

Research Paper

Duncan Brack

Energy, Environment and Resources | November 2014

Trade in Illegal Timber

The Response in the United Kingdom

A Chatham House Assessment

Contents

Summary	2
Introduction	3
Background	4
Media Attention	6
Government Response	7
Progress by the Private Sector	11
Estimated Level of Illegal Imports	13
Conclusions and Recommendations	15
Annex 1: Policy Assessment Scores for 2008 and 2013	16
Annex 2: Methodology	17
Glossary	19
About the Author	20
Acknowledgments	21

Summary

The United Kingdom has shown a strong response to the problem of illegal logging and related trade; of the five consumer countries studied, it scored highest in the assessment of laws, regulations and policies related to this issue.

The government played an active part in the development of the EU's FLEGT Action Plan and has subsequently been supporting the negotiation and implementation of voluntary partnership agreements with producer countries. The government has also been providing a significant amount of funding, through the Forest Governance, Markets and Trade Programme, to initiatives aimed at tackling the trade in illegal timber and improving forest governance.

The private sector in the UK has also been proactive, as reflected in the increase in the number of companies with chain-of-custody certification and in the amount of certified wood-based products on the UK market. A high level of media coverage of illegal logging also indicates that there is widespread awareness of this issue.

This response is thought to be partly responsible for the decline in imports into the UK of timber-sector products likely to be illegal, currently estimated to comprise three per cent of the total. However, there has been a significant shift in the types and sources of high-risk products coming into the UK, reflecting changes in the global timber industry: a growing proportion is coming from China and comprises more highly processed products such as furniture.

While the UK has been one of the most proactive European countries in addressing illegal logging and the related trade, further action could be taken. Cooperation with the Chinese government and its private sector would be beneficial. Systematic monitoring of the UK's timber procurement policy is also required, and the efforts made to date to enforce the EUTR will need to be maintained.

Introduction

Illegal logging is a global problem that is both a result of and a contributing factor to poor forest governance. It undermines efforts to manage forests sustainably and equitably, resulting in deforestation, social conflict and the loss of government revenues. This is not just an issue for forest-rich countries; countries that import and consume wood-based products¹ from countries with high levels of illegal logging contribute to the problem if they import products without ensuring that they are legally sourced.

Chatham House has been engaged in research since 2006 to assess illegality in the forest sector and the response by governments and the private sector to the problem. The aim of its work has been to monitor levels of illegal logging and the related trade and so enable an assessment of the effectiveness of efforts to tackle the problem in producer, consumer and processing countries.

A methodology has been developed for this assessment based on a number of indicators. For consumer countries, those indicators are derived from an examination of the national policy and legal framework and its implementation; analysis of enforcement data; reviews of international and domestic media coverage; analysis of data on trade between exporter and importer countries; and analysis of data on voluntary verification and certification by timber companies. This approach, drawing on a variety of data sources, provides the most rigorous means of assessing illicit practices, any estimate of which is inevitably challenging. Further details can be found in Annex 2 of this assessment.

Twelve countries were assessed in 2008–09 (the findings published in 2010²) and another six in 2013–14³ (published in 2014⁴). In addition, Chatham House undertook a reassessment of the original 12 countries in 2013–14.

This assessment presents the latest findings for the UK, which are compared with the situation as reported in 2010. The analysis, undertaken in April 2014, was based on data collected during 2013. Trade statistics and media data were compiled up to the end of 2013, and the policy assessment was made on the basis of the situation as of December 2013, but some more recent developments have been noted as well.

¹ The following terminology has been used in this report: Wood-based products – encompasses all timber-sector and paper-sector products; Timber-sector products – includes logs, sawnwood, plywood, veneer, mouldings, joinery and furniture; Paper-sector products – includes wood chips, pulp and paper.

² Lawson, S. and MacFaul, L. (2010), *Illegal Logging and Related Trade: Indicators of the Global Response*. London: Chatham House.

³ The countries assessed in 2008–09 were: Brazil, Cameroon, Ghana, Indonesia and Malaysia (producers); China and Vietnam (processing countries); and France, Japan, the Netherlands, the UK and the US (consumers). Those assessed in 2013 were: the Democratic Republic of Congo, the Republic of Congo, Lao PDR and Papua New Guinea (producers); India and Korea (consumers); and Thailand (processing country).

⁴ Lawson, S. (2014), *Illegal Logging in Papua New Guinea*; Lawson, S. (2014), *Illegal Logging in the Republic of Congo*; Lawson, S. (2014), *Illegal Logging in the Democratic Republic of Congo*; Lawson, S. (2014), *Illegal Wood Import and Re-export: The Scale of the Problem and the Response in Thailand, South Korea and India*. London: Chatham House.

Background

As an EU member state, the UK has played a part in the development of the EU's Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, which includes:

- The negotiation of FLEGT voluntary partnership agreements (VPAs) with timber-producing countries, including a licensing system designed to identify legal products and license them for import to the EU (unlicensed products will be denied entry), combined with capacity-building assistance to partner countries to set up the licensing scheme, improve enforcement and, where necessary, reform local legislation. Six VPAs now exist and another nine are under negotiation; however, no legality assurance or licensing scheme is yet operational.
- The EU Timber Regulation (EUTR), agreed in 2010 and in full force since March 2013, which prohibits the placing on the EU market of 'timber and timber products' that have been illegally produced and requires companies that first place timber products on the EU market to have in place a system of 'due diligence' to minimize the risk of their handling illegal material.
- Encouraging the development of government procurement policy and voluntary industry initiatives aimed at limiting purchases to legal or sustainable sources.

