

Briefing Note for the Competent Authorities (CA) implementing the EU Timber Regulation July - August 2019

EIA REPORT DOCUMENTING TRAFFICKING OF TIMBER ACROSS THE COLOMBIA-PERU BORDER

The EIA's '[Condemning the Forest](#)' report and accompanying [press release](#) (both in Spanish) document the findings of an EIA undercover investigation into illegal timber trade in the Colombian Amazon, including of prohibited species. The report details the *modus operandi* used by traffickers, who obtain timber from both sides of the Putumayo River, transporting it under black market 'safe-conduct' permits. Along the Colombia-Peru border, the port city of Leticia is the only official customs point, which has a 'special customs regime' for timber imports valued at <USD 1000. Accordingly, traders were observed to divide cargo into low-value shipments to avoid additional documentation requirements, which can otherwise be circumvented by crossing the river where Colombian authorities have no jurisdiction. Although Colombia's National Environmental Licensing Authority must legally approve all timber imports, the EIA reported that no oversight was in operation in Leticia. The Peruvian customs authority, SUNAT, additionally stated that no exports of timber to Colombia across the Loreto-Amazon border had been registered over the period 2015-2019 and that a total of 5608 m³ of wood never reached the declared destination more than 1600 km away on the border with Venezuela (suggesting that safe conducts are being used to hide the true destination of wood). National estimates are that ~50% of the timber sold in Colombia is illegal, facilitated by corruption. The report calls for Colombia to take the lead and work with other countries of the Amazon basin, to establish a legal framework of public policy that fills the gaps exploited by international traffickers.

IMPLEMENTATION & ENFORCEMENT OF EUTR



FLEGT/EUTR Expert Group summary record for June 2019, with conclusions on Ukraine (August 2019)

The [summary record](#) of the 24th FLEGT/EUTR Expert Group meeting, held on 21 June 2019, is now available (meeting featured in the [May-June 2019](#) EUTR briefing note). Regarding timber from Ukraine, it was concluded that the country as a whole should be considered a risk country of harvest, requiring the provision of adequate risk mitigating measures. In cases where a negligible risk assessment cannot be reached, timber from Ukraine should not be placed on the EU market. The Conclusion on timber imports from Brazil¹ was upheld, as was the assessment on non-negligible risk relating to imports from Myanmar², together with further clarification with regards to current deficiencies in the national system in Myanmar.

Belgian CA provide updates on actions taken to enforce the EUTR (August 2019)

The Belgian CA report that, in June 2019, they received information that a shipment of padauk (*Pterocarpus* spp.) timber arriving into Belgium from Gabon was exported by the Chinese company Wan Chuan Timber Sarl (WCTS). WCTS has been subject to investigation for illegal logging and corruption, as highlighted in EIA's recent '[Toxic Trade](#)' report³ and '[Raw Intelligence](#)' investigative video series⁴. Due to the legal issues relating to WCTS, the CA requested that the three importing companies produce their accompanying due diligence documentation for the shipments. It was noted

¹ See conclusions in [summary record](#) of the 21st FLEGT/EUTR Expert Group meeting, December 2018.

² See conclusions in [summary record](#) of the 19th FLEGT/EUTR Expert Group meeting, June 2018.

³ Featured in the [March-April 2019](#) EUTR briefing note.

⁴ Featured in the [May-June 2019](#) EUTR briefing note.

that one of the importing companies had previously received a formal warning for lacking a functional Due Diligence System (DDS). The CA further reported on several other lines of investigation that are being followed to determine the legal status of the shipments, including requesting information from the Gabonese Government, establishing communication with NGOs conducting investigations into WCTS in the field, and testing wood samples from two of the shipments to determine whether the traded timber species were correctly identified in the related documentation. The CA reported that the investigation is ongoing, although the shipments have not been seized.

Finnish CA report publishing a review of the Russian Federation's LesEGAIS system (August 2019)

An English-language **review** of the electronic timber trade monitoring system (LesEGAIS) has been published by the Natural Resources Institute of Finland, at the request of the Finnish Food Authority (Finnish CA). The system was established in 2013, following amendments to the Russian Forest Act, which included a requirement that all timber has to be measured, before transporting it away from the forest. In early 2019, LesEGAIS was integrated into a common information system utilised by the Russian Federation's Ministry of Internal Affairs, Customs Service and Tax Administration, allowing the authorities direct access to information including forest use declarations submitted by logging companies and operators, logging and ownership rights documentation and timber trade agreements. The Finnish review states that LesEGAIS is effective in verifying timber measurements, ownership rights and origin, but highlights that it does not currently include cargo record books or information on timber storage locations, therefore it has limited capacity to monitor individual timber lots. In addition, information on actual felled volumes (as opposed to allowable cut) is not publicly-accessible. Amendments to address shortfalls in monitoring timber and sawn wood movement are planned to be completed in 2020.

