

International Experts Meeting on Illegal Logging “Possible Way Forward towards More Sustainable Forest Management”

Chairpersons’ Summary

The International Experts Meeting on Illegal Logging “Possible Way Forward towards More Sustainable Forest Management” took place in Tokyo, Japan, on 5-6 March 2007. The Meeting was hosted by Japan with participation of 55 senior level experts on the illegal logging issue. Participating countries were 17 major timber producing and timber consuming countries, namely, Australia, Canada, China, Cameroon, Democratic Republic of Congo, France, Germany, Indonesia, Italy, Japan, Malaysia, the Netherlands, New Zealand, Papua New Guinea, Russia, the United Kingdom and the United States, and EU, as well as representatives from international organizations and institutions, namely Center for International Forestry Research (CIFOR), Food and Agriculture Organization of the United Nations (FAO), Institute for Global Environmental Strategies (IGES), International Tropical Timber Organization (ITTO) and the World Bank, who are actively dealing with the issue.

The programme of the Meeting is attached.

The key objectives of this Meeting were:

- i) To review national and international progress and lessons learnt,
- ii) To identify practical barriers in resolving the issue, and
- iii) To explore possible policy directions for ways forward, including steps to be further examined.

1. Opening

The Meeting was opened by the co-chairs H.E. Mr. Mutsuyoshi Nishimura, Ambassador for Global Environment, Ministry of Foreign Affairs, Japan, and Mr. Salman Al Farisi, Director for Economic Development and Environmental Affairs, Department of Foreign Affairs, Indonesia. H.E. Mr. Masakazu Sekiguchi, Vice-Minister for Foreign Affairs, Japan, delivered welcome remarks to the Meeting.

2. Setting the scene

Participants reconfirmed the seriousness of illegal logging as a major global challenge to forestry highlighting the extent of the problem, the variety of actors involved and its detrimental impacts, including deforestation, the undermining of livelihoods, significant losses of government revenue and that it acts as a disincentive to sustainable forest management (SFM). A distinction was made between needs-based and greed-based illegal forest activities.

Producer countries stressed the need for accurate estimates of illegal logging, and the necessity of moving beyond accepting statistics reported in the literature at face value,

which was shared by other participants. It was also noted that standardized methodologies for estimating the extent of illegal logging were needed.

Some participants felt that strategies to tackle illegal logging should be placed within the broader context of SFM. One participant noted that the many initiatives to reform policy and institutions that have already been implemented, and lessons they offer, should be utilized.

Russia's use of export tariffs as a means to combat illegal logging generated significant interest, including its impacts, the objectives of the tariffs (i.e., whether to promote domestic timber processing or to generate public revenue), and the way the revenue generated would be spent.

A number of participants stressed that, while recognizing what has been achieved by national and regional responses to combat illegal logging, it was about time a global vision, and a plan of action that includes a comprehensive response to illegal logging should be developed. Some felt that the regional initiatives could contribute to a global vision. However, concern was raised that regional processes require much initial investment, and thus need to be held continuously.

Regarding certification, it was noted that while there were high hopes, the rate of expansion of total certified forest area in tropical supplier countries was rather slow. Some participants expressed support for market-based approaches, while others felt that it was important to move beyond markets to consider strengthening institutions.

3. Specific policy challenges

3-1 Partnerships for strengthening forest law enforcement and governance

Efforts of Indonesia to improve governance were acknowledged by participants. The fact that there has been a multi-stakeholder process to produce a definition of legality and a proposal to reform land tenure were considered to have particularly profound implications for law enforcement and social issues, and to also demonstrate the importance of partnerships between stakeholders within the country.

Some participants saw limited opportunity for including forest products in the Extractive Industries Transparency Initiative (EITI), and it was suggested to consider including a few forest rich countries as pilots and extrapolate from their experiences.

An increase in domestic wood prices in Indonesia was reported and several participants expressed their belief that this sends positive signals regarding the value of forest law enforcement. A concern that this increase could be an incentive for illegal logging was expressed, but it was also noted that because of strengthened enforcement, the risks for illegal loggers and the consequences of being caught were greater. The issue

of prices was discussed more broadly with participants noting that rising prices can be associated with the costs of tracking, increasing demand from transitional countries and reduced supply in some countries. A relationship between prices and governance was noted.