The UK has proved to be among the most active of the EU member states in drawing up and implementing these and related initiatives.⁵ It took the lead on discussions about illegal logging within the framework of the G8 Action Programme on Forests, which ran from 1998 to 2002, and co-sponsored the regional Forest Law Enforcement and Governance (FLEG) ministerial meetings, which helped to stimulate further action. It has consistently supported the development and implementation of the EU's FLEGT Action Plan and worked with the European Commission in negotiating some of the VPAs. In addition, it has strongly argued for the need for additional legislation, which became, ultimately, the EUTR.

The UK was also among the first EU member states to introduce a timber procurement policy, in 1997. Its government has provided significant funding for research into the scale of illegal logging and potential initiatives to counter it, including support for research institutions and NGOs in both consumer and producer countries, for industry to develop codes of conduct to exclude illegal products and for the negotiation and implementation of many of the VPAs. Most of this support is currently channelled through the Forest Governance, Markets and Climate (FGMC) Programme, which runs for 10 years, from August 2011 to September 2021, and will receive a total of £250 million in funding.

The UK is densely populated and sparsely forested. Having reached a low point of less than 5 per cent at the beginning of the 20th century, forest cover is now about 12 per cent and grew by about 0.3 per cent a year between 2000 and 2010.⁶ Accordingly, the UK is a major importer of wood-based products; imports accounted for 76 per cent of solid timber supply in 2011,⁷ which, in terms of volume, was 30

⁵ See also the results of the WWF's government barometer, which attempts to gauge how EU member states are implementing the FLEGT Action Plan. In 2012 the UK was ranked joint first, alongside the Netherlands and Germany, See http://barometer.wwf.org.uk/what_we_do/government_barometer/scores_by_country/country_scores.cfm?bar_country_id=1&bar_year=2012.

⁶ Forestry Commission (2013), *Forestry Statistics 2013*; and Forest Europe (2011), *State of Europe's Forests 2011*.

⁷ European Timber Trade Federation (2011), *2011 Statistics – UK: Timber Trade Monitoring in Support of Effective, Efficient and Equitable Operation of the EU Timber Regulation*.

per cent less than four years earlier. The Timber Trade Federation (TTF) has reported the same trend: its members (who account for approximately 85 per cent of the timber traded in the UK) imported 55 per cent of the total volume of timber and panel products in 2012, compared with 63 per cent in 2008. That decrease reflects the impact of the global economic downturn, which severely affected the UK: while domestic production held up relatively well, imports felt the main impact.

In 2013 the UK imported 15 million m³ roundwood equivalent (RWE) of timber-sector products from inside the EU and 7 million m³ from outside the EU. Imports from within the EU were dominated by sawn softwoods, notably from Sweden, Finland and Latvia, with smaller volumes of furniture, panels and plywood. Imports from outside the EU were dominated by plywood, notably from China, Russia and Malaysia, and by furniture, mainly from China. As in the case of other consumer countries, the most significant trend in UK imports is the increasing role of China, which in 2013 accounted for nearly half the RWE volume of timber-sector products imported into the UK from outside the EU – up from approximately 30 per cent in 2007 and 5 per cent in 2000.

The first Chatham House indicators study, which was conducted in 2010, estimated that imports of wood-based products at high risk of illegality into the UK increased between 2000 and 2007 but decreased by 21 per cent in 2008. This was in line with the fall in demand consequent upon the economic crisis, but the study showed that in 2008 the proportion of imports likely to be illegal declined too. Nevertheless, the UK imported more high-risk wood-based products per capita than most of the consumer and processing countries studied, while a rapidly growing proportion of those products was arriving indirectly via third-party processing countries. That rendered the process of cleaning up supplies a challenging one.

The government, however, responded well to that challenge. Of the five consumer countries studied, the UK scored highest in the assessment of laws, regulations and policies necessary to tackle illegal logging and related trade. The private sector, too, showed a good response, with high levels of chain-of-custody (CoC) certification for handling independently certified wood, while UK industry association codes of conduct were among the most rigorous in Europe, requiring systematic monitoring of members' compliance.

As will be seen below, this record of action has continued to have an impact. Along with the Netherlands, the UK is among those EU countries that have seen the most rapid growth in the market penetration of certified timber; in 2008 such timber accounted for more than 80 per cent of the overall market for timber and panel products (both domestic production and imports) – up from 55 per cent in 2005.⁸

As one study concluded: 'There is an undeniable shift in the behaviour of the timber trade, in particular the leading more progressive companies, and the UK Government's timber procurement policy has had a significant impact and been one of the drivers for this change, along with NGO pressure and Corporate Social Responsibility (CSR) policies aimed at managing risk.'⁹

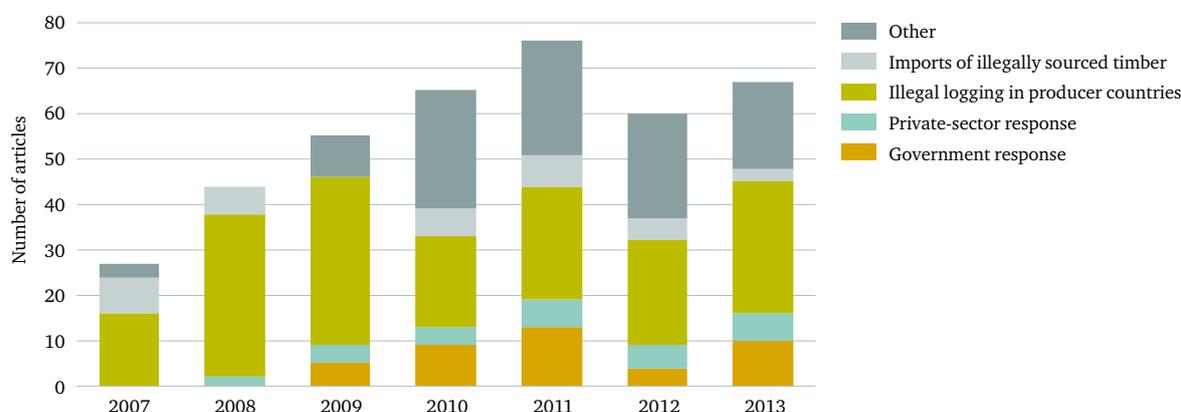
⁸ Nick Moore (UK Timber Trade Federation) (2009), *UK Timber Industry Certification*.

