

Cross-border timber trade in the South Asian Association for Regional Cooperation area

Key messages

- The European Union (EU), the United States (US) and tropical countries (Côte d'Ivoire, Ghana, Malaysia, Myanmar/Burma and Nigeria) are expected to continue as leading timber trade partners for countries in the South Asian Association for Regional Cooperation (SAARC). Any timber trade between Myanmar/Burma and the SAARC region is likely to be minimal over the next 15 years as a result of Myanmar's log export ban.
- The SAARC region will remain a net importer for at least the next 15 years because domestic demand is estimated to grow faster than domestic production. The gap between recorded supply and consumption is expected to widen further in the future, increasing reliance on imports.
- SAARC countries import large quantities of illegally sourced timber that go undetected due to a lack of effective policy measures. The illegal cross-border timber trade takes place within communities and by organised groups.
- Forest law enforcement remains challenging in SAARC countries because of weak regulatory frameworks to control timber transport and verify the supply chain, a lack of resources and corruption in forest departments.
- Recommendations to promote legal timber trade in the region include:
 - Strengthen legislative frameworks and adopt responsible import policies.
 - Raise awareness of timber legality and the EU Timber Regulation (EUTR).
 - Promote sustainable forest management and forest certification.
 - Conduct further research on timber trade in the region.
 - Strengthen existing regional institutional mechanisms.

About this publication

Cross-border timber trade in the South Asian Association for Regional Cooperation area

Keywords: SAARC, timber trade, regional cooperation

Country/Region: Asia

Authors: EU FLEGT Facility

Publish date: 23 December 2016

Introduction

This briefing is based on a study of the cross-border timber trade focusing on Bangladesh, Bhutan, India, Nepal, Sri Lanka and Myanmar/Burma. All countries except Myanmar/Burma are members of the South Asian Association for Regional Cooperation (SAARC). There is very little systematic information on timber and timber products trade flow between these countries and outside markets.

The main objective of the study is to provide a clear understanding of the timber and timber products trade, regulatory and policy frameworks, and institutional mechanisms in the SAARC region. It also provides an overview of the SAARC region's timber trade with Myanmar/Burma and other important markets. It highlights challenges and opportunities, and provides recommendations for key target areas for Forest Law Enforcement, Governance and Trade (FLEGT) support, and for strengthening institutional mechanisms in the region.



**Nepalese women
carry wood harvested
sustainably from a
forest**

Source: DFID

Key findings, challenges and opportunities

Timber production and consumption

The recorded supply of timber from natural forests has been declining. Plantations and trees outside forests will remain the major source of timber. Social and community forests, small private plantations such as agroforests, farm forests and large-scale home gardens, and trees outside forests will continue to be the main domestic sources of timber in the SAARC countries.

Timber consumption has increased faster than the recorded supply. In all study countries except Bhutan and Myanmar/Burma, imports and unrecorded timber are filling the gap. The demand for timber is likely to grow further because of the increasing population and rapid economic growth in the region. As a consequence, the gap between the recorded supply and consumption will widen further in the future, and this will increase reliance on imports.

Trade policies that favour importing industrial roundwood through lower duties compared with other products, will provide incentives for increasing imports. This is particularly the case in Bangladesh and India. Such policies are also likely to encourage more unrecorded timber in the supply chain.

The demand for certified timber is growing especially in Bangladesh, India and Sri Lanka as these countries try to export more to markets that require certification. Timber industry companies and medium- and large-scale private plantation investors will play a key role in increasing the production of certified timber.



◀ **Cutting wood from the Sunderban, Bangladesh**

Source: Oxfam International

Trade patterns and links with trading partners

Overall, the SAARC region will remain a net importer for at least the next 15 years as domestic demand is estimated to grow faster than domestic production. India will remain by far the biggest exporter and importer of timber and timber products in the SAARC region.

The European Union (EU), the United States (US) and tropical countries will continue to be the leading trade partners for SAARC countries.

During the period from 2000 to 2013, paper, paperboard and wood pulp (besides industrial roundwood) were the main timber products that SAARC countries imported from the EU and US. Paper and paperboard, wooden furniture and handicrafts were the major timber products that were exported. Imports of these products from China were also substantial and grew rapidly.

