

New timber regulation to force companies away from business-as-usual practices

An expert in international trade believes the next decade will 'close the loopholes' for industry.



Photo by Murdani Usman for CIFOR

BEIJING, China (18 January, 2012)_New regulations banning sale of illegal timber in consumer countries will force companies to move away from business-as-usual practices, part of a two-pronged approach to ensure the sustainability of supply for wood products.

Under a regulation that will come into effect in the European Union next year, companies will have to verify the legality of timber from the harvest country onwards, said Chen Hin Keong, Global Forest Trade Programme Leader at TRAFFIC. While the impact of this rule on illegal logging is unclear, there are already “certain developments you can see in the global markets: industries want to learn about the regulations,” said Chen.

The EU regulation follows the inclusion of timber in 2008 under the US Lacey Act, which bans sale of illegal plants and animals in the United States. The EU and US are among the biggest markets for wood products from producing and processing countries in the Asia Pacific, like China, Vietnam and Indonesia.

TRAFFIC, an organization that monitors wildlife trade including timber, is helping to provide a tool to assess legality for small and medium enterprises and the timber industry to deal with the new requirements to track and verify the processes, documents and permits needed to prove timber legality.

“The idea is that with the legality framework, you can ask your suppliers the right questions and know what the right answers should be,” said Chen.

The emphasis in timber trade will move from legality to sustainability after these regulations are adequately absorbed and implemented, particularly with increased consumer awareness and demand for sustainably-harvested products. “There will be more and more mechanisms in place in the next 10 years to continue to close the loopholes that are currently allowing illegal timber trade and illegal logging to continue.”

An edited transcript of the interview with Chen is provided below.

Q: What will be the impacts of the new timber regulations?

A: The new regulations, especially the US-Lacey and the EU timber regulations, will have an impact on the timber trade from the Asia Pacific and elsewhere partly because the US and the EU are very significant markets, not only from the producer countries, but also processing countries, such as Vietnam and China, that transform those raw materials into higher value products like furniture.

The most important impact is that they require proof of legality. That means the companies cannot do business-as-usual, where they just buy the products and hope and expect them to be legal. Now they have to follow through and get verification of legality so that they do not fall foul of the law. They have to do a bit more work and not business-as-usual.

Q: How do the producers feel about that?

A: In terms of industry, there’s a lot of grumbling, of course, because they feel that now they have to do more to get the proof of legality. (This requires) not only time of their own staff, but also resources. They may need technical support to understand the timber trade and the forestry sector and may have to call in experts help to do that. All this increases costs.

On the government side, they think that this could be a form of imposition on their own people in doing business, because not many other countries have imposed such legislation. But we have to bear in mind that the EU and US legislation applies to their own citizens as well. From that perspective, this is not a (trade) barrier, because their own people have to follow it too.



Chen Hin Keong, Global Forest Trade Programme Leader at TRAFFIC. Photo courtesy of AFP Secretariat.

Q: Buyers have said that there won't be a premium price for the legal timber. Why is that?

A: The market is not paying a premium because by rights all companies should be dealing with legal products. It's by law; you have to follow your law. What the market requires now is that you have to verify and to show proof that your timber products are legally obtained and sourced. To the buyers, this should be your suppliers' job in the first place to meet the legal requirements of the country that you operate in, so there's no reason to pay a premium.

In reality, there may be a premium because this depends on supply and demand. If (there are) not many companies that can supply verified legal timber, then there's a good chance that there will be competition for those timber products and prices may go up. So it would depend on the market, the particular buyers and what products they're looking for.

Q: How effective will these regulations be in preventing illegal logging?

A: Since the EU regulations have not been enacted yet, we do not really know how it's going to impact illegal logging. But there are already certain developments you can see in the global markets: industries want to learn about the regulations; they want to see how they will impact operations and so on. So there is already some impact. We will know better once the legislation is up and running.

In terms of US-Lacey, it has been around since 2008, so there has been a concerted effort to create capacity building and awareness programs. TRAFFIC has done that as well. I've gone through 5 countries conducting training about Lacey as well as the EU regulation, training about 1,000 people. The only concern right now is that there are very few cases involving Lacey infractions so we don't know how effective Lacey is as a deterrent to ensure more of the supply chains are legal.

Q: Will these regulations actually promote smuggling or sale to countries that don't require such proof of legality?

A: I don't think there will be a backlash. The developed countries – in this case the US and the EU – are very significant markets for timber products. Most of the other countries are smaller, so in a sense, there's not much choice of markets. You can try to develop your market outside the EU and the US but you can only develop a little bit. Individual companies may be diversifying, but the sector as the whole will find it more difficult.

Q: What do you expect will happen in the next 10 years in timber trade?

A: There has been a lot of pressure on companies and governments to ensure the timber supply is legal and sustainable. The emphasis now is in legality, but it will move on to sustainability. There will be more and more mechanisms in place in the next 10 years to continue to close the loopholes that are currently allowing illegal timber trade and illegal logging to continue. There will probably be more consumer awareness and demand for legal products and sustainably-harvested products.

So it will still be a two-pronged approach: looking to change the mindsets of people and through enforcement and legislation.

The trend will go towards sustainability also in many countries that are producing timber because the governments and the people will want to make sure that their resources are preserved not only for timber but for other uses: recreational, water, soil protection etc. All those things will take precedence as there's a squeeze on land as the human population grows and the forests get smaller and smaller. Those governments will want to keep the remaining forests that they've got, so a lot of timber production will come from plantation and there'll be a shift. Whether that will happen in 10 years or not, or longer, I don't know.

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