⁹ Efeca (2010), *An Assessment of the Impacts of the UK Government's Timber Procurement Policy*, p. iii.

Media Attention

Media coverage provides an insight into levels of public awareness of illegal logging and related trade. While such awareness may not always lead to action, it is important for bringing about change and is therefore useful to monitor. An assessment of the media can also give an indication of the approaches being taken within a country to address the issue. As part of the research undertaken for this report, ten national newspapers were searched for ‘illegal logging’ or related terms over the period 2009–13.¹⁰

Figure 1: National media coverage of illegal logging, 2007–13*



*Figures are for the year from 1 October to 30 September; data for 2007–08 are from the 2010 assessment.

The number of articles mentioning illegal logging increased from 2007 through 2011 but dipped slightly in 2012. The main categories of story were those covering illegal logging in producer countries and its impact on the environment and indigenous peoples. Government responses to the issue of illegal logging (including those of producer governments and the international community) ranked third among the categories. All the broadsheet papers (*The Financial Times*, *The Guardian*, *The Observer*, *The Independent*, *The Telegraph* and *The Times*) featured the issue more frequently than did the tabloids (*Daily Express*, *The Mirror* and *The Sun*) – with the exception of *The Daily Mail*, which ranked fourth in terms of total coverage throughout the period, ahead of *The Independent* and *The Telegraph*.

¹⁰ The newspapers searched were: *Daily Express*, *The Financial Times*, *Daily Mail*, *The Mirror*, *The Guardian*, *The Observer*, *The Independent*, *The Sun*, *The Telegraph* and *The Times*.

Government Response

A coherent and transparent policy framework that is effectively and consistently enforced is a prerequisite for tackling illegal logging and the trade in illegal timber. This section assesses the design and effectiveness of the UK government's policies and regulations. The data are derived from an assessment of the policy framework that is based on a standard set of questions and scoring for the existence of policies, their design and the level of implementation. Data on enforcement are also included.

Table 1 shows the results of the assessments of the situation at the end of 2008 and at the end of 2013:¹¹ the score given in each policy area is a percentage of the maximum score. These results are discussed in more detail in the following sub-sections, while the detailed policy scores on which this table is based are included in Annex 1.

Table 1: Summary of policy scores for 2008 and 2013 (as % of maximum score)

	High-level policy	Legislative framework	Law enforcement	International engagement	Public procurement policy
2008	Yellow	Orange	Green	Orange	Green
2013	Green	Green	Green	Orange	Green

*To establish the percentage figures, existence, design and implementation have been weighted equally, as has each sub-question under each major heading. Those policy areas for which only a few questions were formulated (institutional and operational factors; international engagement) are more likely to show change than are the other areas. Shading has been allocated according to the total score under each major heading as a percentage of the possible maximum – scores below 25% are red, those between 25% and 50% orange, those between 51% and 75% yellow and those above 75% green.

High-level policy

In order to help build the case for action and inform the response, it is important for consumer-country governments to understand the probable scale, nature and sources of imports of illegal wood-based products and their possible effect on driving illegal logging in producer countries. The UK government has not yet carried out a review of how the country's market activities have impacted on the problem of illegal logging and related trade, nor has it investigated the extent or sources of potential illegal imports. But there have, of course, been many studies by NGOs and researchers (sometimes funded by the UK government) into the impact of EU consumption as a whole on illegal logging and deforestation.

In 2002 the UK formulated a comprehensive action plan on illegal logging. The plan was developed under the leadership of the Department for International Development (DFID) and the Department for Environment, Food and Rural Affairs (DEFRA), with input from a wide range of other government agencies. It linked research into the scale and nature of illegal logging and associated trade with the development of demand-side measures, in particular public procurement policy, inputs into

¹¹ The policy scores included in the 2010 report were based on an assessment of the situation at the end of 2008; and those for the current assessment on the situation at the end of 2013.

developing the EU FLEGT Action Plan and influencing the timber trade. This set the context for many of the activities funded by the Forest Governance and Trade Programme and its successor, the FGMC Programme (see above), as well as for the UK's participation, as an EU member state, in the FLEGT framework of VPAs and the EUTR (see above).

Interdepartmental coordination is provided through the Steering Committee of the FGMC Programme, which, composed of officials from DFID, DEFRA and the Department of Energy and Climate Change (DECC), meets quarterly to review progress and discuss updates on relevant developments. There is also ad hoc coordination – especially between DFID, DEFRA and the National Measurement Office (NMO), which is the UK's competent authority for the EUTR – on various aspects of FLEGT implementation, including participation in the EU FLEGT Committee and the European Council Working Party on Forests. These mechanisms are viewed by participants as working well.

