

Illegal Logging, Trade and the US Hardwood Industry

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Illegal Logging

- Illegal material depresses world prices for wood by up to 16%
- Severely undermines markets for legal operators
- Undermines reputation of the wood industry





There is no “one size fits all
solution”



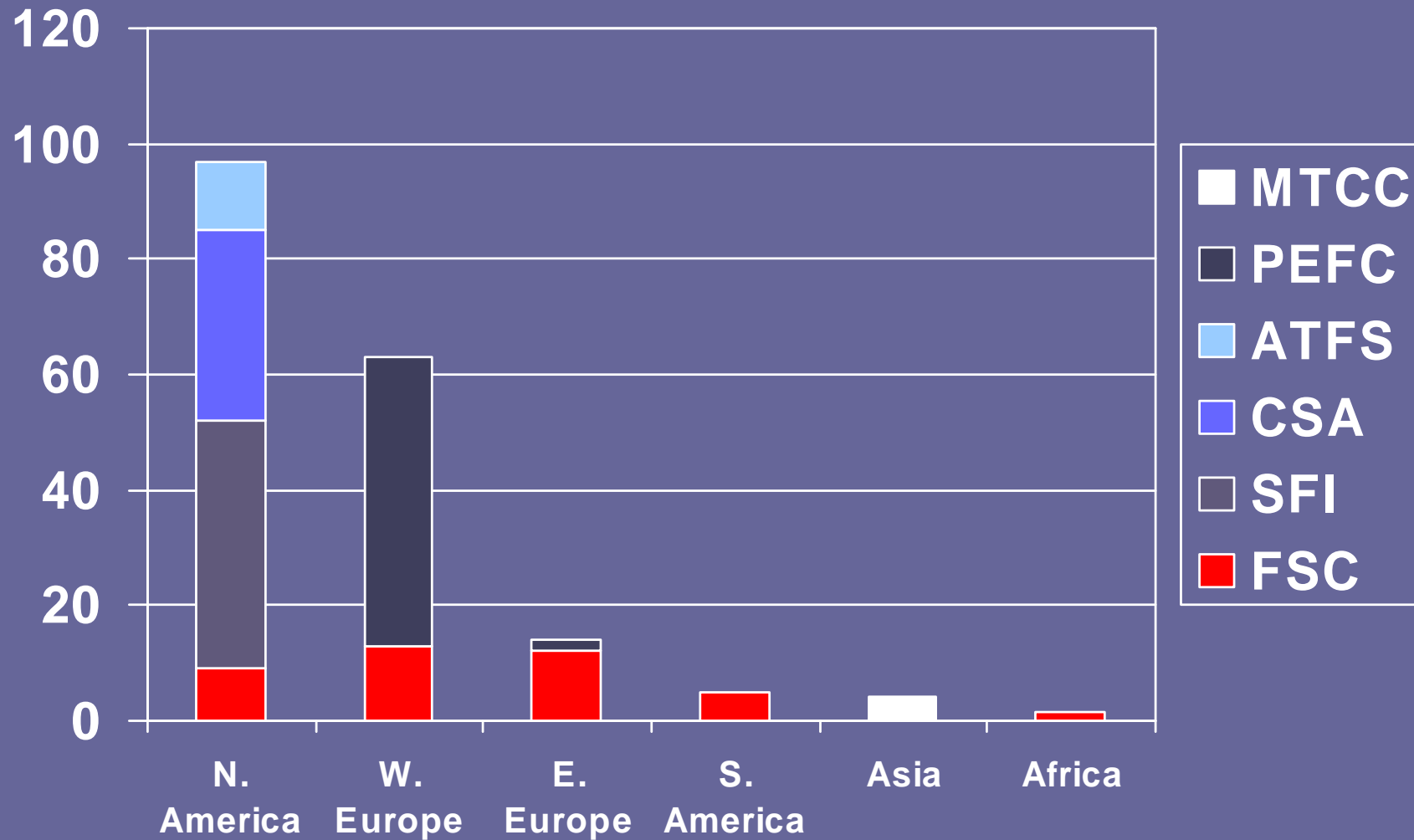
Forest certification and product labelling

- Assessment of forestry practices on the ground by a qualified independent auditor
- Assessment against pre-determined standards of good forestry practice
- Standards developed through broad consultation with interested parties
- Auditing timber trading companies to ensure wood comes from certified forests and to allow labelling of finished wood products.

