



GLOBAL
FOREST
& TRADE
NETWORK

ProForest

EU and GFTN Forest and Trade
Networks for legal and sustainable
forest management in Africa and Asia

China and Southeast Asia
regional introduction

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ProForest is an independent company working with natural resource management and specialising in practical approaches to sustainability.

ProForest was a joint partner in the EU and GFTN Forest and Trade Networks for legal and sustainable forest management in Africa and Asia project.



The Global Forest & Trade Network (GFTN) is a WWF initiative designed to eliminate illegal logging and encourage responsible forest management.

WWF/GFTN was a joint partner in the EU and GFTN Forest and Trade Networks for legal and sustainable forest management in Africa and Asia project.



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1. Background to the region

1.1. Forest resources

Forests cover almost one-third of the Asia-Pacific region with China and Southeast Asia housing a forested area of approximately 401 million ha¹. The region as a whole experienced a net increase in forest area of about 1.2 million ha annually during 2000–2005. The improvement was largely the result of an increase of more than 4 million hectares of afforestation per year in China. Bhutan, India and Vietnam also increased their forest area between 2000 and 2005. However, most other countries experienced a net loss of natural forests. Southeast Asia experienced the largest decline in forest area, with an annual net loss of forests of more than 2.8 million hectares per year. The greatest forest loss occurred in Indonesia, almost 1.9 million hectares per year, followed by Myanmar, Cambodia, the Philippines, and Malaysia².

The variation in the deforestation and reforestation rates experienced by different countries in the region is pronounced. Several countries are losing forests at rates exceeding 1.5 percent per year - these are among the highest rates of loss in the world. On the other hand, the forest area is growing considerably in several countries, especially in China and Viet Nam³.

It is important to note that the growth in forest plantations does not negate the continued loss of natural forests. Natural forests are infinitely more valuable from a social and environmental point of view than plantations. For instance, natural forests have higher biodiversity than plantations as natural forests support wildlife habitats and contain more plant species than plantations. Many indigenous peoples and local communities in the region are still dependent on forests for their livelihoods.

From a traditional financial point of view (monetary value of harvestable and saleable goods) natural forests have struggled to compete with plantations. However they become increasingly attractive when compared with competing land uses when a broader economic viewpoint is taken, for example as the payment for environmental services (PES) concept becomes internationally accepted.

1.2. Threats to natural forests

Forest resources in this region are threatened by commercial logging (both legal and illegal), conversion to other land uses and fire. If no action is taken these forests will disappear very soon.

Illegal logging in tropical Asia WWF estimated that €10–15 billion are lost through illegal logging globally each year⁴. A study by WRI and other researchers finds that

¹ State of World's Forests 2007, FAO

² State of World's Forests 2007, FAO

³ State of World's Forests 2007, FAO

⁴ WWF. 2006. Failing the Forests: Europe's illegal timber trade.

over half the world's deforestation is concentrated in just two locations: 48% in Brazil and 13% in Indonesia. The main causes of forest loss in Indonesia, according to the report, are conversion to plantations (for both timber and agricultural crops) and high rates of illegal logging⁵.

Conversion to timber plantations has also contributed to some deforestation. For example, the fastest rate of deforestation in Indonesia is occurring in central Sumatra's Riau province, where some 4.2 million hectares (65%) of its tropical forests and peat swamps have been cleared for industrial pulpwood plantations in the past 25 years⁶. Clearing natural forests for pulp plantations also happened in China. Asia Pulp and Paper (APP, a subsidiary of the Sinar Mas Group) cleared natural forests in Yunnan for eucalyptus plantations, claiming that the whole of Yunnan was barren land⁷. Conversion of tropical forest to oil palm has become a major threat to tropical rainforests in Asia. Oil palm may account for up to 16% of recent deforestation in Indonesia as well as significant areas of forest loss in Malaysia and other nearby countries⁸.

Fire is also a major threat to natural forests. The area burned in Indonesia (Sumatra and Kalimantan) in the 1997/98 fires was estimated at 9.7 million hectares of forest and non-forest land, with some 75 million people affected by smoke, haze, and the fires themselves⁹. Some blamed small-scale farmers, whilst others blamed activities by forest concessionaires and plantation owners as the major causes of fires. In August 2006, a Greenpeace team of investigators discovered widespread destruction of Sumatra's ancient forests, caused by fires which were threatening to burn out of control. It is believed that forest clearing for acacia pulpwood and oil palm plantations are the leading causes of the fires and also a factor in creating environmental conditions that perpetuate the problem¹⁰.

