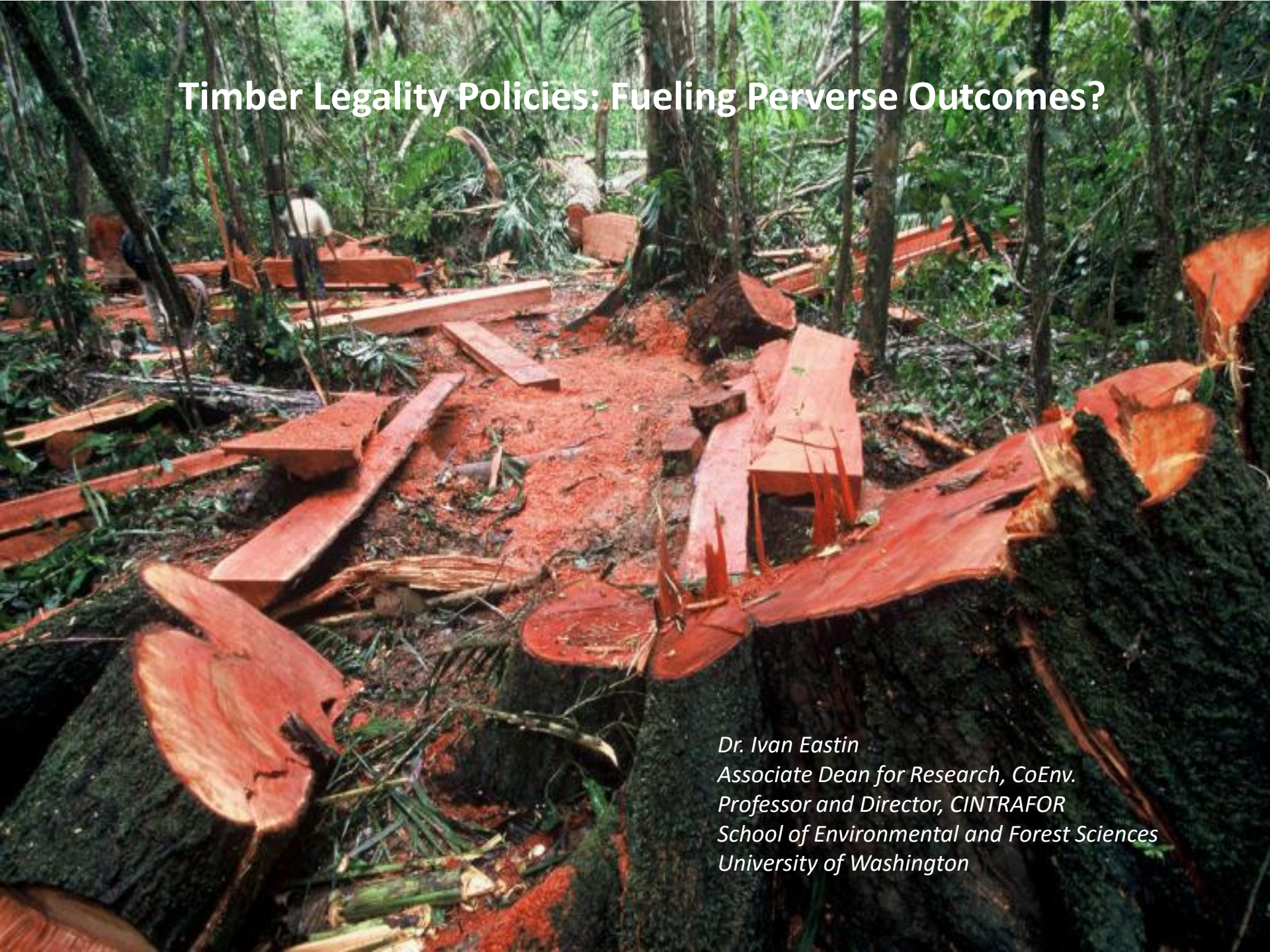


Timber Legality Policies: Fueling Perverse Outcomes?



