

# Using supply chain policy to support good forest & land governance

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- ◆ We strongly support the regulation on deforestation in supply chains
- ◆ We hope to see similar measures being taken in the US, UK, other consumer markets
- ◆ We need to remember the problem we are trying to solve: not just cleaning our own supply chains, but reducing global deforestation. We want to avoid leakage.
- ◆ A demand-side regulation will only be as effective as the enabling environment in producer countries.
- ◆ But this isn't easy – most policy “failures” aren't due to technical incapacity but to political will & entrenched economic interests. Need to shift the economic equation, and this is where trade leverage comes in.

# What would we like to see?

- 1) The EU should reach out to the seven countries that together produce the vast majority of FERCs imported to the EU (Argentina, Brazil, Cote d'Ivoire, Ghana, Indonesia, Malaysia and Paraguay)
- 2) Interested producer countries to work with national stakeholders to agree a roadmap of necessary changes to ensure production in the country is not causing deforestation.
- 3) Progress along the roadmap need to be tied to **trade incentives**:
  - **Carrots?** Green lane market access; higher price?
  - **Sticks as a last resort** – example of US Tariff & Customs Act

# Conclusions

- ◆ A regulation is not an end in itself – it should be the beginning of a conversation with producer countries.
- ◆ The lever of market access can be really powerful – can already see this in the dialogue the EU has started with Ghana & Cote d'Ivoire, in the cocoa sector
- ◆ We would like to see this type of dialogue expanded to other commodities, embedded within a broader strategy of how to use the regulation to get positive change in producer countries.
- ◆ FLEGT has a lot of important lessons to offer. Some parts have not worked, but others— multi-stakeholder process, discussing national law & governance, and using market access as a lever for change – should be built upon in the next initiative.