Late 1990s: certification diversifies

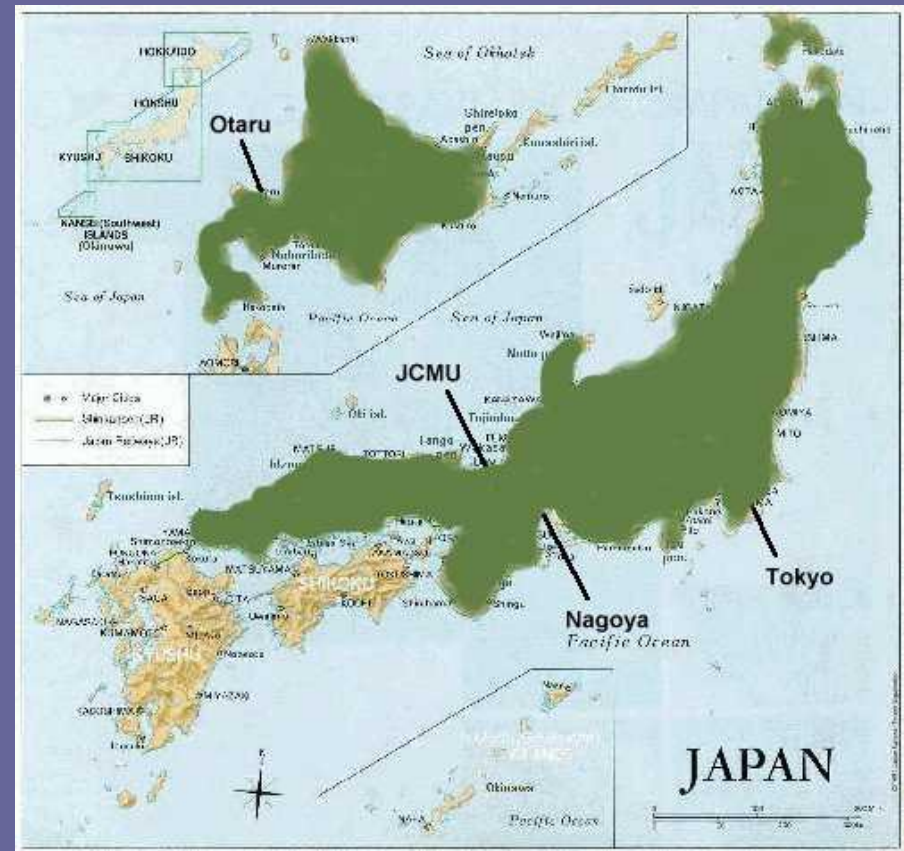
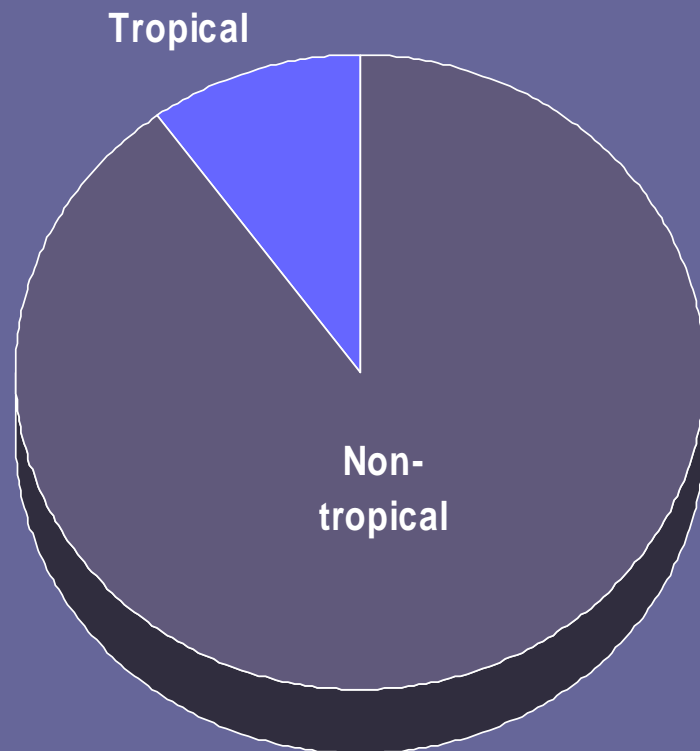