*Dr. Ivan Eastin
Associate Dean for Research, CoEnv.
Professor and Director, CINTRAFOR
School of Environmental and Forest Sciences
University of Washington*

Agenda

- 1. Quick Overview of Wood Trade Trends 2008 vs. 2016**
- 2. Timber Legality Laws and Regulations**
- 3. Status of Illegal Logging**
- 4. Summary Results From a Survey of Chinese and Vietnamese Wood Manufacturers/Exporters**

Quick Overview of Wood Trade Trends 2015

Why is the US important?

- US is the 2nd largest importer of solid wood products:
 - \$17 billion (15.7% share in 2015)
- US is the largest importer of wooden furniture:
 - \$16.2 billion (32.1% share in 2015)
- US is largest importer of total wood products:
 - \$33.7 billion (19.7% share in 2015)
- US imports of solid wood products from suspect markets:
 - increased from \$5.6 billion (2007) to \$6.1 billion (2016)
- US imports of wood furniture from suspect markets:
 - increased from \$10.1 billion (2007) to \$12.8 billion (2016)
- US imports of total wood products from unregulated markets
 - increased from 47.9% (2007) to 53.3% (2016)

Quick Overview of Wood Trade Trends 2015

Why are China and Vietnam Important?

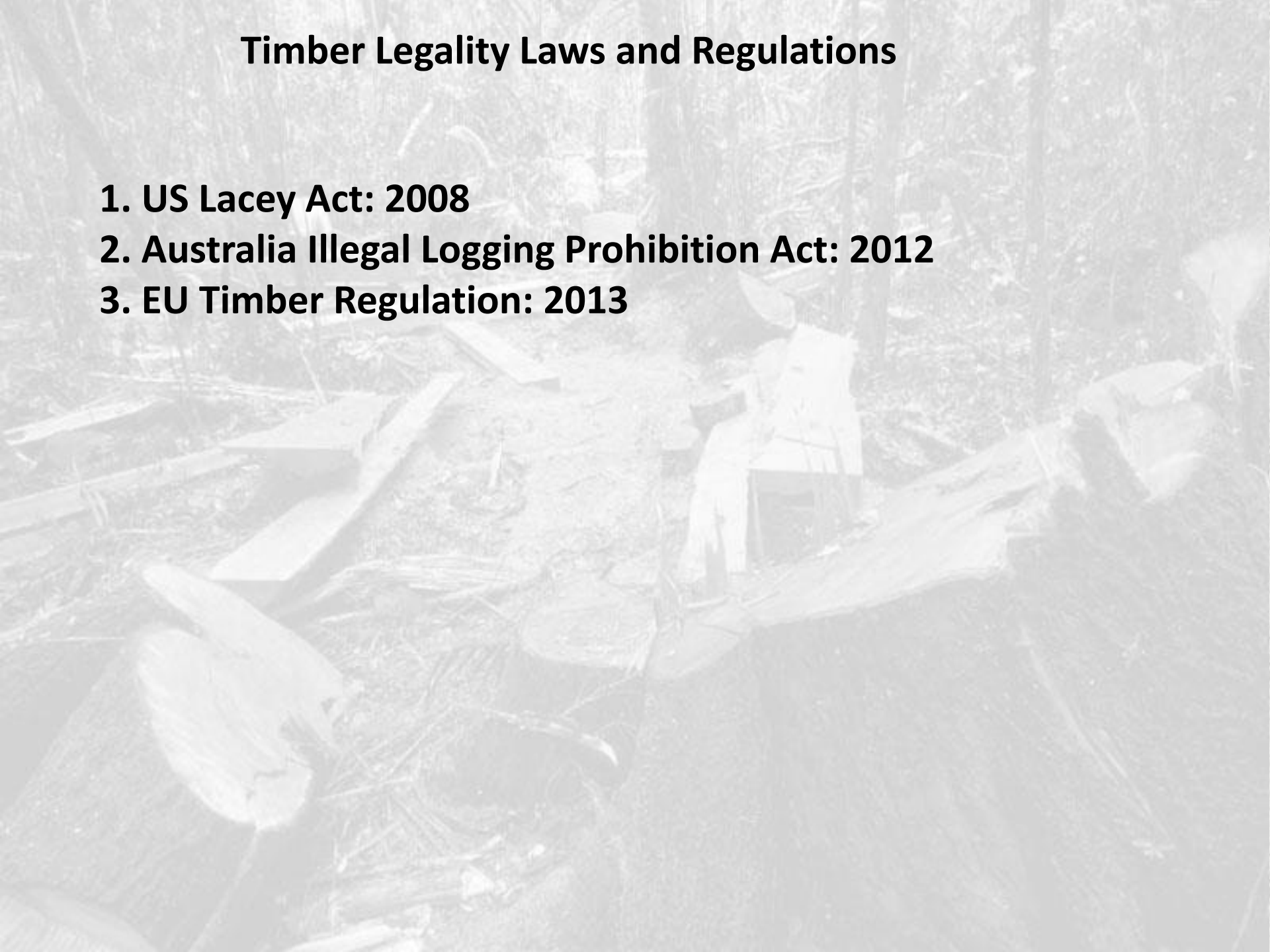
- China is the largest importer of solid wood products: \$19.6 billion (15.7% share)
- China is the largest exporter of wood furniture: 31.9% of global exports
 - US is the largest importer with 36.7% share
 - > 55% of Chinese solid wood imports were sourced from suspect countries
- Chinese Solid Wood Trade Discrepancies* (analysis based on 96% of imports)
 - With Developed countries: **10.6%**
 - With Suspect countries: **31.2%**