German CA report return of teak shipments from Myanmar to place of origin (August 2019)

The German CA report that two shipments of teak from Myanmar, imported via Singapore by a German operator in September 2018, have been denied entry to the internal market. The teak, valued at EUR >100 000, had been taken into custody after an onsite inspection determined that the operator's DDS could not reduce the risk of illegal harvest to a negligible level. The operator was subsequently unable to demonstrate negligible risk within one month following seizure, therefore the shipments were ordered to be returned to the country of origin. This follows a press release issued by the CA in June 2018, cautioning operators that imports of teak from Myanmar would be seized and returned to the country of origin, if a negligible risk of illegality could not be proven on primary inspection or within one month of seizure.

Irish CA provide updates on actions taken to enforce the EUTR (August 2019)

The Department of Agriculture, Food and the Marine (Irish CA) hosted an EU Timber Regulation information event on 27 June 2019 in Portlaoise. The event provided Irish businesses involved in the trade of timber and timber products with an opportunity to learn more about the EUTR, due diligence, legality, timber testing and the FLEGT Action Plan. Guest speakers included representatives from the monitoring organisation Soil Association, and the timber testing organisation Agroisolab. The event was well-attended, with representation from companies across Ireland participating and contributing to discussions.

Spanish CA publish videos on timber sampling and analysis (August 2019)

The Ministry of Agriculture, Fisheries and Food, in collaboration with the National Institute of Agricultural and Food Research and Technology, has **produced** a series of online videos on the techniques used to reduce the risk of marketing timber of illegal origin. Videos on **timber identification** at the laboratory, **recommended sampling equipment**, **round wood sampling** and **sawn wood sampling** will aid their inspectors in implementation of EUTR.

UK CA provide updates on actions taken to enforce the EUTR (August 2019)

The Office for Product Safety and Standards (UK CA) reported continuing progress on two projects: the first utilising customs data provided by the German CA on UK-based operators who import products into the UK via Germany, and the second targeting high-end retailers importing furniture products that contain high-value timber such as rosewood, teak and oak. The CA noted that such furniture products have been identified as being at high risk of containing illegally-harvested timber due to the component nature of furniture, which allows for blending of legal and illegal timber types, and the length of the supply chain being vulnerable to falsification of documentation.

ILLEGAL LOGGING & TRADE



The EIA investigation reported violation of rosewood trade ban in Ghana (July 2019)

The **report** documents extensive illegal harvest and export of Ghanaian rosewood (*Pterocarpus erinaceus*), in violation of the country's current logging and trade ban on the species that came into effect in March 2019⁵ - the fifth such ban since 2012. The EIA estimates that, since 2012, >540 000 tons of rosewood (equivalent to approximately six million trees) have been illegally harvested and exported to China during bans in Ghana. Despite the 2019 ban and the CITES Appendix II listing for *P. erinaceus* (which came into force in January 2017), illegal harvest and export was reported to continue unabated. The report documents numerous illegal activities within the Forestry Commission including sale and retrospective issuance of CITES permits, misdeclaration of timber species, forging official documents and fraudulent use of salvage permits. Although the March 2019 ban suspended the issuance of CITES permits for the export of rosewood, the report presents evidence of at least one such permit issued for the species in May 2019.

Timberleaks reported identification of illegal African timber imports to France (July 2019)

During a visit to the French port of La Pallice in May 2019, Timberleaks **report** to have identified logs originating from African countries – including the Central African Republic (CAR), Democratic Republic of Congo (DRC) and Liberia – linked to companies implicated in illegal logging, bribery and environmental offences. These logs were deemed to have been imported to the EU in contravention of the EUTR. The report names a number of French importers implicated in trade with African companies alleged to be involved in illegal activities, including the DRC timber exporter Industrie Forestière du Congo (IFCO) that was previously highlighted by a Global Witness **briefing**⁶ relating to logging illegalities. The French CA responded to Timberleaks stating that they are 'very vigilant' to illegal logging in the Congo Basin and have launched a national strategy to combat imported deforestation.

