

Research Paper

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Energy, Environment and Resources | November 2014

Trade in Illegal Timber

The Response in the Netherlands

A Chatham House Assessment

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Summary

The Netherlands has shown a strong response to the problem of illegal logging and related trade: the government played an active part in the development of the EU's FLEGT Action Plan, and has been supporting the negotiation and implementation of Voluntary Partnership Agreements with producer countries.

The government has also been promoting the production and consumption of sustainable timber. It has a comprehensive procurement policy, established the Sustainable Trade Initiative and helped to launch the European Sustainable Tropical Timber Coalition.

As a result both of these government actions and of promotion by the private sector, there is a high proportion of certified wood-based products on the Dutch market as well as a large number of companies with chain-of-custody certification. A high level of media coverage on the issue 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 Netherlands of timber-sector products likely to be illegal, currently estimated to comprise two per cent of the total. However, there has been a significant shift in the types and sources of high-risk products coming into the country, 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 Netherlands has been one of the most proactive European countries in addressing illegal logging and the related trade, further action could be taken. A key challenge will be effective enforcement of the EU Timber Regulation given the Netherlands' role as a major conduit for timber to the rest of Europe. Systematic monitoring of its timber procurement policy is also required.

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 Netherlands, which are compared with the situation as reported in 2010. The analysis, undertaken in April 2014, is based on data collected in 2012 and 2013. Trade statistics and media data were compiled up to the end of 2013 and 2012, respectively, 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 Netherlands 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 their laws. 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 Netherlands has proved to be one of the more active member states in drawing up and implementing these initiatives. It was one of the first EU countries to introduce a timber procurement policy (in 2004), and it helped to lay the foundations for the 2005 FLEGT Regulation during its Presidency of the EU in 2004. Moreover, it has taken the lead, alongside the European Commission, in negotiating some of the VPAs (in particular that with Malaysia).⁵

In addition, the Dutch government has established the Sustainable Trade Initiative (IDH), which aims to convene coalitions of leading companies, NGOs and governments to transform markets towards sustainable production and consumption worldwide.⁶ The IDH organizes the scoping, development and implementation of public-private, pre-competitive market transformation programmes in 16 sectors; its investment programmes are co-funded by the Dutch, Swiss and Danish governments and the private sector. Among other activities, it has set up programmes and public-private partnerships promoting sustainable forest management in Ghana, Indonesia, Suriname and the Amazon region.⁷

Along with the US, the Dutch government has provided the main bilateral support to the forest sector in Bolivia for the last 10 years, assisting in forest certification, forest policy development, capacity-building and institutional support. Dutch development aid has also supported forest-related initiatives in Brazil and Colombia. That assistance has made an indirect contribution to the FLEGT programme, through encouraging the Pact for Legal Timber in Colombia and a consultation process in Bolivia that

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 Netherlands was ranked joint first, alongside Germany and the UK. 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 See <http://www.idhsustainabletrade.com>.

⁷ See <http://www.idhsustainabletrade.com/timber>.

addressed stakeholder concerns about FLEGT, VPAs and the EUTR.⁸ In addition, in November 2013 the Dutch government helped to launch the European Sustainable Tropical Timber Coalition, which aims to increase demand for timber from sustainably managed and legally harvested tropical forests.⁹

With one of the highest population densities in Europe, the Netherlands is, unsurprisingly, one of the most sparsely forested of European countries. Forest cover is only about 11 per cent and between 2000 and 2010 it grew by just 0.03 per cent a year.¹⁰ At the same time, the Netherlands is an important consumer of wood-based products: per capita consumption of sawlogs was estimated to be 0.54 m³/year in 2011, significantly higher than the EU average of 0.4 m³/year.¹¹ Because it has little productive forest, the country is highly dependent on timber imports, which accounted for more than 90 per cent of the consumption of primary forest products in 2012.¹² Accordingly, the country can be expected to be particularly vulnerable to the entry of illegal wood-based products, not only because of its own need for imports but also because it is a major point of entry to the EU market as a whole.