** (China reported imports but partner countries reported much lower exports to China, an indication of illegal logs flowing to China)*

- Vietnam is the third largest exporter of wood furniture: 8.8% of global exports
 - US is the largest importer with 57.9% share
 - > 47.9% of Vietnamese solid wood imports were from suspect countries

Timber Legality Laws and Regulations

- 1. US Lacey Act: 2008**
- 2. Australia Illegal Logging Prohibition Act: 2012**
- 3. EU Timber Regulation: 2013**



Timber Legality Laws and Regulations

1. US Lacey Act: 2008

2. Australia Illegal Logging Prohibition Act: 2012

3. EU Timber Regulation: 2013

4. Japan Clean Wood Law: 2017

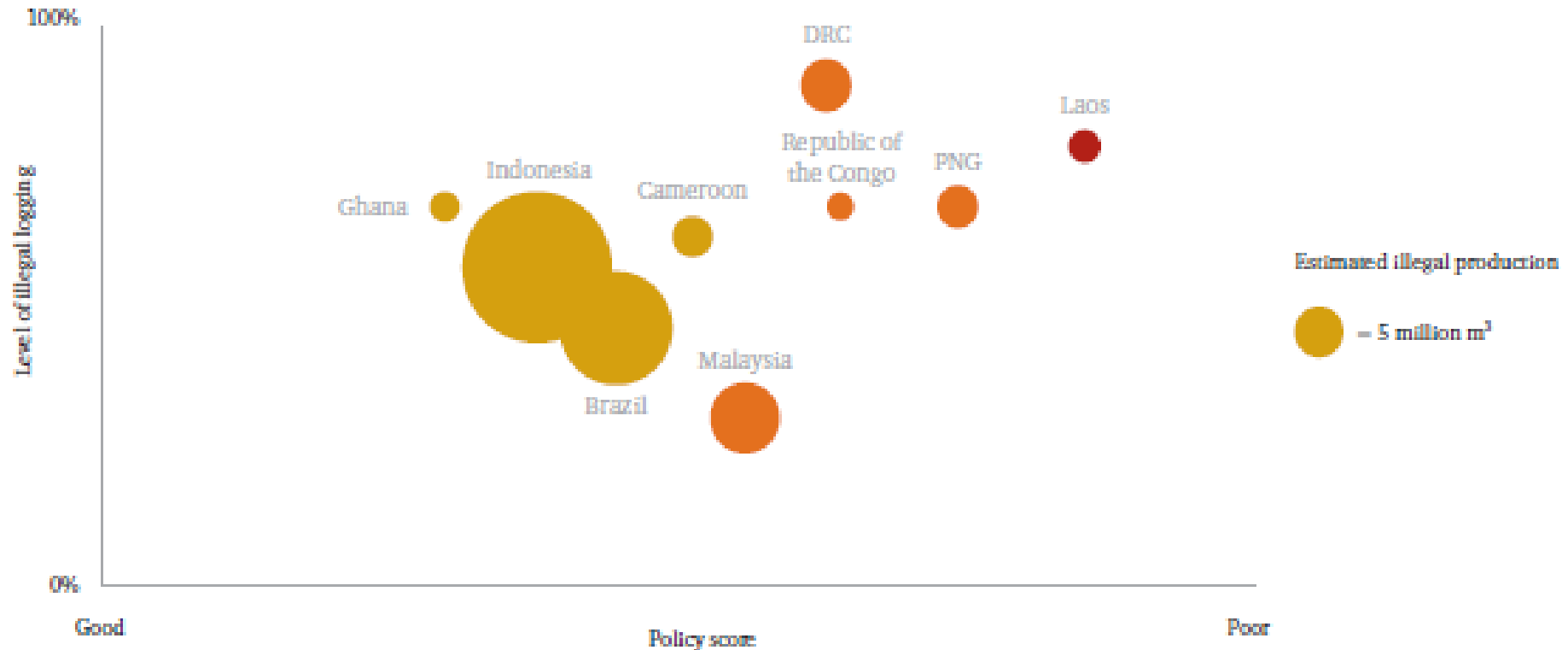
- 3rd largest importer of solid wood products: \$10.1 billion (8.4% share)
- 5th largest importer of wood furniture: \$2.1 billion (4.3% share)