Formal consultation processes are in place, there being a standard procedure for public consultation (which is mandatory for all new policies and regulations; a public consultation on the implementation of the EUTR was held in 2013). In addition, the government holds ad hoc face-to-face consultations with stakeholders on specific issues, and it also funds the six-monthly illegal logging stakeholder update meetings organised by Chatham House.

Legislative framework

Today the EU framework of VPAs (along with the accompanying FLEGT regulation on refusing entry to unlicensed timber products from VPA countries) and the EUTR form the legislative framework for excluding illegal timber from the UK market, as is the case for all EU member states.

Both EU regulations have been incorporated into UK law – through the Forest Law Enforcement, Governance and Trade Regulations 2012 and the Timber and Timber Products (Placing on the Market) Regulations 2013. Under the latter, a fine or a prison sentence of up to two years can be handed down for placing illegal timber on the market or failing to comply with the due diligence requirements. The NMO is taking an active role in enforcing the legislation and providing outreach to companies, including organizing sector-specific seminars and conducting investigations.

In the period of discussion over potential options leading up to the EUTR, the UK was one of the relatively few member states to have carried out an analysis of its own legislation (on theft, customs offences, etc.) to explore whether the country could prevent the entry of illegal timber or whether additional legislation would be needed. In addition, it funded a series of studies into the relevant legislation of other EU member states. The general conclusion of all those studies – namely, that additional legislation was needed – helped to make the case for the EUTR.

Law enforcement

The UK government provides training for both customs and police officials on law-enforcement issues relevant to illegal logging and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

As noted above, the NMO is taking an active role in enforcing the EUTR. Enforcement is resourced flexibly from among the 30 members of staff who comprise the NMO Enforcement Authority; the office reports that in the 12 months since the regulation came into force, almost all those officials

have contributed to EUTR delivery to some extent. It also reports that over the same period, there have been approximately 80 enforcement engagements, which have focused on a range of traders and operators. In addition, presentations were given at some 25 seminars, conferences and meetings; several hundred enquiries from stakeholders were answered; and a number of instances of non-compliance were identified and investigated.

International engagement

While action at home is crucial, it is also important that consumer-country governments engage with producer and processing countries to help tackle illegal logging and related trade. For all EU member states, the main framework for this engagement is the EU FLEGT Action Plan, in particular the VPAs with timber-producing countries.

As noted above, the UK has been active in encouraging the negotiation and implementation of VPAs. Assistance has been provided through the FGMC programme to the VPA processes in Ghana, Guyana, Indonesia, Liberia and the Republic of Congo. Funding has also been provided to the African VPA facilitation unit, this working with the Central African Republic, Côte d'Ivoire, Ghana, Liberia and the Republic of Congo, and to the multi-stakeholder forestry programme in Indonesia. In addition, cooperation initiatives have been pursued with China.

The UK has not yet established formal systems or procedures with source countries whereby it can receive and act on enforcement alerts about suspect shipments. However, the full implementation of the VPAs and the associated licensing systems and controls may provide a framework for the exchange of such information, including relevant contact points.

Public procurement policy

The UK was one of the first EU member states to take action on public procurement:¹² in 1997 it adopted voluntary guidance for government departments on purchasing timber and timber products from legal or sustainable sources; three years later, in 2000, that guidance became a binding commitment. In 2009 the policy changed to sourcing sustainable, recycled or FLEGT-licensed products only.

Like several other countries, including the Netherlands, the UK draws up its own criteria for legality and sustainability (rather than simply accepting those contained in the voluntary timber certification schemes). In 2004 it established the Central Point of Expertise on Timber (CPET) to conduct periodic assessments of forest certification schemes against those criteria, provide guidance to government purchasers on request and carry out training and awareness-raising exercises.¹³ Like other countries with similar systems, the two main global forest certification schemes, those of the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) have been assessed as meeting the UK criteria for legality and sustainability.

¹² There are another 19 member states that have central government procurement policies for timber. See Brack, D., (2014), *Promoting Legal and Sustainable Timber: Using Public Procurement Policy*. London: Chatham House.

¹³ See <http://www.cpet.org.uk>.

The UK policy is well designed and has been emulated by other countries (most recently, Luxembourg). It covers all timber-sector products – including (unusually) wood used temporarily, such as hoardings or plywood shuttering – and is mandatory for all central government departments and agencies.

In common with other countries, the UK does not monitor implementation on a systematic basis. CPET conducted a case study of the construction sector in 2008¹⁴ and published a study of the impacts of timber procurement policy in 2010.¹⁵ The latter study concluded that:

Based on published reports and the findings of the stakeholder consultation exercise undertaken for this study it is fair to say that the Government has made gradual progress towards full implementation of its timber procurement policy within all mandated bodies over the past 10 years but is by no means there yet. A very subjective estimate would be that 50–60% of relevant contracts contain sustainable timber requirements but only 10% of deliveries are checked for compliance. There are significant differences between individual organisations both in terms of the actual requirements used and level of implementation. There is also evidence of a lack of compliance checking i.e. to ensure that the timber product procured and delivered actually meets the contract requirements.¹⁶

The gradual centralization of government procurement policy in recent years through the Government Procurement Service (now part of the Crown Commercial Service) may have helped improve implementation. UK government reports published in 2012 and 2013 on the implementation of the ‘Greening Government Commitments’ programme, which includes procurement among other measures, indicated a high level of compliance with the timber procurement policy.¹⁷ However, government departments were asked only about their requirements for compliance by contractors in the construction sector. As regards the furniture sector, 77 per cent of the total spend in 2012–13 was known to be compliant with the timber procurement policy; it was not possible to say whether the remaining 23 per cent had been compliant.¹⁸

