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EU Timber Regulation and FLEGT Action Plan:

Lessons learned and policy implications

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COMBATING ILLEGAL TIMBER LOGGING AND TRADE

Illegal logging and trade in illegally sourced timber have detrimental effects on the forest sector. They undermine legal trade and pose severe environmental, social and economic threats. The European Commission presented the **EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan** in 2003, with the aim of eliminating illegal timber in international trade, and acknowledging the shared responsibility of exporters and importers. A cornerstone of the Plan is the establishment of **Voluntary Partnership Agreements (VPAs)** with timber producing and exporting countries, and the introduction of FLEGT-licensed timber.

A second key element in the EU fight against the illegal timber trade is the **EU Timber Regulation (EUTR)**, which came into full effect in March 2013. VPAs and the EUTR are meant to reinforce each other, addressing the supply (export) and demand (import) side of the timber product trade respectively. The EUTR obliges timber product importers to take adequate measures and due diligence to minimize the risk of importing illegal timber products to the EU.

Another key initiative has been the amendment of the Lacey Act (LAA) in the US in 2008, prohibiting the import of illegally sourced timber products. Other major importing countries such as Japan and Australia have also followed this trend of regulating illegal timber entering their markets.

In 2015, FLEGT has been in force for 12 years, and the EUTR for two years. What does scientific evidence say about the effectiveness and impacts of these policy measures? Have they been successful in tackling the trade of illegally harvested timber, and in promoting good forest governance?



Timber tracking system, Ghana

Photo: EU FLEGT Facility. European Forest Institute

LESSONS LEARNED

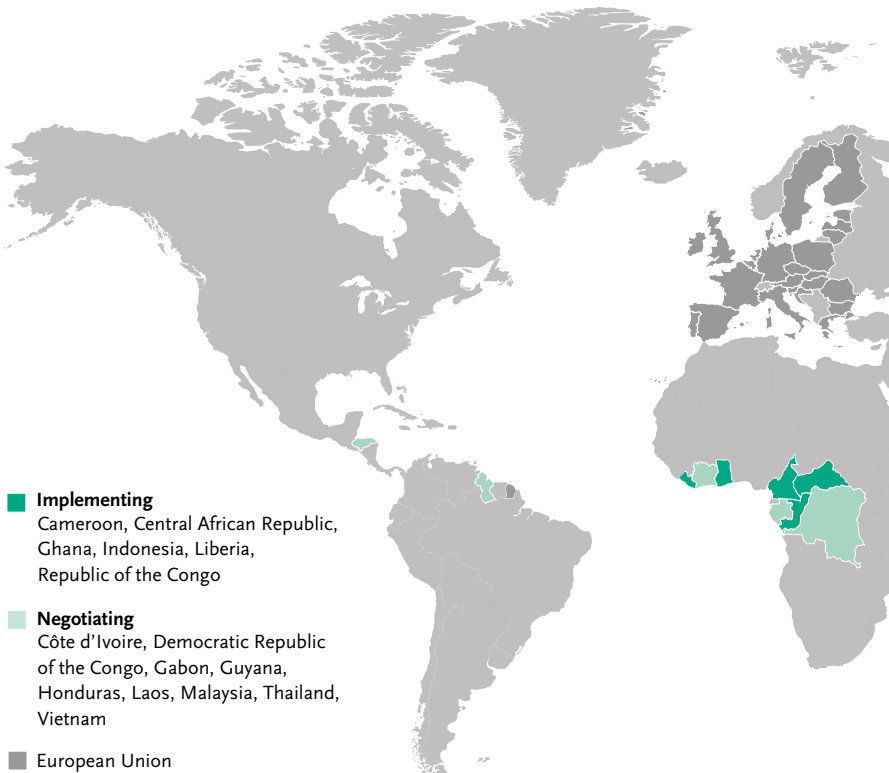
It is still too early to be able to draw strong, quantifiable conclusions regarding the impacts of FLEGT and the EUTR on reducing illegal logging. Global legality verification regimes are complex and evolving dynamically. While there are more and more scientific and expert studies being published, the evidence regarding important questions is still limited. However, this does not preclude some inferences based on economic theory. In addition, existing analysis of the potential effects of the US Lacey Act Amendment on timber markets and trade flows provides further insight.