The issue of statistics of illegal logging was revisited; particularly the need for a reference against which we can make sense of statistics, e.g., providing information on the number of prosecutions may not provide a sense of the extent of the problem. It was suggested that the experience in Indonesia pointed to price as a good indicator of the trend in illegal logging.

Participants reaffirmed the importance of partnerships to successfully tackle illegal logging and that stronger linkages between Governments, NGOs and the private sector could contribute to better law enforcement and governance, as could co-operation between trading partners.

Participants discussed the effect of bilateral agreements on illegal logging, and noted usefulness in identifying specific issues that the two participating countries could target. Participants felt that Indonesia's bilateral agreements had produced various tools and methods to reduce illegal logging, and that it was timely for an assessment of these for further improvements as well as to provide possible lessons learnt by other countries.

3-2: Public procurement policies

Some participants emphasized usefulness in assessing the impacts of public procurement policies to provide insights on what lessons could be taken from the different approaches. Some participants also stressed the importance of periodic reviews and strengthening of existing policies as well as the need for other major consuming countries to introduce procurement policies.

The concept of a "robust" procurement policy generated considerable discussion as did the elements required for such a policy. Participants highlighted that robustness not only applies to the policy but also to its implementation, and that monitoring on the ground was essential.

Some participants expressed concern about the potential for confidence in forest certification to be undermined if these policies are used to unjustifiably discredit existing forest certification schemes.

Some concern for relying heavily on industry for assurance of legality/sustainability was expressed with the experience of the UK used to illustrate potential problems.

3-3. Promoting Trade in Legal/Sustainable Forest Products

a) Frameworks

Participants discussed options available to governments wishing to exclude illegal timber products from their markets. It was felt that the optimum solution was a licensing scheme agreed with producer countries, along the lines of similar systems in other sectors, such as the Kimberley Process for conflict diamonds. Some participants welcomed the launch of talks on FLEGT VPAs, and expressed their hopes for their early conclusion. In the absence of broad support for a multilateral agreement involving a licensing scheme, the VPAs negotiated between the EU and producer countries may be the most feasible way to develop and implement. However, other participants stated that they believed VPAs may not be enough. One participant suggested that timber consuming countries should promote similar talks as VPAs between themselves, though another participant pointed out that, because the risk of trade in illegally-logged timber and timber products between consumer countries was not high, this may not be of a high priority.

Some participants supported the view that agreement on a definition of legality was a prerequisite to advance on the issue. It was noted that FLEGT does not prescribe a definition of legality, since definitions differ from country to country due to differences in laws, reflecting culture and values. Each VPA, however, will set out the range of laws and regulations which are relevant to the question of whether timber products are legal or illegal for the purposes of export to the EU. Participants recognized that work on this scope of legality in some countries, such as Indonesia, had been a considerable achievement and could be taken to a global level.

The way the FLEGT licensing system was funded was discussed, including whether the benefits would exceed the costs of implementing requirements under the VPAs. Some participants stressed the need for a price premium for FLEGT-licensed products that would cover the extra costs incurred under a VPA. Participants also noted that there would be independent monitoring of the FLEGT licensing scheme, pending negotiations in the VPAs. It was clarified that sanctions would be defined in each VPA, depending on the laws of the negotiating countries.

It was noted that Malaysia was in the process of preparing a licensing scheme, where verification would be conducted by Government forestry authorities, and that is expected to be sufficient to ascertain legality and be acceptable for its VPA.

Some participants stressed that the VPAs are *partnerships* under which the EU provides support to improve governance and dialogue in producing countries, while other participants expressed their views that FLEGT is primarily a *trade measure* aimed at excluding illegal products from trade.

Some participants expressed cautions against over-regulating and rather recommended considering what was reasonably practical, and prioritizing the measures.

Some participants expressed concern about the difficulty of legal products competing with illegal products, but it was pointed out that the aim of measures such as the FLEGT licensing scheme, and public procurement policies, was to create protected markets where illegal products would not be able to undercut legal products.

Participants discussed whether premiums would in fact be paid for products purchased under public procurement policies – there is some evidence from the UK that they may be – and described different market signals in different countries. One participant expressed concern that public procurement policies could result in monoposonistic competition (one buyer, many suppliers), where the buyer would be able to drive down prices, but it was pointed out that the very large number of government purchasers involved made this highly unlikely; certainly there was no evidence of it happening to date. Some participants, while noting that prices can be one indicator of effectiveness of control measures, cautioned against relying too much on prices, and the need to bear in mind the complexities of price setting mechanisms in various markets.