In 2012 the Netherlands imported 27 million m³ roundwood equivalent (RWE) of wood-based products¹³ and consumed 11 million m³.¹⁴ Analysis from that year suggested that 29 per cent of imports originated outside the EU. Compared with 2007, imports from inside the EU were 16 per cent higher, whereas imports from outside the Union were 14 per cent lower. Wood pulp, paper and board were by far the largest commodities imported from within the EU, followed by sawnwood.

At the same time, wood pulp accounted for 47 per cent of imports from outside the EU, the majority originating from South America; a large proportion of those imports was re-exported to other European countries. Sawn tropical hardwood accounted for 8 per cent of total imports, notably from Malaysia, Brazil, Cameroon and Indonesia. Plywood made up around 6 per cent of imports from outside the EU; temperate hardwood plywood from Russia and, to a lesser extent, China accounted for the bulk of those imports; but tropical hardwood plywood, mainly from Malaysia, Gabon and China, and softwood plywood, notably from Chile and Brazil, were also imported.

The Netherlands also imports a large quantity of wood furniture from outside the EU, notably from China. Import volumes from China remained more or less stable over the previous five years (2008–12), while imports from other parts of the world, notably Africa and South America, declined.

The first Chatham House indicators study, which was conducted in 2010, estimated that between 2004 and 2008 imports into the Netherlands of wood-based products at high risk of illegality decreased and that of the five consumer countries studied, the Netherlands had the lowest proportion of such products in its imports. Nevertheless, it remained a significant import market for high-risk products, partly because of its role as an entrepôt for wood-based products consumed elsewhere in Europe. For its part, the government had responded well to the challenge: the Netherlands ranked second among the five countries included in the study in terms of laws, regulations and policies for tackling the problem; moreover, it was one of the EU member states most actively engaged in helping to negotiate VPAs. The Dutch private sector included a large number of

⁸ Inspectie Ontwikkelingssamenwerking en Beleidsevaluatie (IOB) (2013), *Evaluation of the Dutch Foreign Policy with Respect to Latin America. Thematic Study Sustainable Development. Case Study: Forest Policy and the Production and Trade of Forest Products*.

⁹ See <http://www.europeansttc.com>.

¹⁰ Forest Europe, UNECE and FAO (2011), *State of Europe's Forests 2011*.

¹¹ European Timber Trade Federation (2011), *2011 Statistics – Netherlands: Timber Trade Monitoring in Support of Effective, Efficient and Equitable Operation of the EU Timber Regulation*.

¹² Probos (2013), *Kerngegevens 2013*, see <http://www.probos.nl/images/pdf/kerngegevens/kerngegevens2013.pdf>.

¹³ These include roundwood, sawnwood, wood-based panels, pulp, paper and board, excluding waste paper-based materials. Transit trade is excluded.

¹⁴ Probos (2013), *Kerngegevens 2013*.

companies with chain-of-custody (CoC) certification for handling independently certified wood, and Dutch industry association codes of conduct were among the most rigorous in Europe, requiring systematic monitoring of members' compliance.