Distribution of certified forests



Non-tropical forests are the main source of timber and are increasing in size

Proportion of internationally traded industrial roundwood by forest type

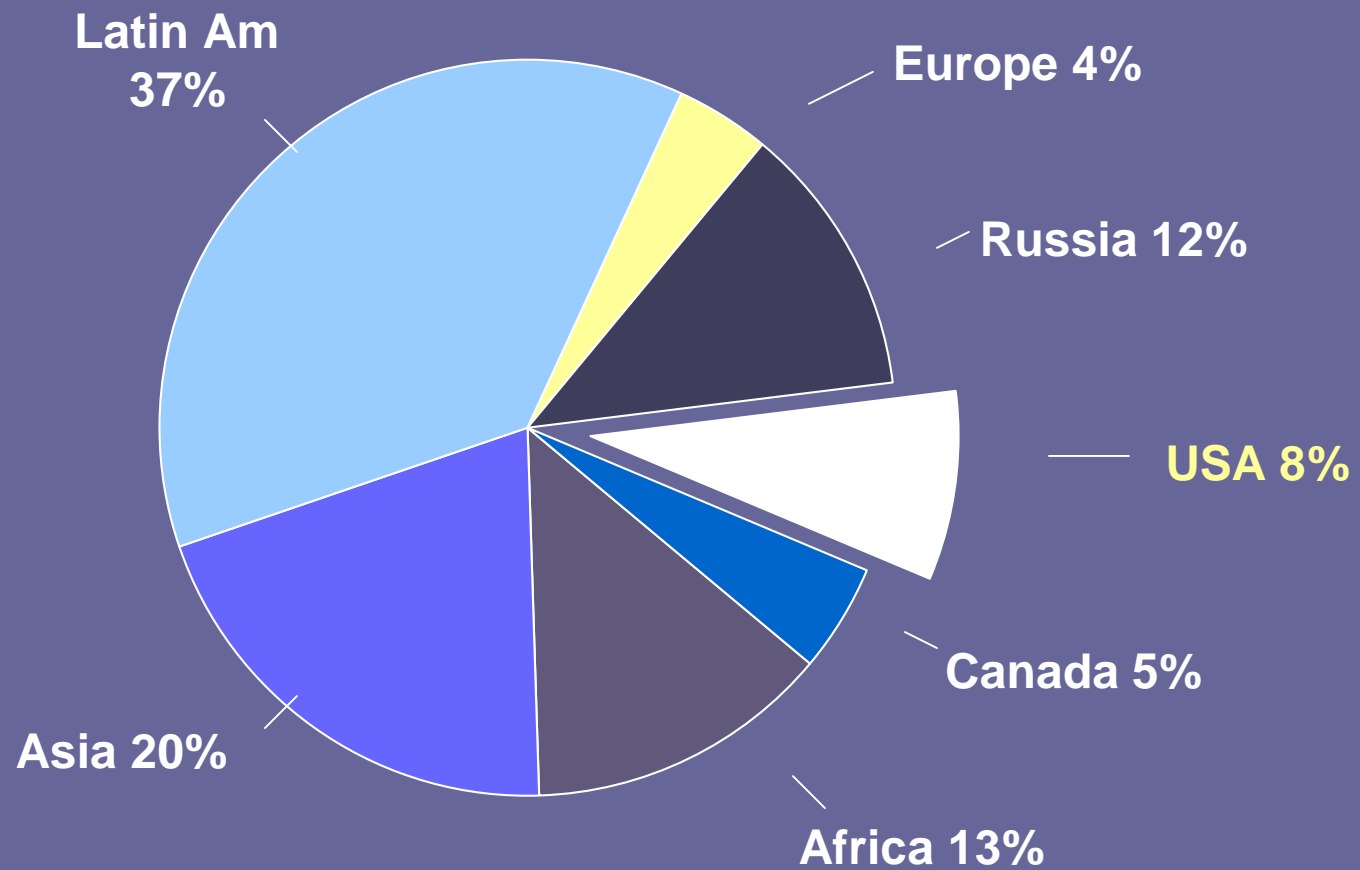


A fence to the sun and back...



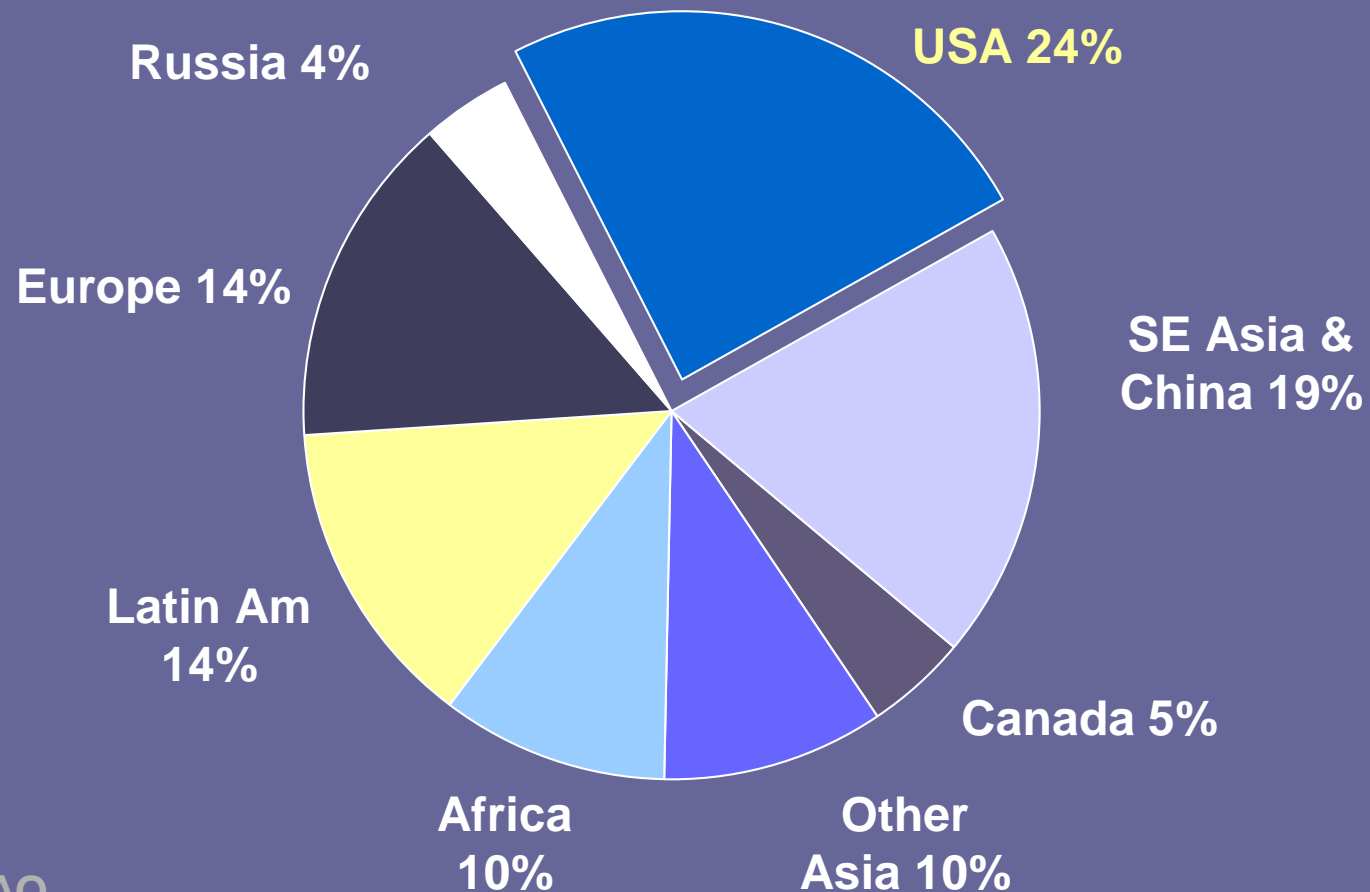
- During the 1990s, volume of wood standing in temperate and boreal forests increased by 21,000 million m³.
- That's enough wood to build a 1m x 8cm fence to the sun and back (or 7500 times round the earth)