One participant pointed at systems of rapid communications between customs authorities as a way to deal with the issue of disguised origin, stressing that lessons could be learnt from other areas, for example the experience of the Asia-Pacific Regional Intelligence Liaison Office of the World Customs Organization on illegal ozone-depleting substances.

b) Instruments

Several producer countries described their experience with certification and participants noted that attention should be paid to the independently developed certification schemes that now exist in some tropical supplier countries.

Participants acknowledged that certification is not a panacea for the problems facing forests given that, for example, over half of timber is used for fuel wood. It was pointed out that certification must be balanced against other initiatives with respect to costs and impacts.

Discrepancies in trade statistics continue to be a problem, and both exporter and importer countries were encouraged to take steps to address the problem.

Participants discussed whether certification could be considered an instrument for tackling illegal logging, with some of the view that certification could be best used to verify SFM and build on existing initiatives.

Several participants stressed that care must be taken in using certification as proof of legality. It was also noted that although certification is a market-based instrument, there are no data on the total volume of wood certified globally, and that such a data system is urgently needed. One participant observed that verification under the VPAs will have some strength over certification as a means of verification of legality. Other

participants, however, questioned whether this would be the case, as verification of legality under VPAs ultimately depends on negotiated standards that the producer country decides to adopt. By contrast, most mainstream certification schemes employ independent timber legality verification.

Participants asserted that barriers should not be raised to certification in the process of strengthening the systems.

Drivers for certification were identified as market access, demonstration of good forest stewardship and membership in associations that promote certification.

Several participants asserted that there is value in a legally binding instrument on SFM while others suggested that work at the UNFF on a non-legally binding instrument should be the main focus of efforts toward SFM.

Several participants stressed that G8 should continue to take up the issue of illegal logging, and Japan's invitation to hold a second experts meeting early 2008 was noted.

Possible ways for moving forward

The following actions, among others, were drawn from the previous discussion as possible ways for moving forward, although not in consensus.

- Consider means to develop a global vision and a plan of action that provides a comprehensive and coordinated response to illegal logging. Employ and/or strengthen regional initiatives and consider how they could be utilized as possible building blocks towards the said plan of action.
- When considering measures against illegal logging, lessons learnt from experiences of national measures and regional initiatives, including those of other countries and other regions, should be taken into consideration.
- Improve the statistics, monitoring, assessing, and reporting of illegal logging and associated trade, to provide more accurate estimates of its location, extent, trends and consequences.
- Improve the statistics and reporting in trade of certified forest products to improve understanding of the effectiveness of these market based mechanisms.
- Ensure that efforts are made to combat forest crime in accordance with respective national law, while at the same time taking into account the implications of forests for livelihood security and poverty reduction.

- Producer and consumer countries to make the fullest use of existing bilateral agreements and to explore the possibility of developing new agreements to tackle illegal logging.
- Strengthen existing public timber procurement policies, including efforts in consumer countries to raise public awareness of the problems associated with illegal logging, and encourage their uptake in other consumer countries.
- Evaluate the relative merits of public timber procurement policies, including assessing their impacts on illegal logging in producer and consumer countries, and extract lessons for strengthening their robustness.
- As wood is a relatively “green” product compared to some of its substitutes, ways of ensuring that higher prices resulting from improved governance and verification processes do not reduce the market competitiveness of wood should be explored.
- Producer and consumer countries to work together on means toward reaching broad agreement on the range of legislations that should be taken into account when defining ‘illegal logging.’
- Strengthen documentation, monitoring and verification systems with a view to improving their cost effectiveness as well as learning from and building on existing systems.
- Countries that have not concluded FLEGT VPA but which import from VPA countries, to consider adopting the same criteria used by VPA countries to exclude imports of illegally-logged timber products.
- New ways of combating illegal logging that reinforce and complement improved law enforcement should be considered, such as enhanced collaboration between customs agencies of exporting and importing countries, and tools and methods for their implementation developed.
- Consider the possibility of undertaking national measures that makes it illegal to import, market or possess timber products produced illegally in foreign countries.
- Explore and monitor the implications of changing structures of trade and investment for forest use and management.
- Continue discussion on the issue of illegal logging in the context of G8.