So, with TLR's implemented in the major consuming markets, shouldn't we expect to see a decline in illegal logging?



Illegal Logging Continues At Very High Levels

Illegal logging estimated at ~80 million m³ in 2014*



Policy scores and volumes of illegal timber production in 2014

* Source: 2015 Alison Hoare. Chatham House Report: Tackling Illegal Logging and the Related Trade.

Illegal Logging Continues At Very High Levels

Forest Stewardship Council cuts ties with Austrian timber giant over illegal wood, EIA comments



Business Wire February 17, 2017

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Illegal Loggers Wage War on Indigenous People in Brazil National Geographic January 21, 2016

Summary Results From a Survey of Chinese and Vietnamese Wood Manufacturers/Exporters

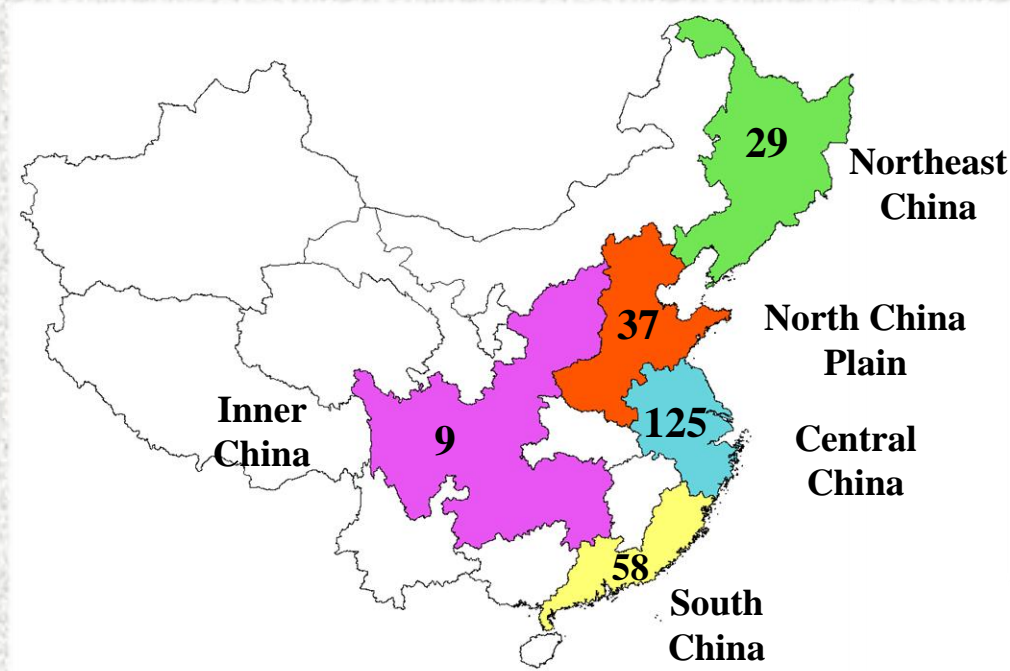
Given the importance of Vietnam and China in the global wood trade, CINTRAFOR undertook a project designed to: 1) assess the awareness and perceptions of TLR's within the Chinese and Vietnamese wooden furniture and flooring industries and 2) identify their strategic responses to TLR's.