The timber procurement policy applies only to central government departments, executive agencies and non-departmental public bodies and thus does not include the broader public sector – the National Health Service, educational establishments and local government. These institutions are encouraged to adopt the timber procurement policy or something similar, but there is little information available on to what extent they are doing so. In a survey conducted in 2011–12, 71 local authorities in the UK (57 per cent of respondents¹⁹) had some kind of timber procurement policy in place.²⁰ Detailed case studies of 12 local authorities in England in 2007 found that two had a full timber procurement policy in place and four a partial one.²¹ Major public-sponsored projects have occasionally adopted targets for sustainable timber – an approach that has helped both expand the market and raise awareness. A recent example was the 2012 London Olympics, which achieved 100 per cent sustainable sourcing for the 12,500 m³ of timber procured.²²

¹⁴ CPET (2008), *UK Government Timber Procurement Policy: Construction Sector Project: Policy Implementation and Reporting*, see <http://www.cpet.org.uk/files/Construction%20Sector%20Report%202008.pdf>.

¹⁵ Efeca (2010), *An Assessment of the Impacts of the UK Government's Timber Procurement Policy*.

¹⁶ *Ibid.*, p. 8.

¹⁷ See <http://sd.defra.gov.uk/gov/green-government/commitments/>.

¹⁸ *Greening Government Commitments Annual Report 2012–13* (December 2013), p. 48.

¹⁹ In total, 433 authorities were surveyed and 124 responded.

²⁰ WWF and Proforest (2012): *Barking up the Right Tree? A Scorecard of UK Local Authorities' Responsible Wood and Paper Procurement*, see http://assets.wwf.org.uk/downloads/wwf_timber_report.pdf.

²¹ Brack, D. (2007), *Local Government Timber Procurement Policies: Case Studies from the North East and Yorkshire & the Humber*. London: Chatham House.

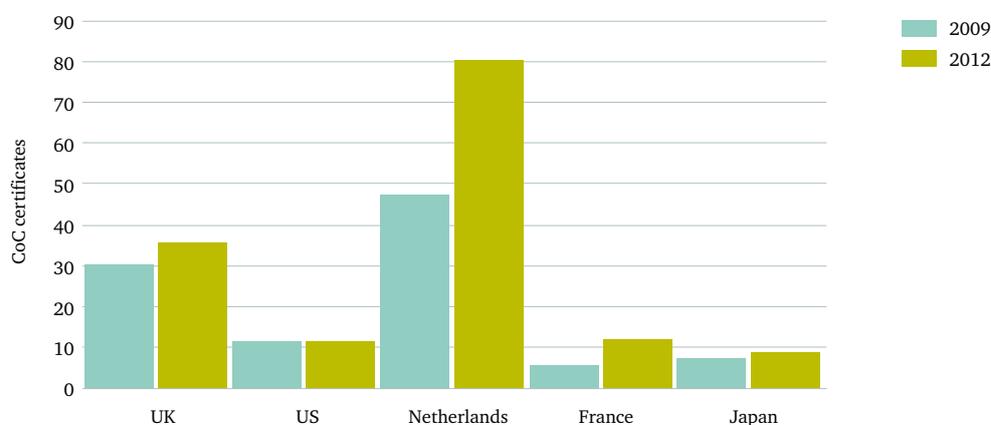
²² ‘London Olympic Park receives FSC and PEFC certification’, *Timber Design and Technology* (1 June 2012).

Progress by the Private Sector

In addition to assessing government measures to tackle the problem of illegal logging, this study evaluates the degree and effectiveness of the response by the private sector. For consumer countries, an important indicator is the extent of private-sector uptake of voluntary legality verification and sustainability certification standards. As in 2010, the study assesses the uptake of FSC CoC certification.²³ It should be noted, however, that the number of companies with such certification is an imprecise indicator because those companies do not necessarily handle FSC-certified products.

Data on volumes of certified products that are produced and traded are not systematically collected, which renders monitoring difficult. As noted above, the most recent data (from 2008) indicated that more than 80 per cent of imports of timber and panel products were certified compared with 55 per cent in 2005. Surveys by the TTF of its members indicate that imports of certified products have increased slightly since then: in 2008, 85 per cent of purchases by members were either certified or legally verified while the corresponding figure in 2011 was 88 per cent.²⁴

Figure 2: Number of companies with FSC CoC certification, per million people*



*Source: FSC.

Sources for population data: World Bank (figure for 2006–11) and the Population Reference Bureau (2012).

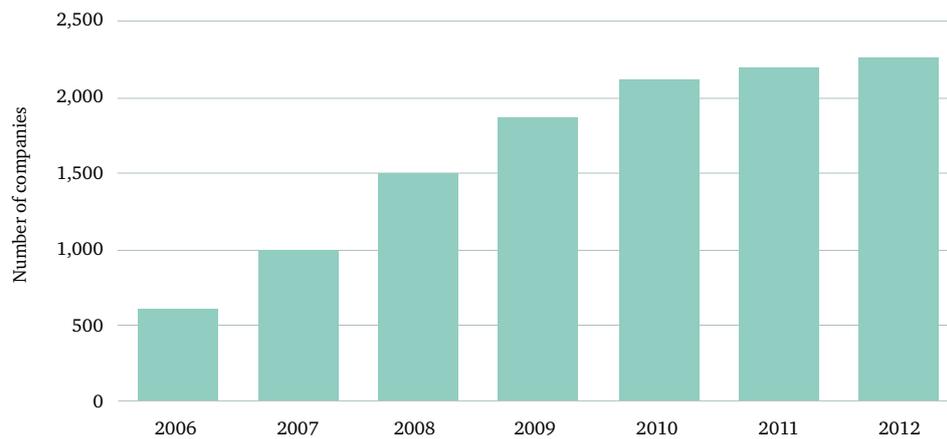
The 2010 assessment, which estimated the number of companies with FSC CoC certification in the period 2006–09, ranked the UK second out of five consumer countries in terms of the absolute number and the number of companies per million people (after the US and Netherlands respectively). This rank was maintained in 2012, with the UK second (after the US) in terms of absolute numbers and second (after the Netherlands) in terms of the number of companies per million people (see Figure 2).