Global Hardwood Forests



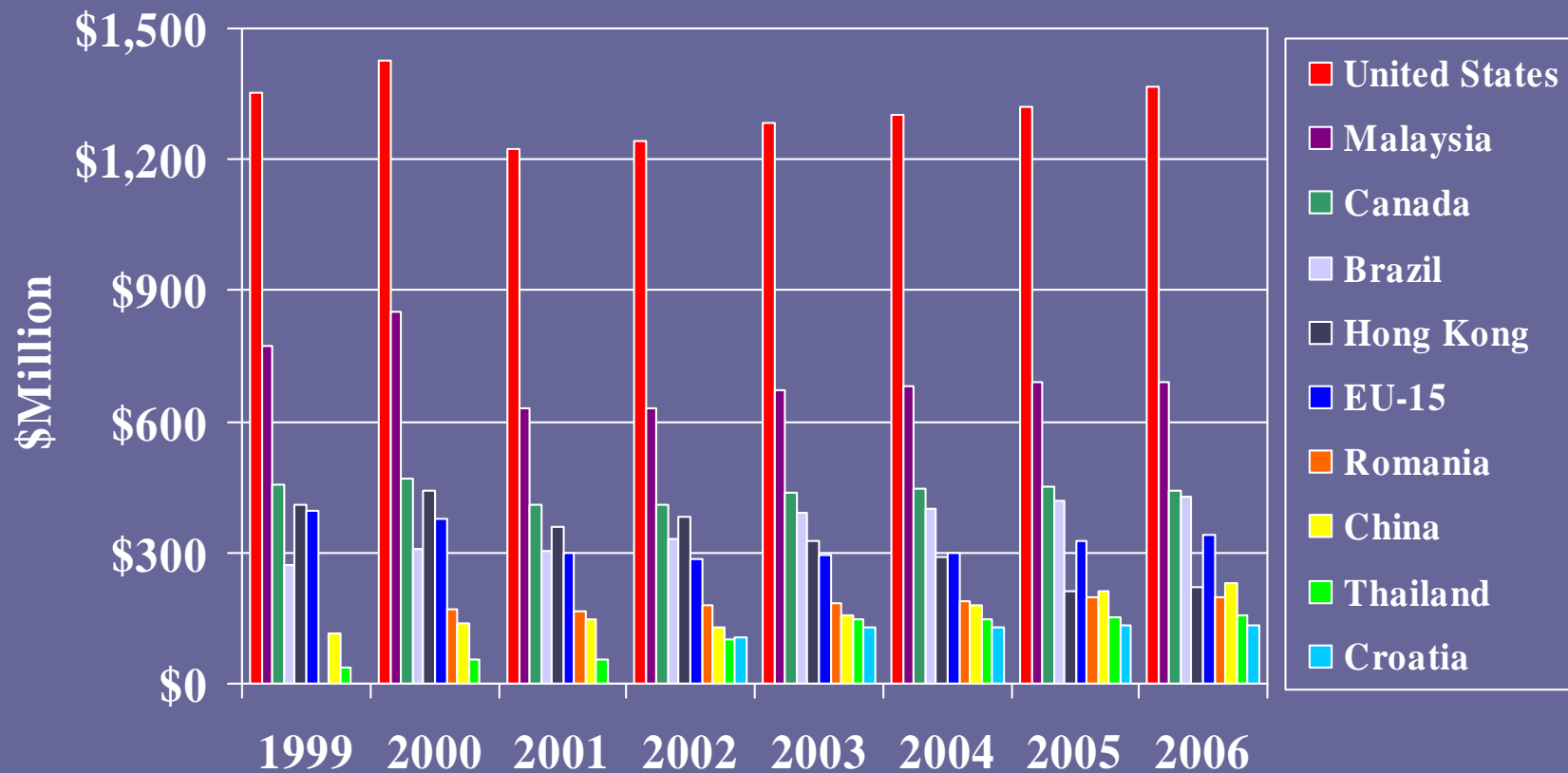
Source: FAO

Hardwood Roundwood Production



Source: FAO

World's Leading Hardwood Lumber Exporters: 2006



Source: Global Trade Atlas

A Sustainable Resource