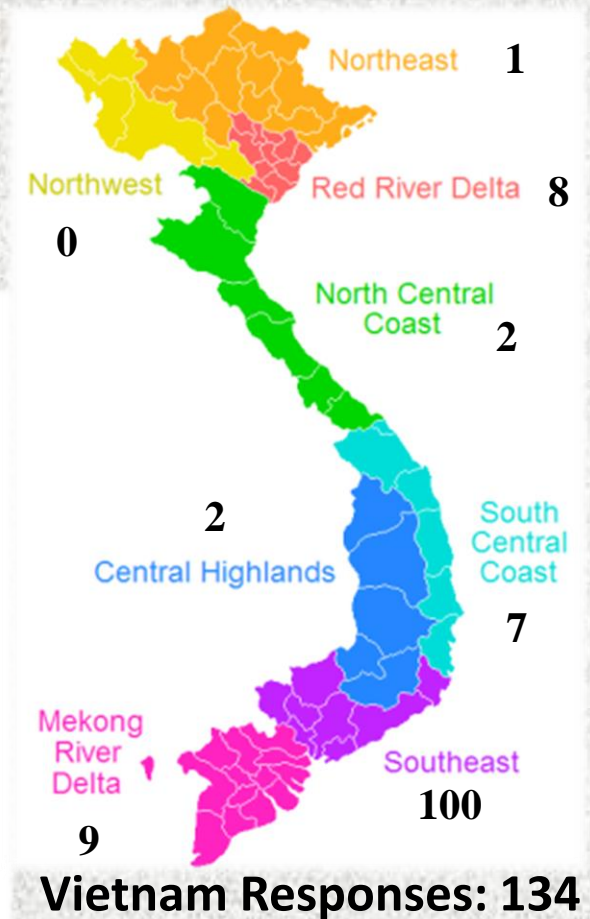
Chinese Hongmu furniture drives demand for illegal harvest of precious and endangered redwoods

Perceptions and Responses to Timber Legality Regulations China and Vietnam

Survey data was collected between 2014 and 2015 at trade shows in Shanghai, Quanzhou and Ho Chi Minh City from managers of companies that manufactured and exported wood furniture and flooring products.



China Responses: 262



Vietnam Responses: 134



Perceptions and Responses to Timber Legality Regulations China and Vietnam



Relative to their Vietnamese counterparts, Chinese wood manufacturers/exporters were significantly more likely to:

- Increase exports to countries without TLR's (43% vs. 26%)
- Decrease exports to countries with TLR's (45% vs. 18%)
- Decrease exports to the US (56% vs. 25%)
- Increase sales into the domestic market (69% vs. 52%)
- Perceive TLR's to be a protectionist non-tariff barrier (61% vs. 42%)



