interested parties should write to jsaunders@chathamhouse.org.uk and share their own suggestions.

ANNEX 1: AGENDA

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INFORMATION SHARING WORKSHOP FOR TECHNICAL EXPERTS

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Agenda:

- 9:00 – 9:15 Welcome and Objectives of Workshop
Chairs: Hugh Blackett, Tropical Forest Trust & Sun Xinfang, Forest Trends
- 9:15 – 9:25 Speech on World Bank work
William B. Magrath, The World Bank
- 9:25 – 9:35 Forest Trends's relevant program
Kerstin Canby, Forest Trends
- 9:35 – 9:45 Chinese Academy of Forestry's Relevant Work
Tan Xinfeng, CAF
- 9:45 – 9:55 The Nature Conservancy's Work Relevant to Green Wood Procurement
Chen Xiaoqian, TNC

- 9:55 – 10:05 *OECD's relevant program*
Richard Doornbosch, OECD
- 10:05 – 10:30 Questions
- 10:30 – 10:45 Coffee Break
- 10:45 – 10:55 The UK's Experience
John Hudson, DFID
- 10:55 – 11:05 Experiences with Russia-China Softwood Commodity Chain Analysis
Song Weiming & Cheng Baodong, BFU
- 11:05 – 11:15 WWF's relevant program
Dong Ke & An Yan, WWF
- 11:15 – 11:20 The TRAFFIC Program
Liu Xueyan
- 11:20 – 11:25 Greenpeace's program relevant to illegal logging & associated trade
Dong Wan, Greenpeace
- 11:25 – 11:35 Lessons Learned from Supply Chain Management and the Tropical Forest Trust Workprogram as it relates to China
Hugh Blackett, TFT
- 11:35 – 11:45 ICUN's Relevant Program
Li Ning, IUCN
- 11:45 – 12:00 Questions
- 12:00 – 12:15 The Chatham House Dialogue on Illegal Logging: Is this an Option for China?
Jade Saunders, Chatham House / Royal Institute of International Affairs
- 12:15 – 12:45 Discussion and Wrap Up
- 12:45 – 1:45 Lunch, hosted by USDA Forest Service