Remarkable Recovery



Natural Regeneration

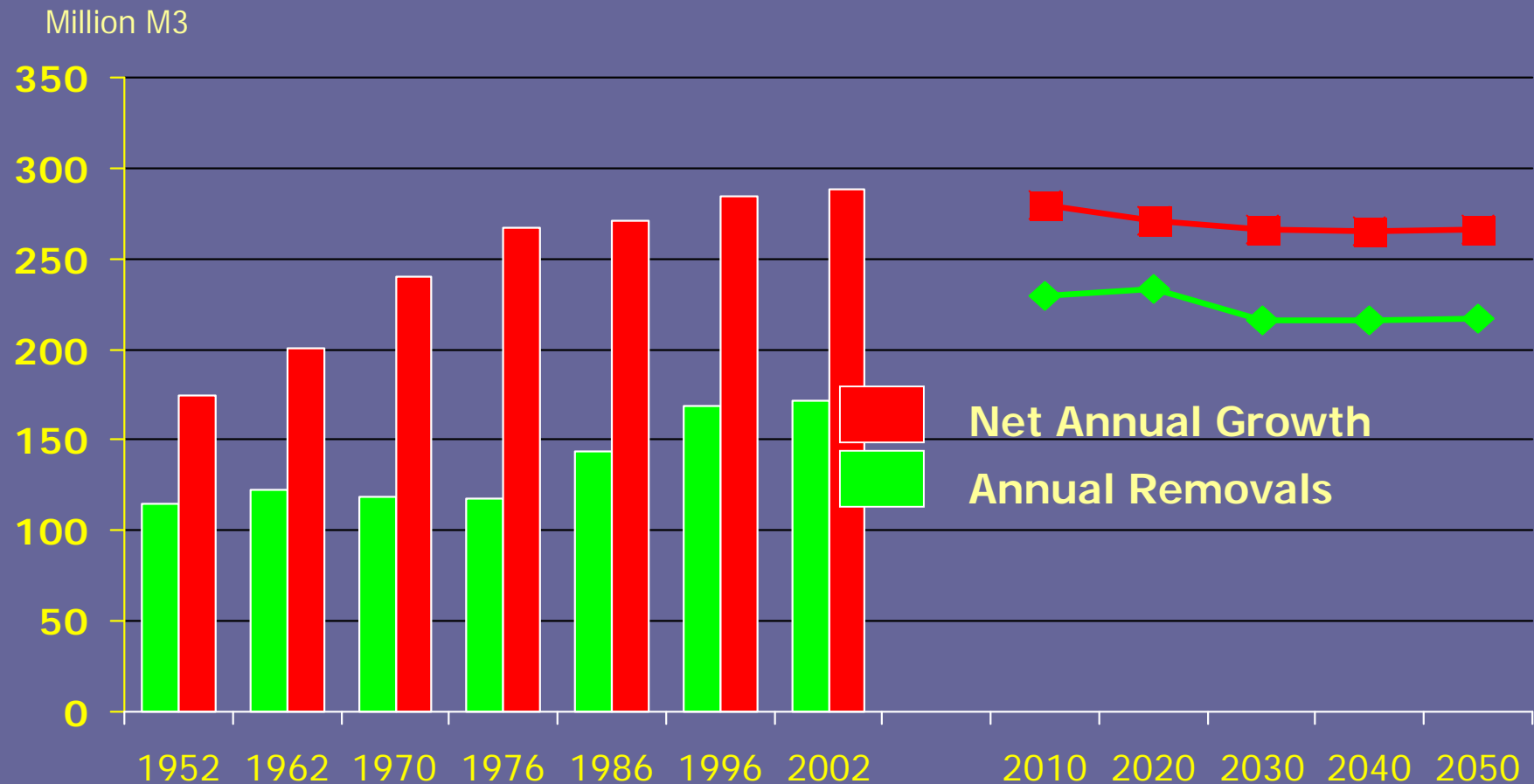


More Growth than Harvest



Sustainable Forest Management

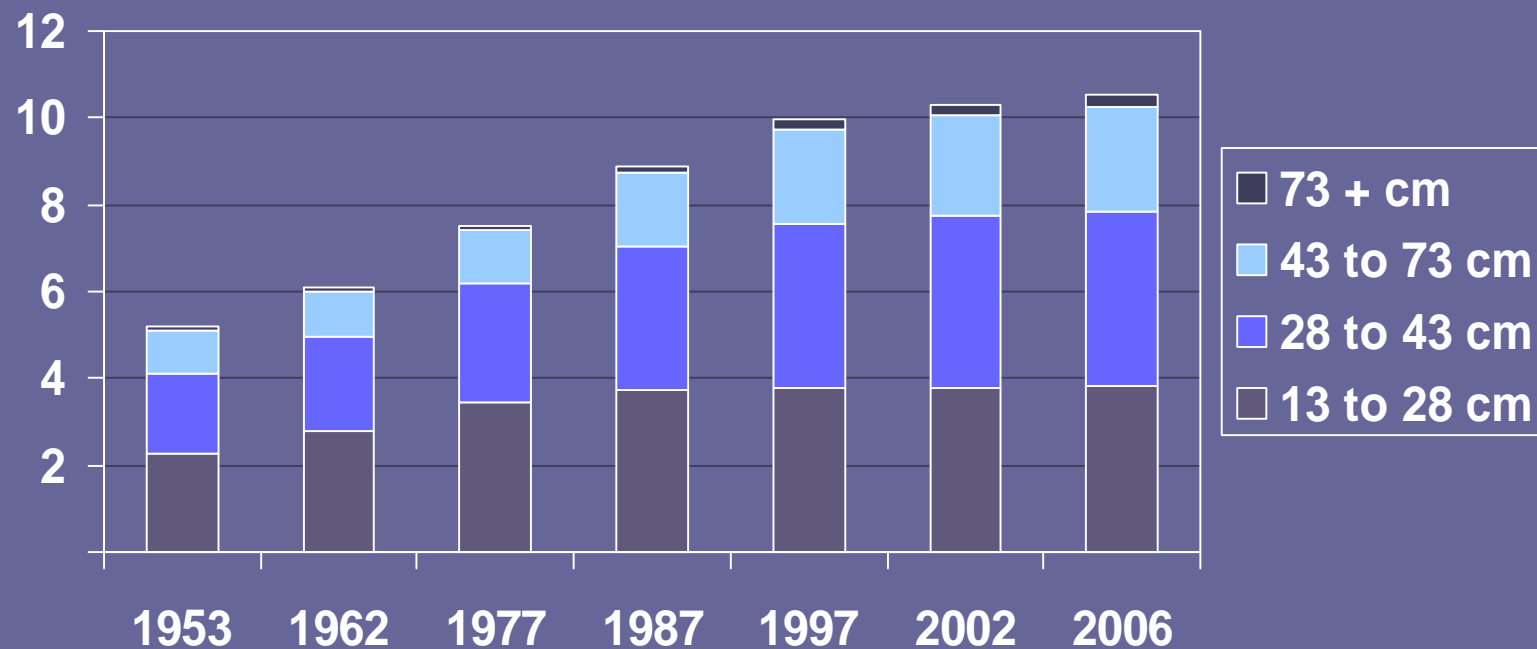
US Hardwood -- Net Annual Growth and Removals