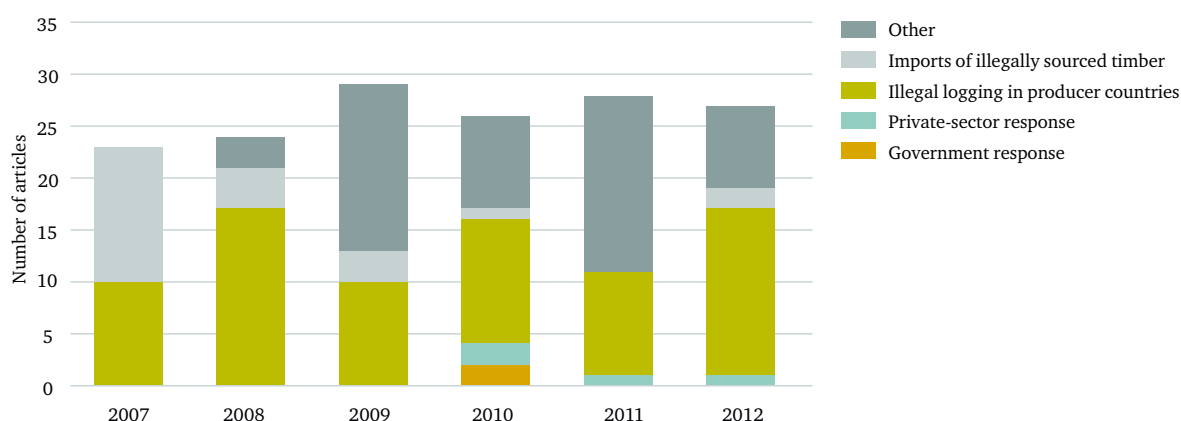
As will be seen below, this record of action has continued to have an impact. Along with the UK, the Netherlands is among those EU countries that have recorded the most rapid rates of growth in the market penetration of certified timber. The government's initial target was for timber-sector products with a demonstrably sustainable origin to reach a 50 per cent market share by 2011. Evaluations by the NGO Probos show that this target has been met: the share of certified timber and panel products grew from 13 per cent in 2005 to 34 per cent in 2008 and 68 per cent in 2011. The share of certified paper and paperboard (for which there was no government target) was 33 per cent in 2011.¹⁵

¹⁵ Probos (2013), 'Market Share of Sustainably Produced Timber Doubled in Three Years: Government Target Exceeded', *Bosberichten*.

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, seven national and eight regional newspapers were searched for ‘illegal logging’ or related terms over the period 2009–12.¹⁶

Figure 1: National media coverage of illegal logging, 2007–12*



*Figures are for the year from 1 October to 30 September; data for 2007 and 2008 are taken from the 2010 assessment.

The number of articles mentioning illegal logging remained largely constant over the years 2009–12, with an average of 28 articles per year. This figure is broadly consistent with coverage in 2007–08, although it should be highlighted that the search at that time did not include four of the national newspapers included in the current analysis. The main themes were:

- Issues in producer countries, in particular Brazil (including [in 2011–12] the new Brazilian forest code) but also Central Africa, Côte d’Ivoire, Indonesia, Lao PDR, Liberia, Madagascar, Russia and Vietnam;
- EU legislation on illegal logging, particularly in 2008–09, when the first draft of the EUTR was published and discussed, and in 2009–10, when the regulation was being debated by the EU institutions; the coverage included comments by the Dutch government on the perceived weakness of the initial proposal;
- The impact of the global economic downturn on forests (some articles suggested an increase in illegal logging as a result);
- The Gibson Guitar enforcement case under the Lacey Act in the US (2011–12).

¹⁶ The national newspapers were *Volkskrant*, *NRC*, *Trouw*, *Telegraaf*, *Financieel dagblad*, *Parool* and *Algemeen Dagblad*; and the regional newspapers were *de Stem*, *Brabants Dagblad*, *Dagblad van het Noorden*, *de Gelderlander*, *de Stentor*, *De Twentsche Courant Turbantia*, *Eindhovens Dagblad* and *Noordhollands Dagblad*.

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 Dutch 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 2013:¹⁷ 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					
2013					

*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 Dutch government has not yet carried out a comprehensive review of how the country's market activities have impacted on the problem of illegal logging and related trade or of the extent and/or sources of potential illegal imports. However, various studies and analyses have been undertaken or commissioned by the government, including a study on the EU–Malaysian timber trade and assessments of the impact of Dutch consumption on forests.¹⁸ For its part, the Dutch competent authority for the EUTR undertook a market analysis in 2012 to support its enforcement efforts.

¹⁷ 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.

¹⁸ Kamphuis et al. (2010), *Dutch Trade and Biodiversity. Biodiversity and Socio-economic Impacts of Dutch Trade in Soya, Palm Oil and Timber*. The Hague: LEI, Wageningen UR.