²³ Although the PEFC is used extensively in consumer countries, to date only a relatively small area of tropical forest has been certified under the scheme (with the exception of Malaysia). This means that the FSC is a better indicator across the range of producer, processing and consumer countries.

²⁴ UK Timber Trade Federation (2013), *The Responsible Purchasing Policy – Annual Report*.

As can be seen from Figure 3, the rate of growth in the number of companies with FSC CoC certification has tailed off since the period 2006–08.

Figure 3: Number of companies with FSC CoC certification*



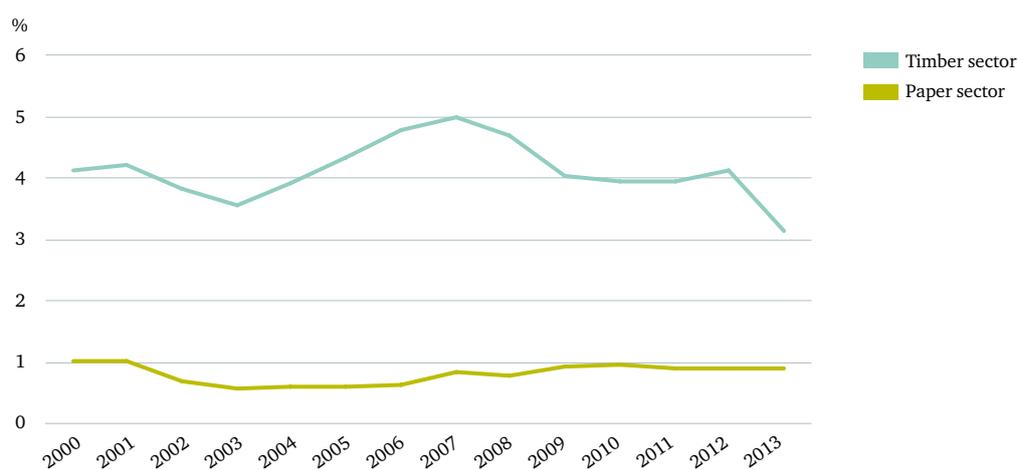
*As of October each year.
Source: FSC.

Estimated Level of Illegal Imports

To estimate the level of imports of wood-based products that are likely to be illegal ('high-risk'), Chatham House undertook an evaluation of product flows (see Annex 2 for further details). The 2010 assessment found that UK imports from Indonesia that were at high risk of illegality decreased during the period 2000–08. That decline was offset, however, by a rapid increase in imports of wood-based products from China – where many of the imports of raw materials for those products were deemed high-risk. Estimated imports of high-risk wood-based products by the UK peaked in 2007 and fell dramatically in 2008 to an estimated 1.5 million m³ RWE (with an import value of nearly \$1 billion). The fall was due in large part to the global recession, but increased efforts by UK buyers to source verified and certified wood were thought to have been another factor.

In terms of volume, the proportion of likely illegal wood-based products entering the UK throughout the period 2000–13 was low – in the peak year of 2007, about 7 per cent of timber-sector products and less than 1 per cent of paper-sector products. In terms of import value, the proportion of high-risk products was somewhat larger in 2007: 8 per cent of timber-sector products and just over 1 per cent of paper-sector products. Since then, the total volume of imports has fallen, as has the proportion of high-risk imports by volume – to an estimated 3 per cent for timber-sector products in 2013, while those of paper-sector products have stayed at about 1 per cent – while the proportion of high-risk imports by value has remained at about the same level (see Figure 4).

Figure 4: Estimated percentage of imports of timber- and paper-sector products at high risk of illegality (by RWE volume)

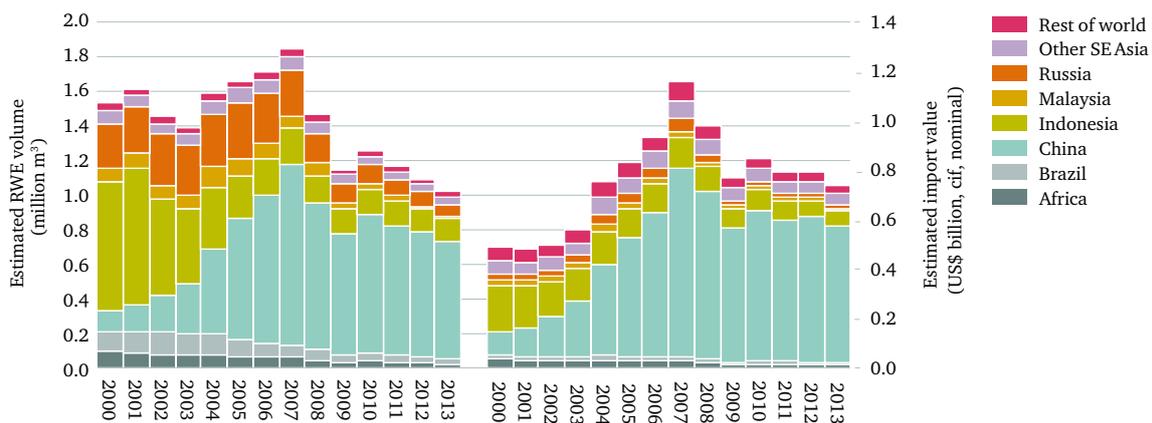


Source: Eurostat data analysed by James Hewitt for Chatham House.