1.3. Role of processing countries

In addition to the rich forest resources, China and Southeast Asia is also one of the major manufacturing regions for timber and paper products. China has transformed itself into the world's largest manufacturing country for timber products and plays an important role in global trade in timber products. Between 1997 and 2006, the volume of manufactured timber product exports, mainly plywood and furniture, increased more than eight-fold from 5.1 to 43 million cubic metres RWE pa¹¹. Vietnam is also an important country for garden furniture production. Exports of garden furniture grew by more than 49% to US\$1.9 billion in 2007, making Vietnam

⁵ Groundbreaking Study Find the Hotspots Most Responsible for Deforestation, WRI website. July 2008.

⁶ WWF (2008) Deforestation, Forest Degradation, Biodiversity Loss, CO₂ Emissions in Riau, Sumatra, Indonesia. WWF Indonesia

⁷ <http://www.greenpeace.org/china/en/campaigns/forests/app-illegal-logging-in-yunnan>

⁸ Fitzherbert, E.B., *et al.* (2008) How will oil palm expansion affect biodiversity? *Trends in Ecology & Evolution* 23, 538-545

⁹ The underlying causes and impacts of fires in Southeast Asia final report.

<http://www.cifor.cgiar.org/fire/pdf/pdf45.pdf>

¹⁰ <http://www.greenpeace.org/seasia/en/press/releases/forest-fires-rage-again-in-ind>

one of the World's largest exporters. According to the Vietnam Timber and Forest Product Association (Vietfores) Vietnam exports garden furniture to more than 80 foreign markets; the US being the major export destination with trade worth over \$3 billion annually.

Processing countries like China and Vietnam have an essential role to play in promoting responsible forestry – both domestically and outwith their borders. They both import a substantial amount of timber from countries where there is a high concern over illegality, such as Indonesia and Russia. This is reflected by many NGO reports. For example, In March 2008 EIA showed that some Vietnamese companies were using logs imported from Laos, which is a contravention of law as the government has banned the export of logs and sawn timber¹². Substantial quantities of timber products from processing countries are targeted for export markets. The export destinations include sensitive markets such as the EU where there is high level of awareness and concerns on illegality and unsustainable forest management. They play an important role in these supply and demand links.

2. Issues hindering sustainable forest management and responsible sourcing

One of the major problems in the region is *lack of SFM knowledge and implementation capacity*. This can be seen within the national and provincial institutions directly responsible for various aspects of management in several countries in the region. As a result inventory, management planning, resource allocation and monitoring are poorly conducted and do not meet best practices for SFM. In addition, regulatory issues including inadequate control of unauthorised activities and unclear boundary demarcation of harvesting areas also hinder the implementation of SFM in Vietnam.

In addition there is a *low level of awareness and understanding of responsible sourcing* in the region. The majority of companies have no idea of what responsible sourcing actually means. For instance, at the time of joining China FTN, none of the companies understood the concept and requirements of responsible timber sourcing. They all sourced timber from overseas countries including Russia, Indonesia, West Africa and Brazil. They had no ideas of where the timber came from. They did not request information on forest source and supply chain from their suppliers as it is not a common practice in China. This situation is also common in other Asian countries. The lack of awareness and understanding of responsible sourcing is a barrier for many companies; even if they want to act responsibly, they may find themselves it difficult to convince their suppliers to source timber from legal and sustainable sources and to provide the relevant proof.

¹¹ Forest Products Trade between Russia and China: Potential Production, Processing, Consumption and Trade Scenarios. S. Northway and G. Bull. July 2007

¹² EIA report Borderlines is available at: <http://www.eia-international.org/cgi/reports/reports.cgi?t=template&a=160>

Moreover, companies in this region feel *less pressure from media and NGOs* on environmental performance than in Europe and North America. Even though many NGOs (both international and local) are active in the region, they do not get the same attention from the media and the general public. In addition, the concept of corporate social responsibility (CSR) is unknown to many Asian companies, and even if they have heard about it, they would not consider this is important. They see their main business goal as making profit. Being social and environmentally responsible means more spending, which often does not fit into their corporate culture. As a result, many companies in Asia are not under pressure to act responsibly and hence do not think about whether the timber they used comes from legal or sustainable sources.

Nevertheless, some companies have started to act responsibly. For example several China FTN members reported that their motivation to join FTN was that they feel a responsibility to address environmental issues.

3. Support required in the region

In order to understand what support and services are required in the region, WWF carried out a study in 2005. The result showed that there is already a range of support options available on issues related to legality, sustainable forest management and High Conservation Values Forest (HCVF) from a number of different organisations in Indonesia. In Malaysia, the analysis revealed that chain of custody is well understood and some progress has been made in legal and sustainable forest management. Malaysia only requires additional support in selected areas, such as practical implementation of SFM. So the only gap is support for HCVF. However, organisations working on HCVF in Indonesia will be able to provide support, given the similarities of dipterocarp forest between Malaysia and Indonesia.