In terms of value and volume, Côte d'Ivoire, Ghana, Malaysia, Myanmar/Burma and Nigeria contributed 80% of the industrial roundwood imported into the study countries in the SAARC region between 2000 and 2013.

Trade between Myanmar/Burma and the SAARC region is likely to be minimal over the next 15 years as a result of Myanmar's log export ban which came into effect in April 2014. Trade between the SAARC region and Myanmar/Burma was largely one-way. The SAARC countries, particularly India and Bangladesh, imported industrial roundwood, mainly comprising teak (*Tectona grandis*), gurjan (*Dipterocarpus* spp.) and pyinkado (*Xylia dolabriformis*). Imports were worth hundreds of millions of US dollars, while exports to Myanmar/Burma were negligible (Figure 1).

India's imports of plywood and veneer from Myanmar, which have been negligible compared with industrial roundwood imports, might increase slightly in the future. This is because of the scheduled reduction in import duties for these two products under the Association of Southeast Asian Nations (ASEAN) India Free Trade Area (AIFTA) Agreement. However, this increase will not come close to compensating Myanmar/Burma for the loss of its industrial roundwood exports.

To fill the vacuum created by Myanmar's log export ban, the SAARC countries have started importing more timber from Malaysia and a number of new countries, such as Benin, the Solomon Islands and Surinam. The zero import duty set in 2010 under the AIFTA Agreement for the trade of industrial roundwood between India and Malaysia will act as a key policy driver, and will increase roundwood imports from Malaysia to India.

The scenarios for the most traded timber products and leading trade partners are likely to remain unchanged for the next 15 years because market factors, such as trends in demand and supply, are expected to remain the same.

Policy and regulatory framework, export-import procedures and controls

Forest law enforcement remains challenging in SAARC countries. The regulatory framework that controls timber transport and verifies the supply chain is weak. Timber production, processing and trade in particular, and forest resources in general are regulated by multiple acts and laws that have good provisions. However, a lack of resources and corruption in forest departments make effective forest law enforcement very challenging.

Export and import procedures are inconsistent across study countries in the documentation required and the checks carried out. This inconsistency, together with the geographic locations of these countries, results in variation in time required for, and costs associated with, exports and imports.

The main means of recognising timber as legal is a transit pass. Forest departments check consignments of timber against transit passes at checking stations. However, a transit pass is only a piece of paper and forgery is not uncommon. Checks are manual and systems used at the forest checkpoints are not computerised. Technological improvements to the systems are needed to make the transit pass an effective way to control timber transport or to verify the supply chain.

Forest policies in all study countries lack explicit measures to control illegal logging. In addition, there is no mandate in the countries' forest and international trade policies for effectively checking whether imported timber comes from a legal source. No documents proving timber legality are required for customs clearance. This leaves the door wide open for illegal timber imports.

Source, trade flows and markets for illegal timber

Inadequately enforced forest regulations allow large quantities of unrecorded timber, sometimes mixed with legal timber, to enter the domestic supply chain each year. Unrecorded timber meets a substantial part of domestic timber demand especially in Bangladesh, India and Sri Lanka. It is mixed with legal timber to some extent in all the study countries.

Private tree growers' poor knowledge about timber legality and the absence of national systems for recording legal timber production data also contribute to the problem. Corruption in the forest sector is a major underlying problem.

The study countries import large quantities of illegally sourced timber that go undetected because of a lack of effective policy measures. A significant portion of the imported timber, particularly in India, is estimated to be sourced illegally. Because there is no policy mandate, imported timber can be cleared through the import procedures without proper checks for legality.

Illegal cross-border timber trade takes place within communities and by organised groups. Individuals trying to earn a living and organised groups move illegal timber across the border (especially from Nepal and Myanmar/Burma to India, and from India and Myanmar/Burma to Bangladesh) (Figure 2). Communities on both sides of the border do not respect national borders when in need of timber.