Perceptions and Responses to Timber Legality Regulations China and Vietnam

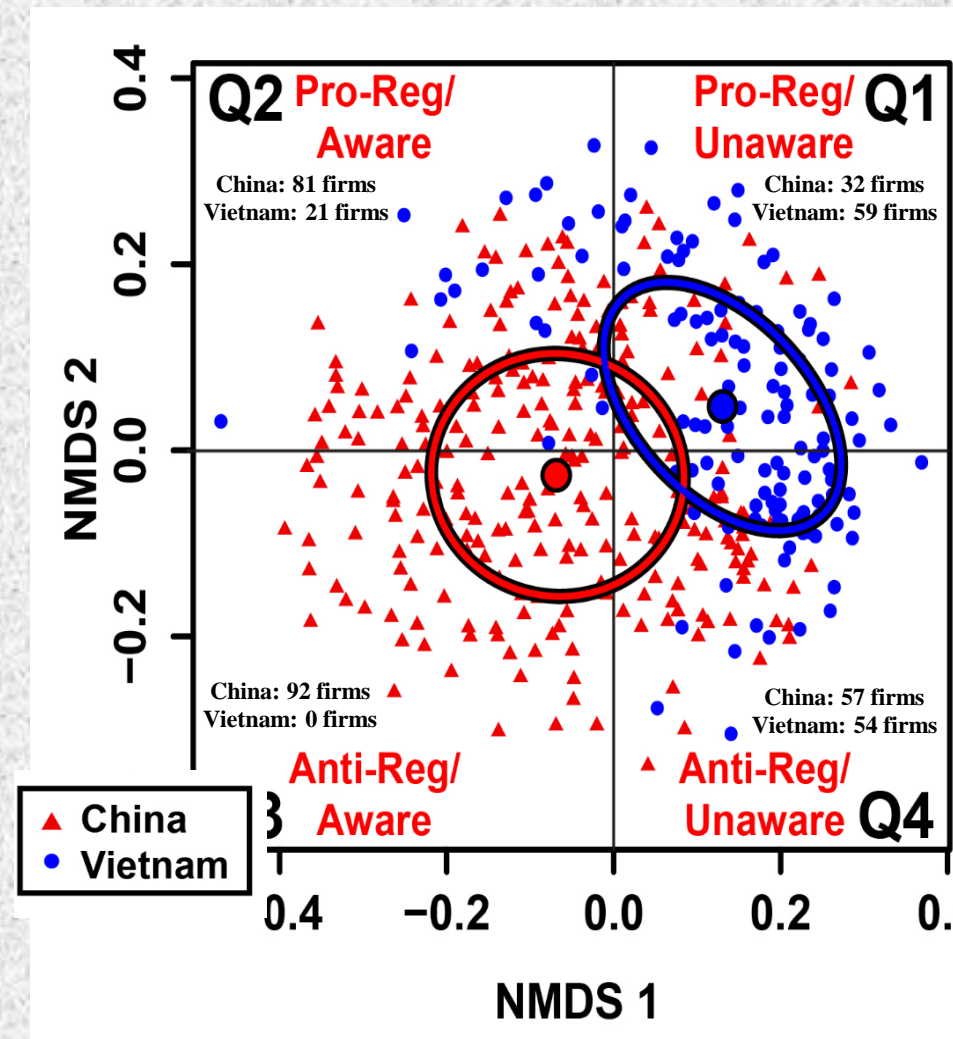
Awareness of, and attitude towards, timber legality regulations, by country