China and Vietnam approached the issue of SFM later than Indonesia and Malaysia but they do share similar challenges. There is a shortage of organisations that provide consultancy services and support programmes in both countries. It is realised that support in all aspects (SFM, legality issues, COC, responsible purchasing and HCVF) are required in China, while in Vietnam many companies are quite advanced on chain of custody but still require support in legality, SFM and HCVF.

4. Progresses in the region

There are threats such as illegal logging and conversion in China and Southeast Asia, and challenges such as lack of capacity in implementing SFM and responsible sourcing. However, there are also opportunities to put things right.

Stepwise programmes

It was realised that in many companies there are big gaps between current management practices and certification requirements. Many manufacturers also require assistance in cleaning up their supply chain and gradually purchasing

certified timber. Therefore, a number of stepwise programmes have emerged, for instance WWF's Global Forest and Trade Network and the Tropical Forest Trust.

WWF Global Forest and Trade Networks (GFTN)

Forest and Trade Networks (FTN) are made up primarily of forest owners and managers ("Forest" participants) and processors and manufacturers ("Trade" participants) that have achieved or are committed to achieving credible forest certification or a certified supply chain. These participants agree to an action plan with a time table for achieving certification. The FTNs in China, Malaysia, Indonesia and Vietnam have started working with progressive companies to improve forest management and implement responsible timber sourcing. These 4 FTNs have 70 members, managing over 1.3 million ha of certified forests in the region. Member companies include plywood manufacturers, furniture makers, flooring companies and forest managers.

Tropical Forest Trust (TFT)

The TFT was established as a not-for-profit organisation in August 1999. The TFT links the supply chain from the forest to the consumer through its three membership categories: producing, supplying, and buying members. The TFT works by linking the producers of forest products to manufacturers and companies that trade in wood products, which are sold to buyers (wholesalers). As of February 2009, there are 56 members, including Congolaise Industrielle des Bois (CIB) who achieved FSC certification of 750,000 ha in Congo in May 2008¹³.

Forest certification

Forest certification development started nearly 2 decades ago but has been progressing slowly in this region. There are 3 certification schemes operational - the Malaysian Timber Certification Scheme (MTCS), Indonesia Ecolabel Institute (LEI) and Forest Stewardship Council (FSC). Both MTCS and LEI are national schemes while FSC is a global scheme.

As of January 2009, there are over 2.1 million ha of FSC certified forests, with China accounting for half of this. However this only accounts for 2% of total FSC certified forests globally. MTCS has certified nearly 4.5 million ha of forests in Malaysia. MTCS has applied for endorsement by PEFC and is awaiting confirmation. LEI currently has 1.6 million ha of certified forests.

FLEGT

FLEGT stands for Forest Law Enforcement, Governance and Trade. The EU FLEGT Action Plan sets out a range of measures that aim to tackle illegal logging and associated trade in developing countries, including financial and technical support to achieve improved forest governance. It also provides for Voluntary Partnership Agreements (VPAs) between developing timber producing countries and the European Union.

¹³ <http://www.tropicalforesttrust.com/news-detail.php?newsid=126>

Both Malaysia and Indonesia have entered into formal negotiation with the EU on VPA. Malaysia hopes to conclude a VPA with the European Union in 2009, according to the Plantation Industries and Commodities Minister who stated that the agreement would help to ensure the sustainability and legality of timber production while improving the image of Malaysian tropical timber in Europe¹⁴. According to an independent review of the Malaysian Timber Legality Assurance System (TLAS) the existing system fails the FLEGT requirement in a number of ways. When Malaysia overcomes these challenges, they will be the first country in the region to implement a FLEGT Timber Legality Assurance Scheme¹⁵.

The Indonesian government has progressed more slowly in VPA talks. The main reason for this seems to be that the government is still unsure about the draft definition of legal timber and systems to verify legality. As yet, no Timber Legality Verification System (TLAS) has been proposed to the EU.¹⁶

Vietnam has also expressed interest in joining the FLEGT process and is now in pre-negotiation stage. And finally, a bilateral Coordination Mechanism on EU-China FLEGT was established in January 2009.

¹⁴ Bernama news website. 10 February 2009.

http://www.bernama.com.my/bernama/v3/news_lite.php?id=388929

¹⁵ FERN Update report on Voluntary Partnership Agreement February 09

http://www.fern.org/media/documents/document_4343_4345.pdf

¹⁶ Same as 15