Similarly, there is no national action plan specifically on illegal logging. The country's participation, as an EU member state, in the FLEGT framework of VPAs and the EUTR (see above), together with its introduction of a timber procurement policy, mean that a national action plan is less necessary than in those countries that have not taken such measures.

Until 2008 the Ministry of Agriculture, Nature and Food Quality was responsible for executing the FLEGT Action Plan and implementing measures to tackle illegal logging; but in 2010 it was merged into the Ministry of Economic Affairs, which now holds that responsibility. A formal cooperation agreement was signed in May 2013 by the Ministry of Economic Affairs (which oversees the competent authority for the EUTR) and the Ministry of Finance (which is responsible for customs) on EUTR enforcement. In addition, officials from various government departments who work on forest policy meet informally on an ad hoc basis, and cooperation is reported to be very good.

In December 2011 and February 2013 the country conducted multi-stakeholder consultations on the EUTR. Its timber procurement policy (see below) was developed with Dutch stakeholders.

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 Dutch market, as is the case for all EU member states.

Both EU regulations have been incorporated into Dutch law, initially through a temporary extension of the customs law (FLEGT regulation) and through the existing Flora and Fauna Act (EUTR). Sanctions for breaches of the EUTR have been set. An infringement of the prohibition requirement is classified as an 'economic offence' under Article 1a(2) of the Act on Economic Offences, in conjunction with Article 18(1) of the Flora and Fauna Act; depending on its gravity, such an offence can be punished by imprisonment of up to two years, a work sentence or a fine of up to €19,500. If the value of the illegally logged timber exceeds €4,875, the fine can be up to €78,000 and other penalties can be imposed.

A new Act on the Protection of Nature, combining and updating several existing pieces of legislation, is expected to enter into force in 2015; it will include a chapter on each of the two EU regulations. The penalties for breaches of the act will be more severe than those outlined in the previous paragraph, although at the time of publication they have still to be finalized.

In the period of discussion over potential options leading up to the EUTR, the Netherlands 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. The general conclusion of all the studies carried out – namely, that additional legislation was needed – helped to make the case for the EUTR.

Law enforcement

The Dutch government provides training for customs officials on the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) and (since 2012) on the EUTR as well.

In the period 2008–12, there was only one enforcement action related to illegal timber (under CITES), although the Netherlands Food and Consumer Product Safety Authority (NVWA) detained a number

of shipments of timber for further assessment and investigation. On 29 January 2010, a shipment of 32,000 kg of African teak, or Afrormosia (*Pericopsis elata*), originating from Cameroon and the Democratic Republic of the Congo, was seized.

The NVWA is now the competent authority for the enforcement of the EUTR in the Netherlands. It began EUTR-related inspections in spring 2013, when the regulation came into force; since then, a number of written warnings have been issued to operators.

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 Netherlands has been actively encouraging the negotiation and implementation of VPAs. In support of the VPA negotiation process with Malaysia, in 2008 the Dutch government, in cooperation with Malaysia, carried out a study into the potential market impact of a VPA on trade between Malaysia and the EU. In addition, between 2009 and 2011 it provided funding, jointly with the German government, for technical assistance and capacity-building in Malaysia. Meanwhile in Ghana, the first country to agree a VPA (in 2008), implementation is being supported by a multi-donor programme funded by the Netherlands, the European Commission, France, the UK and the World Bank. Government funding for overseas forestry activities has been reduced in recent years as part of broader public-sector cuts. At the same time, there has been a shift in the type of support being provided: today the focus is mainly on trade and private-sector initiatives (such as the Sustainable Trade Initiative).

The Netherlands 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 Netherlands was one of the first EU member states to take action on the public procurement of timber.¹⁹ From June 2004 onwards all national government institutions were required to purchase wood-based products from legal and, where possible, sustainable sources, with the aim of achieving 100 per cent sustainability by 2010. A National Assessment Guideline was established to assess forest certification schemes; but a test-run on six certification schemes showed that none met the criteria, which were subsequently revised.