Outside the EU, the effects of both VPAs and the EUTR on forest governance, forest management, and the timber product manufacturing sector are only evolving now. The arising legality verification regime has strongly increased the awareness of different stakeholder groups in producer and consumer countries of the illegal logging issue, yet the consequences of this increased awareness for harvest, trade and production practices are hard to quantify.

Effects on governance

The FLEGT/VPA process has apparently resulted in significant improvements in forest governance in partner countries. However, many studies note that local communities have yet to be properly involved in the negotiation process or are simply not aware of legality verification.

Experience shows that going beyond timber legality and including socioeconomic development objectives will make VPA implementation more successful.



Effects on timber markets and trade flows

Unlike the EU market, the potential effects of the US Lacey Act Amendment on timber markets and trade flows have been analyzed quantitatively for the US market. In general, tropical timber product imports seem to decrease, while temperate hardwood imports may fill the resulting gap in timber supply. However, the causal link between this trend and the legality verification policy is yet to be established.

Shifts in trade need to be better analyzed to understand the causalities and the ultimate consequences in terms of trade diversions and market substitutions.

Effects on reducing illegal logging

Policy measures like FLEGT, the EUTR and LAA tend to result in reduced imports of illegal timber products in countries imposing such measures. The prices of the *legal* imports from the same source countries tend to be higher compared to the case without those measures.

However, we cannot yet definitely say that the policy measures have reduced illegal logging in suspected source countries, although they could have.

It is possible that these source country producers could have redirected their illegal timber products to other countries without comparable policy measures. It is also possible that more illegal wood in source country markets has been redirected to domestic consumers, pushing more legal wood into world markets, so the *net effect* on illegal timber remains unclear.

More research is needed to verify these kinds of supply diversions.



The FLEGT VPA process in different countries.
EU FLEGT Facility, European Forest Institute



POLICY IMPLICATIONS

Ensure coherent and consistent implementation of the EUTR

In the EU, the implementation of the EUTR is still a major challenge. While some countries are well advanced in the implementation process, others are still at the beginning. The technical and economic challenges of the implementation remain substantial, for example the lack of resources and knowledge, and the sheer number of operators versus personal resources of the implementing agencies.

Inadequate implementation might induce legally questionable timber product trade flows. Effective, consistent and coherent implementation of the EUTR across all EU Member States will avoid a counterproductive “race to the bottom”, and should also reduce the risk of trade disputes.

Helping to facilitate the benchmarking of good practices from more experienced countries would be valuable.

Implementation should be done in close cooperation with industry, striking the right balance between effective implementation and acceptable costs. A process of mutual learning could aid the achievement of this balance.

The European Commission’s Independent Market Monitoring (IMM) project, which is creating a database for the analysis of timber trade development, could play a key role.

Include China in moves towards legality

It is crucial for the success of the fight against illegal logging and trade of timber products to involve all major timber product



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exporting and importing countries, especially China. The bilateral negotiations the EU is already conducting with such countries are therefore essential.

Multilateral negotiations which also involve other major destinations for the trade in timber products, such as the US and Japan, could be even more fruitful.

Recognise that legality does not guarantee sustainability

There is a need to re-consider the importance of the emerging legality verification regime in the context of a broader global governance system targeting the sustainable management of the world's forests.

Legality is a core precondition for sustainability, but does not guarantee sustainability per se.

Provide support for smaller enterprises

There is a danger that the emerging legality verification regime creates advantages for large, export-oriented enterprises compared to smaller firms in both exporting and importing countries. This is due to the perceived costs of legality verification, and lack of adequate capacity and knowledge. Inside the EU, monitoring organizations, which provide advice and directions for exerting due diligence, have a key role.

It is essential that support for small and medium-sized timber-product firms in source countries is forthcoming.

The Independent Market Monitoring project should aid in striking the crucial balance between the demands of EUTR compliance and the existence of an inclusive, competitive timber product market.

There is a growing need to strengthen communication between the science community and key policy makers in the EU. For this reason, the European Forest Institute (EFI), after consultation with leading experts on forest policy in Europe, is supporting and facilitating a high-level discussion and information-sharing forum, “ThinkForest”.

ThinkForest provides an active and efficient science-policy interface and fosters an inspiring and dynamic science-policy dialogue on strategic forest-related issues.



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