An Increasing Resource

Billion M3

Hardwood Tree Diameters



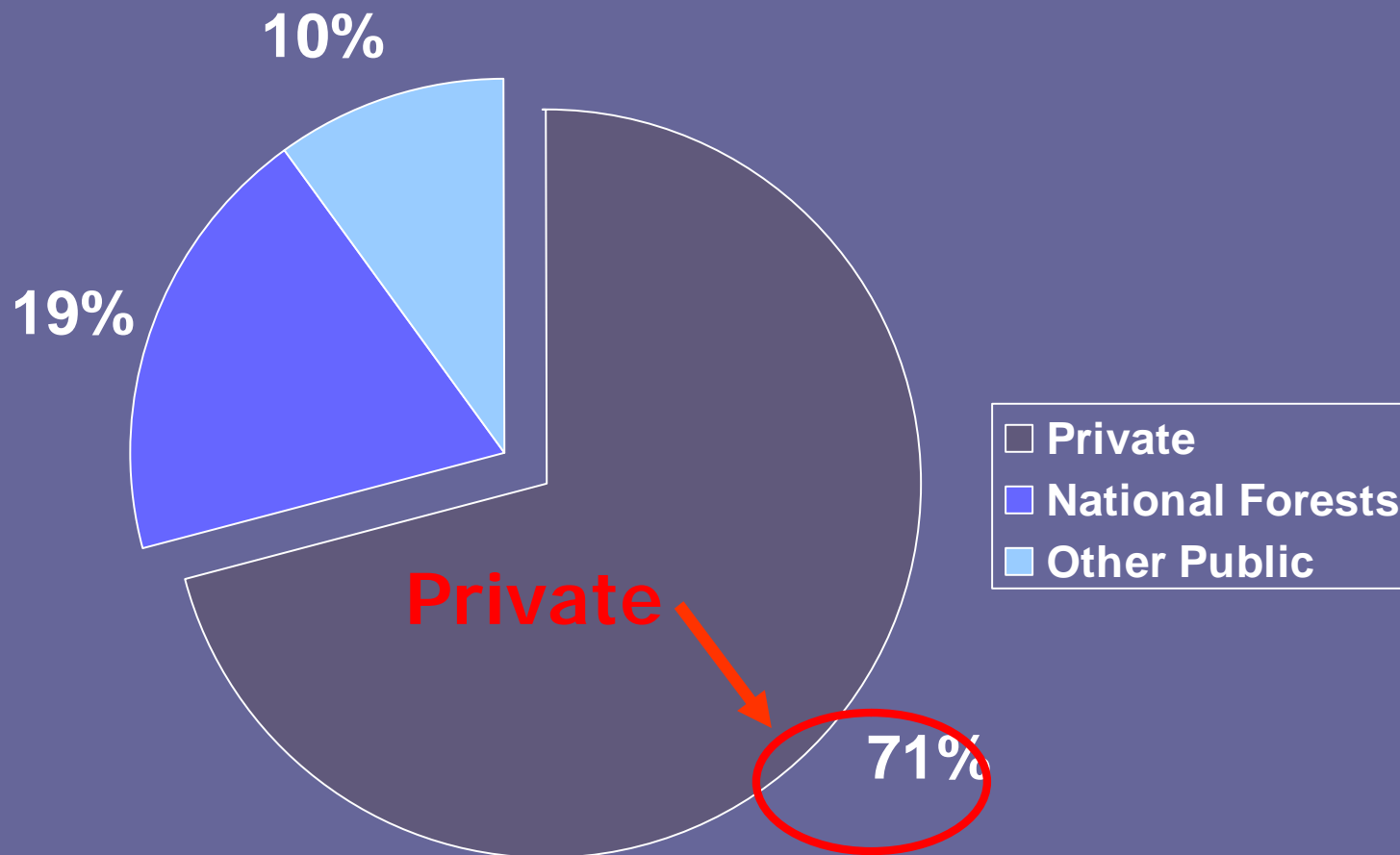
Source: USFS

How Do We Know This?

- Forest Inventory & Analysis System (FIA)
 - US Forest Service and State Forest Agencies
 - Fixed Sample Plots Across US (and remote sensing)
 - One plot every 2400 hectares