The new criteria were published in October 2008 and public procurement policy was modified from 2010 onwards to stipulate the purchase of sustainable products only, meaning that FLEGT-licensed products are not accepted.²⁰ An independent advisory body, the Timber Procurement Assessment Committee (TPAC), was established to assess the certification schemes against the criteria. Like other

¹⁹ 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.

²⁰ By contrast, Luxembourg, the UK and Denmark, all of which have procurement policies requiring sustainable products, will accept FLEGT-licensed timber when it comes on the market.

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 Dutch criteria for legality and sustainability.

There is one exception: the Malaysian Timber Certification Scheme (MTCS), which numbers among the PEFC national schemes. The Netherlands is the EU's largest market for Malaysian sawnwood and accounts for about half the exports of MTCS-certified timber-sector products. In 2010, following an appeal by NGOs against its initial decision, the TPAC concluded that the MTCS did not meet Dutch criteria on protection against forest conversion and other factors. In 2013, after the MTCS had published a new standard for natural forests, the TPAC undertook a reassessment but concluded that the weaknesses in the MTCS had still not been fully resolved and that therefore the scheme still did not satisfy Dutch criteria. Nevertheless, in February 2014 the government decided that MTCS-certified products would be covered by procurement policy for the next two years, after which another assessment is to be carried out.

Besides the assessments of certification schemes carried out by the TPAC, the NGO Probos has been offering assistance to procurement officers since 2008 and has received funding from the government to do so. That assistance includes training, provision of information through a website²¹ and a helpdesk – not unlike the support offered by the Central Point of Expertise on Timber (CPET) in the UK. Like similar organizations in other countries, Probos reports difficulty in communicating consistently with procurement officers, for whom there is no central list. In addition, wood-based products are only one of the many types of product they must procure, and not all procurement officers are enthusiastic about spending time implementing specific requirements.

Dutch procurement policy appears well designed, though not perfectly implemented. All products are covered by the policy, and it is mandatory for all central government departments. Apparently, some departments are specifying various certification schemes in their tenders, which is technically wrong, but makes no difference in practice. A more serious issue is that research by the Dutch NGOs Milieudefensie and Probos show that not all departments are implementing the policy.²² The policy itself will be reviewed in the near future.

The timber procurement policy applies only to central government; all sub-national government entities have adopted their own policies, although these vary as to the level of ambitiousness. In general, provincial governments are aiming for 50 per cent sustainable timber by 2010 and 100 per cent by 2015, while local authorities are targeting 75 per cent by 2010 and 100 per cent by 2015. At the same time, many local authorities have committed themselves to more ambitious targets and several have specified which certification schemes are to be used (usually those of the FSC).

As regards monitoring procurement policy, there is a generic process for the Netherlands' broad green procurement policy, but this does not include specific information on timber. In 2011, on behalf of the government, Probos evaluated a sample of contracts concluded by various government departments (i.e., this was not a government-wide survey) in which wood-based products were specified. The evaluations are to be repeated in 2014 and 2015. As noted above, the penetration of certified products into the Dutch market has increased significantly over the past 10 years.

²¹ See <http://www.inkoopduurzaamhout.nl>.