China

- Anti-Regulation and aware
 - Large variability

Vietnam

- Pro-Regulation and less aware
- Lower variability





Perceptions and Responses to Timber Legality Regulations China and Vietnam

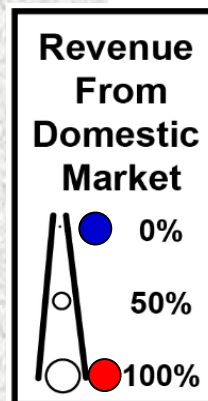
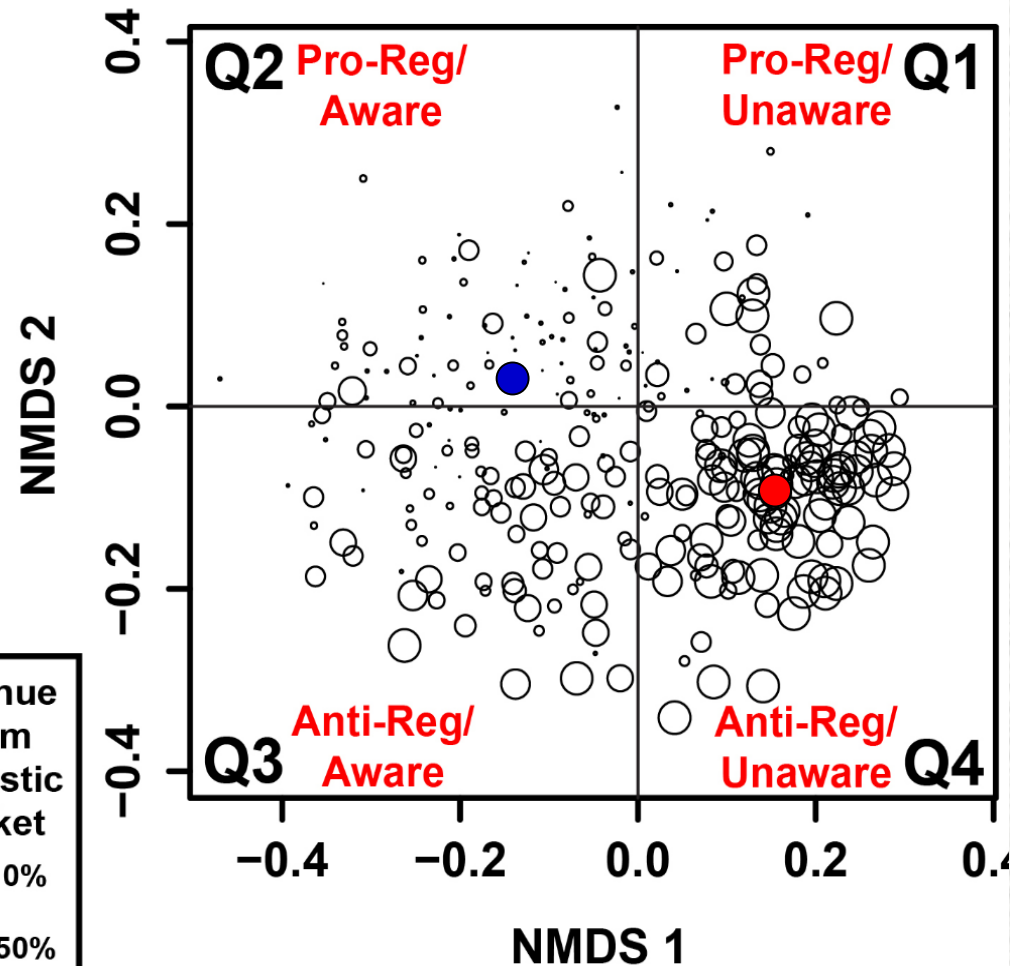
Awareness of, and attitude towards, TLR's, by domestic market orientation