 - Periodic (and now annual) measurements
 - forest area and location; species, size, and health of trees; tree growth, mortality, and removals; wood production and utilization rates by various products; forest land ownership.

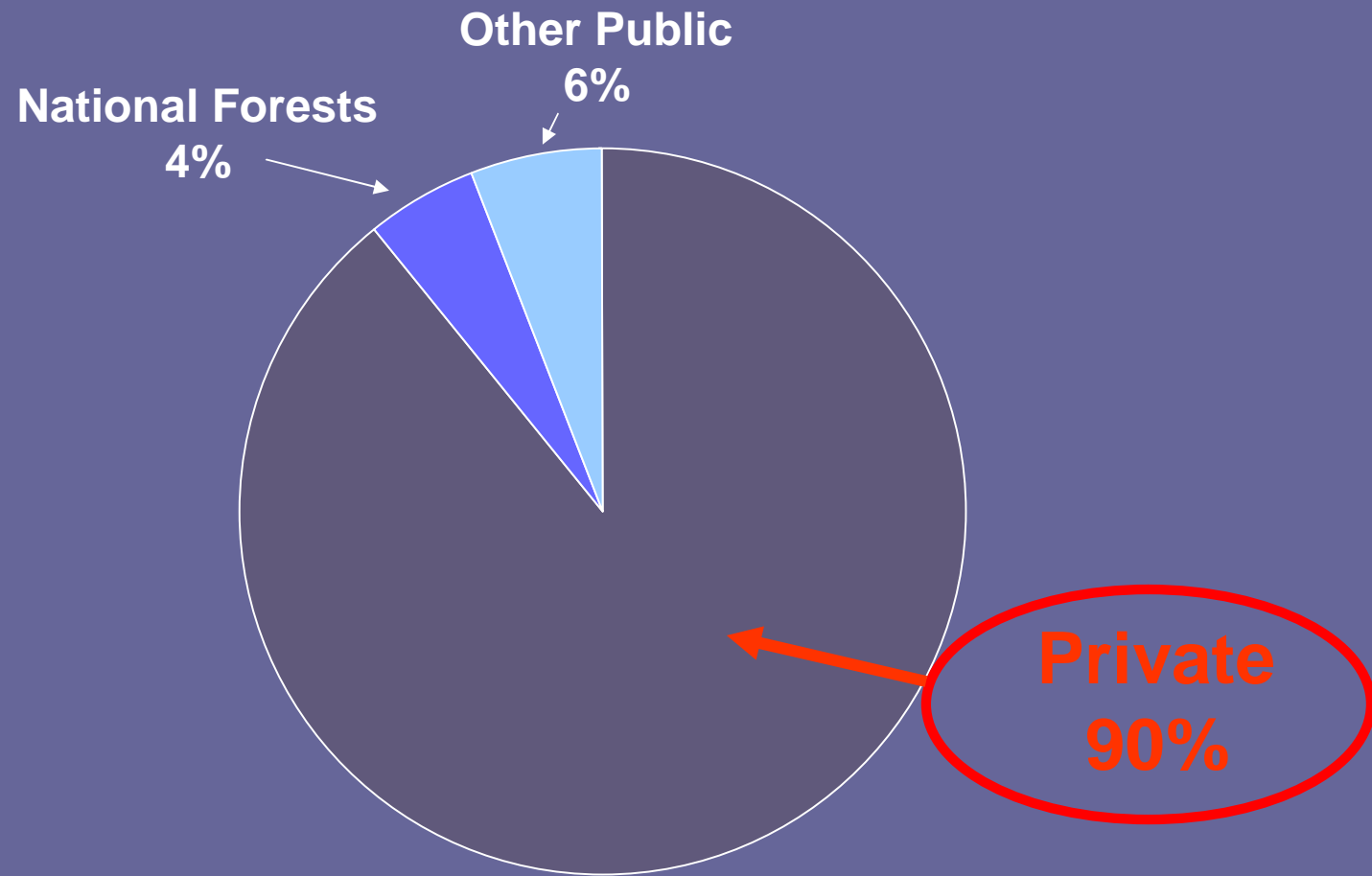
- So why aren't all American hardwoods certified???