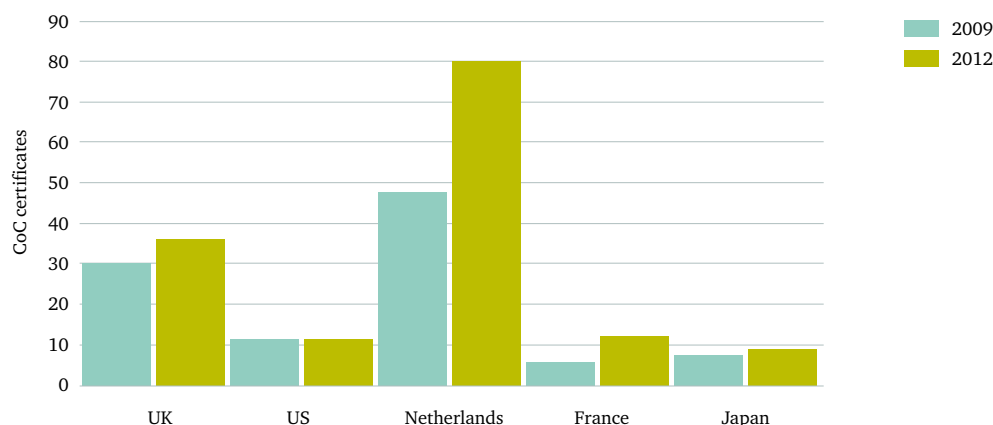
²² See <https://www.milieudefensie.nl/publicaties/rapporten/van-oerwoud-naar-overheid/view> and <http://www.probos.nl/rapporten-2011/126-eindverslag-projectevaluatie-overheden-in-de-bouw?highlight=WyJwcm9qZWNOZXZhbHVhdGllcyJd>.

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. For this reason, a brief assessment of imports of certified products is also given here.

The 2010 study examined the number of companies with FSC CoC certification during the period 2006–09. It showed the Netherlands as ranking fourth out of the five consumer countries assessed in terms of this indicator (after the US, the UK and Japan). In 2012 the Netherlands lay in third place, having overtaken Japan. However, it ranked top in terms of the number of certified companies per million people in both 2009 and 2012 (see Figure 2).

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



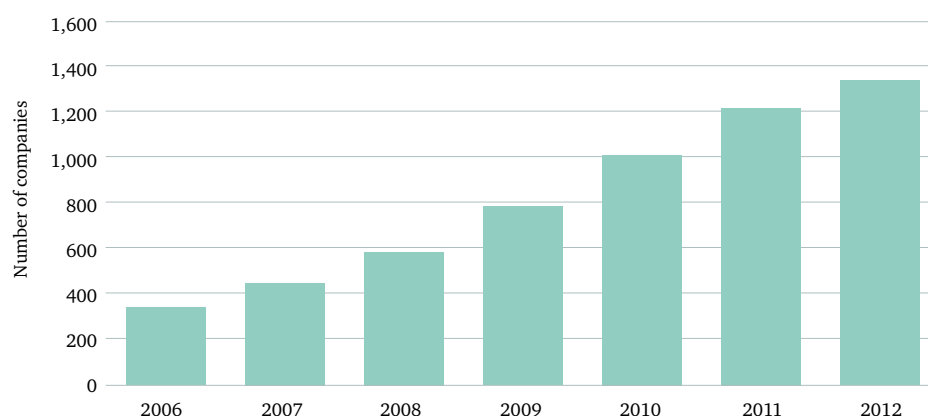
*Source: FSC.

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

As can be seen in Figure 3, the rate of growth in the number of companies with chain-of-custody certification peaked in 2008–09 and tailed off slightly thereafter, although the number continues to grow.

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.

Figure 3: Number of companies with FSC CoC certification*



*As of October each year.

Source: FSC.

Imports of certified timber to the Netherlands have increased significantly in recent years. As noted earlier, the market share of certified timber and panel products has risen – from 13 per cent in 2005 to 68 per cent in 2011. This was due partly to government action but also to a proactive private sector. For example, the Royal Netherlands Timber Trade Association (NTTA) established a target of 85 per cent certification (to FSC or PEFC standards) by 2015. In 2008, 58 per cent of members' imports were certified and in 2012, 83 per cent; the target of 85 per cent was achieved in the first half of 2013. The NTTA accounts for 60–70 per cent of the country's timber imports.²⁴