Austrian television bulletin reports on alleged illegal logging in Romania (July 2019)

Austrian television channel Servus TV launched an instalment of its political media bulletin, Factum, focussing on alleged widespread illegal timber harvest in Romania, facilitated by organised criminal structures. The **programme** stated that Romania's official forest inventory had recorded 38.6 million m³ of timber felled over the period 2014-2018, only 18 million m³ of which was documented as licensed, legal harvest. Three Austrian timber companies that are major purchasers of Romanian timber were alleged to have been in 'economic complicity' in illegal harvest. For example, Holzindustrie Schweighofer purchase timber from suppliers in Romania and whilst their GPS tracking system was reported to trace around half of the purchased timber to commercial forests, the remainder is sourced from log depots, where laundering of illegally-harvested wood is possible. A company representative interviewed in the programme stated that Holzindustrie Schweighofer expected its suppliers to ensure legal and sustainable harvest.

Indonesian court fined and sentenced timber company directors for breaching legality regulations (August 2019)

The EIA **reported** that the directors of four Indonesian timber companies were recently sentenced to one year in prison and a fine totalling IDR 500 million [EUR 32 000] by the District Court of Makassar, Indonesia. The defendants pleaded guilty to attempted circumvention of national timber legality regulations by falsifying documents to transport merbau (*Intsia bijuga*). An investigation earlier in 2019 linked the recently prosecuted defendants to 21 of 57 containers of illegal timber seized by Indonesia's Directorate of Forest Protection. The remaining containers, consisting of illegal timber from Papua and West Papua, are reported to remain under investigation.

The EIA release new 'Raw Intelligence' video instalments documenting bribery and corruption within timber companies in Gabon (August 2019)

The **third** and **fourth** instalments of the EIA's undercover video series document illegal activities on the part of two companies based in Gabon: Transport Bois Négoce International (TBNI) and Hua Jia, a subsidiary of the state-owned China International Forestry Group Corporation. Undercover footage of conversations between company officials is captured and translated, and describes bribes paid to members of the Gabonese authorities. In the case of Hua Jia,

⁵ Featured in the **March-April 2019** EUTR briefing note.

⁶ Featured in the **March-April 2019** EUTR briefing note.

such bribes were alleged to represent an amount equivalent to USD 29 000 per month, paid to members of the Ministry of Water and Forests, city governments, public health departments, and environment offices. The TBNI video instalment appears to show a representative of that company describing a tax evasion scheme whereby TBNI sells Gabonese timber through a sister company located in an 'offshore tax haven', thereby masking actual profits accrued by TBNI in Gabon. In accompanying text, the EIA noted that TBNI sells timber to several EU countries via Mont Pelé Bois, a subsidiary of TBNI.

Myanmar media published criticism of the EIA's 'State of Corruption' report (July 2019)

Myanmar news site – Eleven Media Group – have **published an article** which criticises the EIA's 2019 report⁷ for allegedly, incorrectly documenting illegal trade of teak (*Tectona grandis*) from Myanmar. Interviews documented in the article claim that accusations of bribery and fraudulent trading on the part of a deceased trader are poorly checked and unfounded. In particular, the key allegation that the deceased trader corruptly benefited from the 'systematic under-declaration of the grades of teak logs' in order to bypass the Myanmar Timber Enterprise (MTE) auction system was refuted. The EIA has published a **rebuttal** to Eleven Media Group's article, addressing each claim in turn.

LEGISLATION & POLICY



European Commission adopted Communication on 'Stepping up EU Action to Protect and Restore the World's Forests' (July 2019)

On 23 July 2019, the European Commission **announced** adoption of a new Communication, setting out a framework of actions to protect and restore the world's forests. The Communication follows extensive stakeholder consultation⁸ and represents a reinforced approach towards reducing tropical deforestation driven by global demand for commodities including timber, food and biofuel. The Communication addresses both demand- and supply-side challenges. Priority actions include reducing EU consumption, encouraging use of products from deforestation-free supply chains, and providing support for more sustainable land-use practices. Further measures include strengthening international cooperation and promotion of sustainable finance. A Multi-Stakeholder Platform on Deforestation, Forest Degradation and Forest Generation will be established to support these activities.