Domestic oriented firms

- Clustered in Quadrant 4
- Anti-regulation & less aware

Export oriented firms

- Clustered in Quadrant 2
- Pro-regulation and generally aware



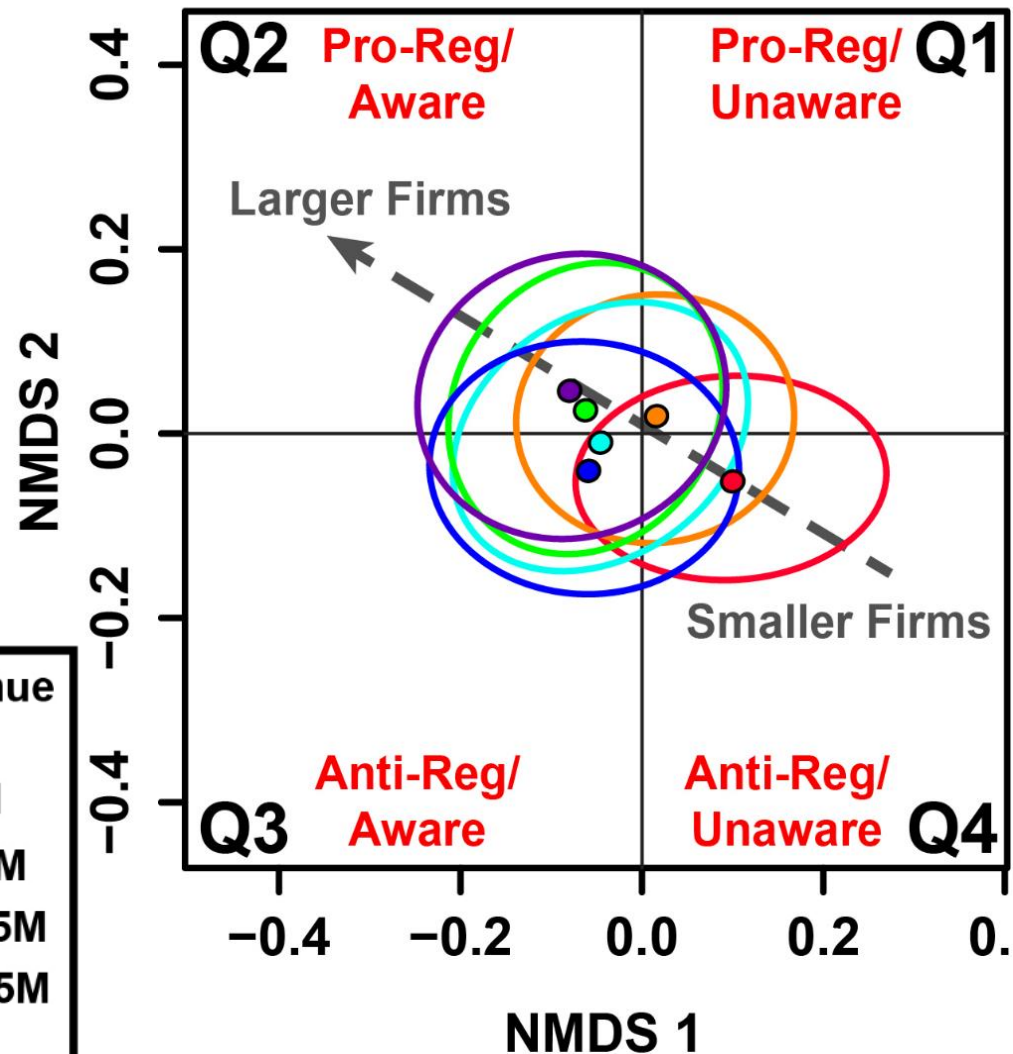
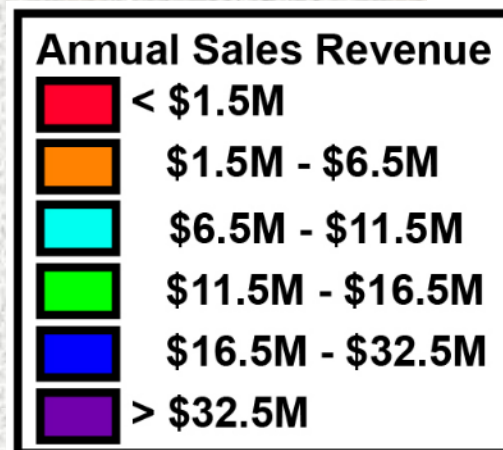


Perceptions and Responses to Timber Legality Regulations China and Vietnam

Awareness of, and attitude towards TLR's, by firm size

Firm Size

- As firm size increases, so to do favorable perceptions and awareness of TLR's



Summary Observations

- 
- 
- Exports of wood from suspect countries have increased since 2007
 - Both solid wood and wooden furniture
 - Increasing evidence shows a link with organized crime
 - US wood imports from unregulated markets have increased since 2007
 - Both for solid wood and wooden furniture
 - Suggests that more effective monitoring might be needed
 - Chinese and Vietnamese imports of suspect wood increased substantially between 2007 and 2015
 - China: increased from \$5.9 billion to \$9.9 billion (+68.8%)
 - Vietnam: increased from \$349 million to \$460.3 million (+32%)
 - Leakage increased in China and Vietnam between 2007 and 2016
 - China: wood furniture exports to unregulated markets increased from 34.5% to 49%
 - China has a much larger and more affluent domestic market
 - China is less reliant on the US market than Vietnam
 - Vietnam: furniture exports to unregulated markets increased from 20.2% to 23.1%
- 
- 

Role of Wood Forensics Technologies



- Illegal logging has been firmly linked to organized crime
- Wood exports from suspect countries are growing
- Trade discrepancies remain high
- Wood forensics technologies represent an important strategy to help monitor and enforce timber legality regulations
- They can also be used proactively by importers concerned about protecting the environment as well as their reputation.



富嶽三十六景

甲州

三義越

東海道名所

Thank you!
Questions