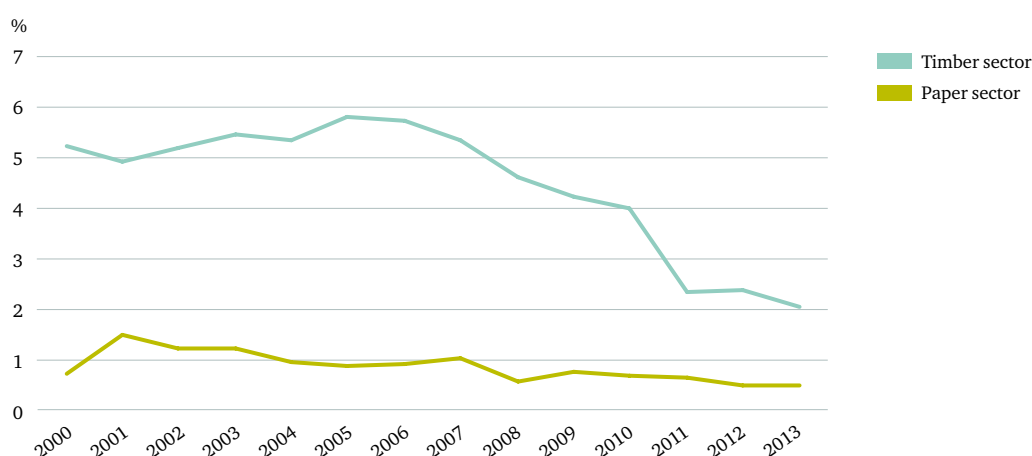
²⁴ See <http://vvn.nl/duurzame-vvn-import>.

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). It should be noted that these evaluations tend to underestimate certain types of illegality. In particular, possible illegalities in the allocation of logging rights and the process of forest conversion might not have been taken fully into account. The 2010 assessment found that there was a slight decrease in likely illegal wood-based product imports into the Netherlands between 2004 and 2007, followed by a significant decline in 2008. As noted above, the Netherlands is a major entrepôt for wood-based products destined for elsewhere in Europe: approximately one-third of recorded imports were not consumed in that country. For this reason, it is difficult to be confident about attributing changes in Dutch imports of high-risk products to measures taken within the country itself.

During the period 2000–13, the proportion of likely illegal wood-based products entering the Netherlands was low – no more than about 6 per cent of timber-sector products in the peak year of 2005 and about 1 per cent of paper-sector products (see Figure 4). Those shares have since declined – to 2 per cent and less than 1 per cent, respectively, in 2013. In terms of value, the proportion of high-risk imports of timber- and paper-sector products was 7 per cent and less than 1 per cent, respectively, in 2005. The figure for timber-sector products has declined too – to 5 per cent in 2013 – while that for paper-sector products has remained at about the same level.²⁵

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



Source: Based on official trade statistics (Eurostat data) and analysis by Chatham House.

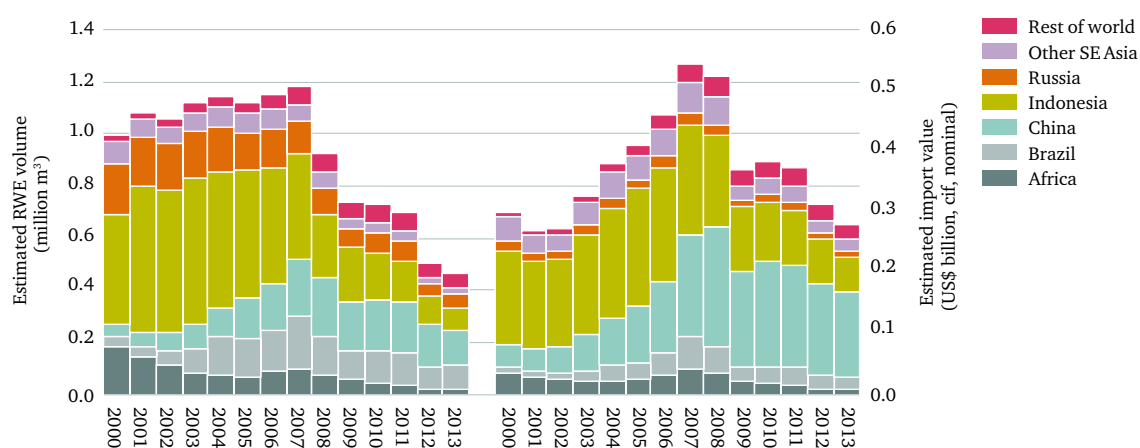
As can be seen from Figure 5, the relative importance of various countries as a source of high-risk wood-based products has changed over the period 2000–13. In all countries with the exception of