As can be seen from Figure 5, the main source countries and regions for high-risk products by RWE volume – Indonesia, Russia, Brazil and Africa – have been steadily replaced by China during the period 2000–13. In terms of import value, China dominates even more, with Indonesia remaining

a long way behind in second place. At the same time, the proportion of high-risk imports accounted for by sawnwood and plywood has fallen, while the share of furniture has grown, particularly by import value.

Figure 5: Estimated volume and value of imports of wood-based products at high risk of illegality, by supplying country or region



Source: Eurostat data analysed by James Hewitt for Chatham House.

Conclusions and Recommendations

The UK has a strong record of tackling illegal logging and associated trade. Not only has the government engaged positively with the issue; it has consistently encouraged discussion of the issue in international forums, including the G8, as well as promoting the regional FLEG processes and the EU's FLEGT initiative. In addition, it has provided long-term funding for a host of initiatives by industry, civil society and research organizations both at home and abroad. And it has introduced a comprehensive public procurement policy which serves as a model for other countries and, alongside private-sector initiatives, helped to drive a rapid uptake of certified timber in the UK market.

Of the policies and measures assessed in this report, one area for improvement is in relation to the timber procurement policy. Systematic monitoring of its implementation is needed since the current Greening Government Commitments framework is not adequate for this task.

The recent entry into force of the EUTR poses the next important test: namely, the extent to which the member states will implement the regulation and devote sufficient resources for its enforcement. The UK appears to have made a good start in engaging with stakeholders and in raising awareness and understanding of the legislation. This effort needs to be maintained to ensure it is effectively enforced.

Also important – both for the government and for the private sector – is further cooperation with China in tackling the issue of illegal logging, given its significance as a source of wood-based products for the UK.

Annex 1: Policy Assessment Scores for 2008 and 2013^a

	Existence (0–2)		Design (0–5)		Implementation (0–5)	
	2008	2013	2008	2013	2008	2013
High-level policy						
Official review of imports and consumption of illegal wood-based products	0	1	n/a	3	n/a	4
National action plan	2	2	4	4	5	5
Coordination between government departments	2	2	5	5	5	5
Multi-stakeholder consultations	2	2	5	5	5	5
Legislative framework						
Analysis of existing legislation and regulations	2	2	5	5		
Enactment of additional legislation ^b	1	2	2	5	n/a	4
Range of products covered by any additional legislation	*		*	n/a	*	
Applicability to importers or companies along the supply chain	*		*	n/a	*	
Inclusion of a requirement on businesses to implement due diligence	*		*	n/a	*	
Systematic monitoring and assessment of implementation and impact	*		*	n/a	*	
Law enforcement						
Training for customs and other relevant officials on existing import controls for wood-based products	2	2				
International engagement						
Formalized trade or customs arrangements with major trading partners	1	1	5	5	n/a	n/a
Formalized system for sending and receiving enforcement alerts ^c	1	1	n/a	n/a	n/a	n/a
Public procurement policy						
Existence and implementation of public procurement policy	2	2			4	4
Level of adherence required			5	5		
Product coverage			5	5		
Extent to which based on independent certification/ verification schemes			4	4		
Provision of assistance for government purchasers			5	5		
Systematic monitoring and assessment of implementation			3	3		
Applicability to sub-national government			*	3		

^a The policy scores included in the 2010 report were based on an assessment of the situation at the end of 2008; and those for the current assessment on the situation at the end of 2013. A grey cell indicates that the answer to the question posed was not scored; an asterisk indicates that the question was not asked in 2010. Policies were assessed according to the following factors: existence (scoring between 0 and 2, whereby 1 indicates partial coverage or a policy under development); design (scoring between 1 and 5, whereby 5 indicates very well designed); and implementation (scoring between 1 and 5, whereby 5 indicates consistent and comprehensive implementation).

^b For EU countries, this question relates to any national legislation implementing the EU Timber Regulation. The following four questions all relate to the EUTR itself, and so have not been scored.

^c A partial score of 1 was given in 2008 based on the FLEGT VPA and associated legality assurance system which were under negotiation. There is still no such system, but the scoring has been kept the same.

Annex 2: Methodology

The methodology employed to undertake the assessments of the 13 countries included in the 2014 Indicators of Illegal Logging and Associated Trade study is based on that developed by Chatham House for its 2010 assessment. Below is a brief overview of the data collection and analysis process. Further explanation of how the indicators were developed can be found in earlier reports.²⁵

The countries included in the study were selected on the basis of the significance of their role in the production and consumption of illegal wood-based products. Four years after the first assessment, the 12 original focus countries continue to account collectively for the majority of exports and imports of such products. Lao PDR is included in the 2014 assessment owing to its increasing importance in the global trade in wood-based products.

Indicators of progress

Chatham House has developed a set of standardized indicators to allow a comparative evaluation to be undertaken. The indicators cover four areas:

- a) Media attention – entailing quantitative and qualitative analysis of media coverage of the issue of illegal logging and associated trade;
- b) Government response – entailing an assessment of the policy framework and analysis of enforcement data;
- c) Progress by the private sector – entailing an assessment of the level of chain-of-custody certification; and
- d) Estimated level of illegal trade – entailing an analysis of trade data to estimate the level of illegal imports.