Recommendations to promote legal timber trade

There are a number of key areas where support on Forest Law Enforcement, Governance and Trade (FLEGT) could be targeted:

Strengthen legislative framework and adopt responsible import policies

Highlight the importance of strengthening the legislative framework and adopting more responsible foreign trade policies. This could introduce mandatory checks of the legality of timber imported by the SAARC region countries and Myanmar/Burma.

To prevent illegal logging, illegal cross-border timber trade and illegally sourced timber imports, strengthen existing legal frameworks and adopt import policies with a mandate for strict timber transport control and supply chain verification. Effective law enforcement and policy implementation are also necessary.

Raise awareness about timber legality and the EU Timber Regulation (EUTR)

Training for small-scale private tree growers about timber legality will reduce the volume of unrecorded timber in the supply chain. Such programmes can be run on public media platforms and at village or community levels.

Awareness-raising programmes can be used to target the forest industry, particularly in India. These should focus on the requirements of the EUTR and the risks of continued consumption of illegal timber.

Promote sustainable forest management and forest certification

It is important to promote sustainable forest management and forest certification. Because the problem of illegal timber is regional, and small-scale producers supply a significant quantity of timber, the potential for regional cooperation to promote group forest certification should be explored.

A joint action plan (involving several countries) is more likely to prevent illegal timber from entering the supply chain than a single-country approach.

Teak logs awaiting inspection in factory yard in Yangon, Myanmar

Source: EU FLEGT Facility



Conduct further research on timber trade in the region

The following research could help to design better FLEGT-related activities in the region:

1. Assess the level of unrecorded domestic timber in the market and the extent to which illegal and legal timber are mixed.
2. Examine options to develop national systems to record legal timber production.
3. Identify regional systems that provide easy access to information on policy, regulatory frameworks, procedures and controls on timber production, processing and trade.
4. Assess how periodic monitoring of timber trade data could work.
5. Examine the feasibility of using independent forest monitoring to improve the effectiveness of forest law enforcement.
6. Seek ways to minimise certification costs.
7. Explore links between timber legality and climate change, and between people's livelihoods in border areas and cross-border illegal timber trade.

Strengthen existing regional institutional mechanisms

Despite known weaknesses, regional institutional mechanisms could provide a good base for future FLEGT-related activities in the SAARC region.

1. Strengthen potential regional partners

The SAARC Forestry Centre (SFC) could be strengthened through funding, training and capacity building to become a regional platform for dialogue on timber trade and legality.

Cooperation between SAARC and ASEAN regions on FLEGT-related activities could be explored, as the ASEAN region is likely to remain the leading partner for timber imports for the SAARC region.

2. Engage national institutions

The SFC could reach out to forest departments in the SAARC countries and Myanmar/Burma to help strengthen it as a regional platform on timber legality. National forest departments, with the support of their ministries, could help to bring forest corporations, timber industry and export promotion bodies on board. Civil society, non-governmental organisations, timber industry companies, and medium- and large-scale private plantation investors should also be engaged.

3. Strengthen regional trade mechanisms

The South Asian Free Trade Area (SAFTA) Agreement has not had a positive effect on the trade in legal timber products. Nevertheless, it could provide a good base for future FLEGT activities through provisions for harmonisation, simplification and cooperation on procedures and standards.

The European Forest Institute and the European Commission could work with the SAARC Secretariat and the SFC to strengthen SAFTA by including provisions such as mandatory checks on timber legality. Such provisions would reduce trade in illegal timber products and promote the trade of legal timber and timber products.

About the EU FLEGT Facility

The EU FLEGT Facility supports the European Union, its Member States and partner countries in implementing the EU FLEGT Action Plan. The European Forest Institute has hosted the Facility since 2007. The Facility has its headquarters in Barcelona, Spain, with additional offices in Brussels, Belgium; Joensuu, Finland; and Kuala Lumpur, Malaysia.



EU FLEGT
Facility

Disclaimer

This briefing has been produced with the assistance of the European Union and the Governments of Finland, France, Germany, the Netherlands, Spain, Sweden and the United Kingdom. The contents of this briefing are the sole responsibility of the EU FLEGT Facility and can under no circumstances be regarded as reflecting the position of funding organisations.