18th meeting of the Conference of the Parties to CITES held in Geneva (August 2019)

The 18th meeting of the Conference of the Parties to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (**CITES CoP18**) was held in Geneva, 17-28 August 2019. This included moves towards **strengthening regulations** for trade in tropical timber. **Proposals** to amend the Appendices included the listing in Appendix II of: African padauk, mukula (*Pterocarpus tinctorius*); cedars (*Cedrela* spp.) from populations of the Neotropics; and the Critically Endangered Mulanje cedar (*Widdringtonia whytei*). In response to implementation challenges following the listing of *Dalbergia* spp. and three *Guibourtia* species (rosewoods, palisanders and bubingas) in Appendix II at CITES CoP17, the CoP adopted a revision to its annotation, regarding the exemption of small finished products and finished musical instruments. The current annotation for African teak, afrormosia (*Pericopsis elata*) was expanded to include plywood and transformed wood. Parties adopted a Resolution detailing non-binding guidance for making legal acquisition findings (**CoP18 Doc.39**), and recommendations with regard to due diligence by CITES Parties and the obligations of importing parties (**CoP18 Doc.40**). In addition to the CITES **summary records**, there is an Earth Negotiations Bulletin **summary** of the event.

In the lead-up to CITES CoP18, Forest Trends published a **briefing** to inform CITES Management Authorities, which compares verification of legal acquisition under CITES with other legislation that aims to ensure legal trade in timber.

United States of America (USA) announced import ban against Peruvian timber company (July 2019)

On 26 July 2019, the office of the United States Trade Representative issued a **ban** on timber imports from Peruvian company Inversiones WCA EIRL (WCA). The ban was announced after a verification check conducted by the Peruvian

⁷ Featured in the **January-February 2019** EUTR briefing note.

⁸ Featured in the **March-April 2019** EUTR briefing note.

Government evidenced illegally-harvested timber in the chain of custody of a WCA shipment exported to the USA. The verification check was requested by the United States Government under the US-Peru Trade Promotion Agreement.

Indonesia's moratorium on conversion of primary forests and peatlands made permanent (August 2019)

On 7 August 2019, a Presidential Instruction ([INPRES 5/2019](#)) entered into force, concerning a permanent extension to the moratorium on issuance of new permits for conversion of primary forests and peatlands for oil palm, pulpwood and logging concessions. The moratorium, which covers 66.1 million hectares of primary forest and peatland, was first introduced as a two-year temporary measure in 2011, but has since been extended three times. However, conservation news site Mongabay [reported](#) that some environmental organisations have questioned the effectiveness of the moratorium, noting that loopholes may exist which could provide opportunity for continued primary forest conversion⁹.

Multi-stakeholder Core Group Meeting on draft Decree of Vietnam's timber legality system (July 2019)

The Centre for Sustainable Rural Development (SRD) [reported](#) on the outcomes of the sixth meeting of the Multi-stakeholder Core Group Meeting (CGM), held on 6 July 2019 in Da Nang, Viet Nam. The CGM provides a forum for civil society and private sector organisations, research institutes, and development partners to provide input into the implementation of Viet Nam's FLEGT Voluntary Partnership Agreement (VPA), which came into force on 1 June 2019. Discussions focussed on the second draft of the Decree promoting the country's Timber Legality Assurance System (TLAS) - a fundamental commitment under the VPA. Participants considered that the draft Decree should be modified and expanded to *inter alia*: include domestic timber trade; involve all supply chain individuals and organisations; and provide details of the monitoring and evaluation framework.

OTHER NEWS, RESOURCES & PUBLICATIONS



Chatham House held 29th annual Global Forum on Forest Governance (July 2019)

The Forum, held on 1-2 July 2019, brought together a broad range of forest sector stakeholders from government, civil society and industry to discuss the latest progress towards improved global forest governance. [Presentations](#) and session [videos](#) are available for download from Chatham House's Illegal Logging Portal.

Forest Trends published summary of the Extractive Industries Transparency Initiative for Myanmar Forestry (July 2019)

The [Extractive Industries Transparency Initiative](#) (EITI) sets a global Standard for natural resource extraction, used by EITI member countries to improve governance and management of their extractive industries. To assess progress towards meeting the Standard's requirements, member countries produce annual public reports consolidating figures on government revenue received from extractive industries and extractive sector payments to government, as well as contextual information on natural resource governance. In 2018, Myanmar chose to include forestry in its annual report, which previously had focussed on the oil, gas and mining sectors. The first [reports](#) on forestry were finalised in January 2019, covering the financial years 2014/15 and 2015/16. In the FY 2015/16, total revenue collected from forestry companies was reported to amount to MMK 584 941 million (USD 382 million), of which 62% was received by Myanmar Timber Enterprise and 36% by Internal Revenue Department. The forestry sector accounted for 8.3% of total government revenues and 1.9% of exports (with teak comprising 47% of timber exports).