An outline of how these data were collected is provided below.

Media attention

The level of attention afforded to illegal logging and related trade in the domestic and international media was assessed using both quantitative and qualitative methods. The volume of articles in the international media was measured through a search of online media archives (Factiva, Newsbank and LexisNexis) using the term ‘illegal logging’ and the country name. A similar approach was adopted with domestic media: the search term ‘illegal logging’ was used in English and/or the local language. Online archives were used where possible and physical archives where no such digital records were available. Country partners were asked to identify those newspapers, journals and media outlets that can be considered to qualify as ‘major circulation’.

²⁵ Lawson, S. (2007), *Illegal Logging and Related Trade*; and Lawson, S. and MacFaul, L. (2010), *Illegal Logging and Related Trade: Indicators of the Global Response*. London: Chatham House.

The articles were then categorized according to their main focus: enforcement, private-sector response, government response, impacts or 'other'. The search period for domestic media coverage was the year from October to September, while that for international media was the calendar year.

Policy assessment

For each of the countries included in the study, an in-country partner was selected by Chatham House to assess the national policy and legal framework for dealing with the issue of illegal logging and related trade. For consumer countries, the questions were grouped into five broad categories: high-level policy, legislative framework, law enforcement, international engagement and public procurement policy. In addition, enforcement data were collected and incorporated into the policy assessment.

In-country partners were provided with an advisory framework on scoring and the scores from the first round assessment, in order to maintain a degree of consistency across countries and between the two assessments. The scores were then reviewed by Chatham House researchers and peer reviewers and amended where necessary.

Level of CoC certification

To assess the private-sector response, Chatham House collected data on the number of companies in each consumer country that have achieved FSC CoC certification. In theory, FSC CoC-certified companies are those that deal in FSC-certified products. In practice, a considerable number of CoC-certified companies handle few or no FSC-certified products. For this reason, data on CoC-certified companies must be interpreted with some caution. Data on CoC certification in each consumer country were provided by the FSC and analysed by Chatham House.

Analysis of trade data

The level of imports of wood-based products at high risk of illegality was estimated through a detailed evaluation of product flows (for which the term 'import-source analysis' was coined). The evaluation involved estimating the RWE volume and value of imports (in US dollars) from official import data for each year as well as the bilateral flow of each category of wood-based product. Those values were then multiplied by estimates of the proportion that was likely to be illegal. That proportion was based on an estimate of the level of illegality likely to be associated with the export of each product category for a given country and year, as well as the extent to which importing countries demonstrate a preference for legal (e.g. FSC-certified) products. Further details of how the estimates were made are provided in a methodology paper.²⁶

²⁶ Hoare, A. (2014), *Methodology for estimating levels of illegal timber- and paper-sector imports*. London: Chatham House.

Glossary

CITES	Convention on International Trade in Endangered Species of Wild Flora and Fauna
CoC	Chain-of-custody
CPET	Central Point of Expertise on Timber
CSR	Corporate Social Responsibility
DECC	Department of Energy and Climate Change
DEFRA	Department for Environment, Food and Rural Affairs
DFID	Department for International Development
EU	European Union
EUTR	EU Timber Regulation
FGMC	Forest Governance, Markets and Climate Programme,
FLEG	Forest Law Enforcement and Governance
FLEGT	Forest Law Enforcement Governance and Trade
FSC	Forest Stewardship Council
NGO	Non-governmental organization
NMO	National Measurement Office
PEFC	Programme for the Endorsement of Forest Certification
RWE	Roundwood equivalent
TTF	Timber Trade Federation
VPA	Voluntary Partnership Agreement

About the Author

Duncan Brack is an independent environmental policy analyst, an Associate Fellow of Chatham House and an Associate of Forest Trends. From 2010 to 2012 he was special adviser at the UK Department of Energy and Climate Change; before that he worked for Chatham House, and from 1998 to 2003 was head of its Sustainable Development Programme. His areas of expertise include international forestry policy, forest governance and the timber trade, climate policy, low-carbon investment, bio-energy, public procurement, the interaction between environmental regulation and trade rules, ozone depletion and the Montreal Protocol, and international environmental crime, particularly illegal logging and the trade in illegal timber.

Acknowledgments

This report was written by Duncan Brack (consultant), with oversight from Alison Hoare (Chatham House).

It is based on research undertaken by James Hewitt (consultant), who analysed trade data and illegal imports, and Chatham House, with research assistance provided by Laura Wellesley, Adelaide Glover and Rachel Shairp.

Chatham House would like to thank John Hudson (consultant), Beatrix Richards (WWF) and Anand Punja (TTF) for reviewing a draft of this report.

The research for and writing of this study were undertaken with funding gratefully received from the UK Department for International Development (DFID).

The conclusions and recommendations contained in this report represent the views of the author, not those of the consultants, reviewers or funders.

Independent thinking since 1920



Chatham House, the Royal Institute of International Affairs, is a world-leading source of independent analysis, informed debate and influential ideas on how to build a prosperous and secure world for all.

Chatham House does not express opinions of its own. The opinions expressed in this publication are the responsibility of the author(s).

© The Royal Institute of International Affairs, 2014

All Chatham House publications are printed on recycled paper.

The Royal Institute of International Affairs
Chatham House
10 St James's Square, London SW1Y 4LE
T +44 (0)20 7957 5700 F +44 (0)20 7957 5710
contact@chathamhouse.org www.chathamhouse.org

Charity Registration Number: 208223