²⁵ It should be noted that Eurostat, from which the data were sourced, includes many anomalies regarding import data for the Netherlands; therefore these figures should be treated with some caution.

China, the volume of such products (and their share in total imports) has declined. It is currently estimated that China supplies about 30 per cent of high-risk wood-based imports in terms of RWE volume (and 50 per cent in terms of import value). Indonesia, the main source of such imports during the first half of the last decade, now accounts for roughly one-third of the remainder, with Brazil and Russia also being significant suppliers.

The proportion of high-risk products accounted for by sawnwood and pulp has fallen significantly, while that of furniture has steadily increased particularly by value. China accounts for the vast majority of furniture imports to the Netherlands, and Indonesia is another major source of such products.

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



Source: Based on official trade statistics (Eurostat data) and analysis by Chatham House.

Conclusions and Recommendations

In general, the Netherlands has a good record of tackling illegal logging and related trade. Its government has strongly engaged with the issue, played a full part in the EU's FLEGT process and introduced a comprehensive public procurement policy. It has also pursued other initiatives, such as IDH and the Sustainable Tropical Timber Coalition. Similarly, the Dutch private sector has shown a high level of engagement with the issue. Among the country's privately owned companies, there is a high rate of both FSC CoC certification and purchases of certified products.

Of those policies and measures surveyed, one area for improvement is in relation to the timber procurement policy, which – if the NGO reports are still valid – has not yet been fully implemented across central government. It would benefit from systematic monitoring of implementation.

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 to its enforcement. In the Netherlands, concerns have been raised about the level of resources allocated for this purpose. Ensuring that the competent authority can effectively enforce this regulation is crucial, particularly given the country's role as a major conduit for timber to the rest of the EU.

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	0	0	n/a	n/a	n/a	n/a
Coordination between government departments	2	2	5	5	5	5
Multi-stakeholder consultations	2	2	4	5	4	4
Legislative framework						
Analysis of existing legislation and regulations	2	2	4	4		
Enactment of additional legislation ^b	1	1	2	5	n/a	3
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 for 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	1	1				
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 ^d			4	5		
Extent to which based on independent certification/verification schemes			4	4		
Provision of assistance for government purchasers			3	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 covers any national legislation implementing the EUTR. Because the following four questions all relate to the EUTR itself, they have not been scored.

^c A partial score of 1 was given in 2008 based on the FLEGT VPA and related legality assurance system that were under negotiation at the time. No such system has been implemented to date, but the scoring has been kept the same.

^d The change in score from 4 in 2008 to 5 in 2013 reflects a change in assigning scores in general, since the scope of the policy itself has not altered.

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.²⁶

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’.

²⁶ 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.²⁷

²⁷ 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
EU	European Union
EUTR	EU Timber Regulation
FLEGT	Forest Law Enforcement Governance and Trade
FSC	Forest Stewardship Council
IDH	Sustainable Timber Initiative
MTCS	Malaysian Timber Certification Scheme
NGO	Non-governmental organization
NTTA	Royal Netherlands Timber Trade Association
NVWA	Netherlands Food and Consumer Product Safety Authority
PEFC	Programme for the Endorsement of Forest Certification
RWE	Roundwood equivalent
TPAC	Timber Procurement Assessment Committee
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 the following: Probos, which carried out research in the Netherlands; 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 Rob Busink (Dutch Ministry of Economic Affairs), Danielle van Oijen (Greenpeace), Mark van Benthem and Jan Oldenburger (Probos) 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 funder.

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