A recent [briefing](#) by Forest Trends summarises the reports' key findings. Government-reported export figures to China are found to differ from importer-reported figures (USD 29 million in exports reported by Myanmar versus USD 550 million in imports from Myanmar reported by China). Other data gaps reported include there being a greater volume of teak logs sold than were reported from harvesting, confiscations and stockpiles, and very low timber harvest revenue reported from the private sector compared to revenue reported by the state-owned Myanmar Timber Enterprise (MTE), despite the fact that MTE reported subcontracting two-thirds of harvesting to private companies. The latter data gap is considered by Forest Trends to be indicative of low profit margins and/or tax evasion. Whilst Forest Trends note that the government data represents 'only a fraction of the forest sector', it highlights that the

⁹ See also a [comprehensive review](#) on Presidential Instruction No. 5 of 2019 from the Madani Sustainable Foundation (August 2019) [in Bahasa].

information provided by Myanmar represents an important step forward for transparency in the country's timber sector.

LoggingOff and Fern published Forest Watch FLEGT VPA update (June 2019)

The **report** summarises the progress made on all FLEGT VPA agreements to date, and highlights the role of VPAs in providing a platform for multi-stakeholder input into national forest governance. The briefing recommends that VPA processes should focus on increasing and sustaining meaningful civil society participation to ensure that VPA processes maintain momentum. In addition, the report notes a role for the EU and Competent Authorities in continuing to encourage civil society organisations (CSOs) to participate in governance processes supporting timber-producing countries on the demand side, including publicising how information provided by CSOs leads to enforcement actions taken under the EUTR.

Progress report published on the New York Declaration on Forests (NYDF) Progress Assessment regarding Strengthening Forest Governance Frameworks (July 2019)

The **assessment** provides an update on forest governance progress in nine major tropical forest countries: Brazil, Cameroon, Democratic Republic of the Congo, Ghana, Indonesia, Lao PDR, Malaysia, Papua New Guinea and Republic of the Congo. Policy scores are provided for each focal country across twelve areas of forest governance for the years 2008, 2010, 2013 and 2018. Key findings include an observed improvement in legal and institutional frameworks in several countries, with VPAs and REDD+ schemes noted to facilitate multi-stakeholder participation in policy processes, whilst continued lack of cross-sectoral coherence in legal and institutional frameworks is identified to be constraining the impact of improvements in forest governance.

Research article on interactions between FLEGT and transnational timber legality published (July 2019)

The **article** analyses the extent to which FLEGT and other legality components, both public and private, interact to produce a joined-up transnational timber legality regime. The authors state that the FLEGT initiative has fostered 'productive, mutually reinforcing interactions' with public legality regulation in consumer countries and with private certification schemes. The article finds that the transnational regime emerging from these interactions is coordinated by numerous institutional mechanisms which include reciprocal endorsement of rules and standards; peer-to-peer learning; public oversight and joint assessment of private certification and legality verification schemes.

Research article on tropical forest certification published (July 2019)

The **article** focusses on the apparent decline in forest certification in the Congo Basin, examining the underlying causes of this decline, and discussing potential avenues for aligning certification with EUTR due diligence obligations and FLEGT licensing. The author attributes the decline in uptake of certification schemes in the region primarily to financial downturns in some European countries, as well as a market shift towards China and other countries as key importers of African timber. However, he also suggests that some companies may be discouraged from seeking forest certification due to the difficulty in qualifying the added value of certified timber over legal timber.

Forest Trends analysed the use of wood testing for enforcement of timber regulations (August 2019)

The **briefing** presents aggregated survey responses from government agencies responsible for enforcing timber import legislation in 21 countries, including Australia and the USA, as well as countries in Asia-Pacific and Europe. Results show such testing to be currently utilised in 57% of the countries surveyed. The primary use of scientific wood testing was for authenticating species claims for timber trade regulation, and the most common testing technique was reported to be physical analysis to determine wood species, followed by isotopic analysis to determine harvest location. The briefing additionally notes that limited forest reference material with which to compare wood samples represents a challenge to such scientific testing.



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For further information, please email timber@unep-wcmc.org

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