Over 70% of US timberland is privately-owned



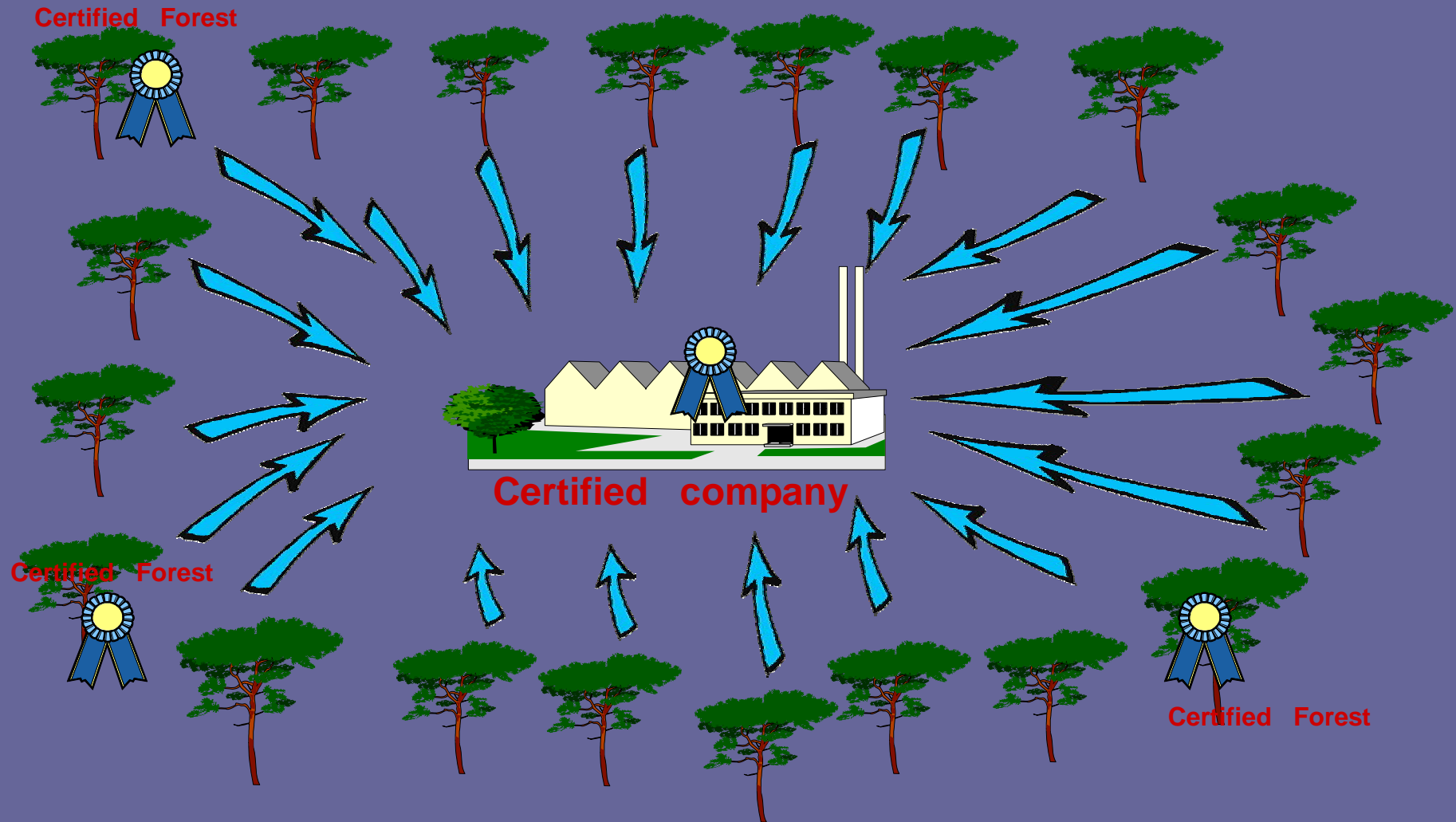
Total Area = 204 Million Hectares

Private lands supply 90% of the timber produced in the US



Source: Seneca Creek Estimates for 2005

Labelling challenges



U.S. Legal Framework

- U.S. has no single national “forestry law”
- But several federal laws directly affect forest practices
- States are empowered to regulate forest practices. Each state has its own strategy and system to do this.

Federal Law

- Federal laws that impact forestry include:
 - Endangered Species Act (ESA)
 - Clean Water Act (CWA)
 - Clean Air Act (CAA)
 - Federal Insecticide, Fungicide and Rodenticide Act (FIFRA)
 - National Environmental Policy Act (NEPA)
 - Occupational Safety & Health Act (OSHA)

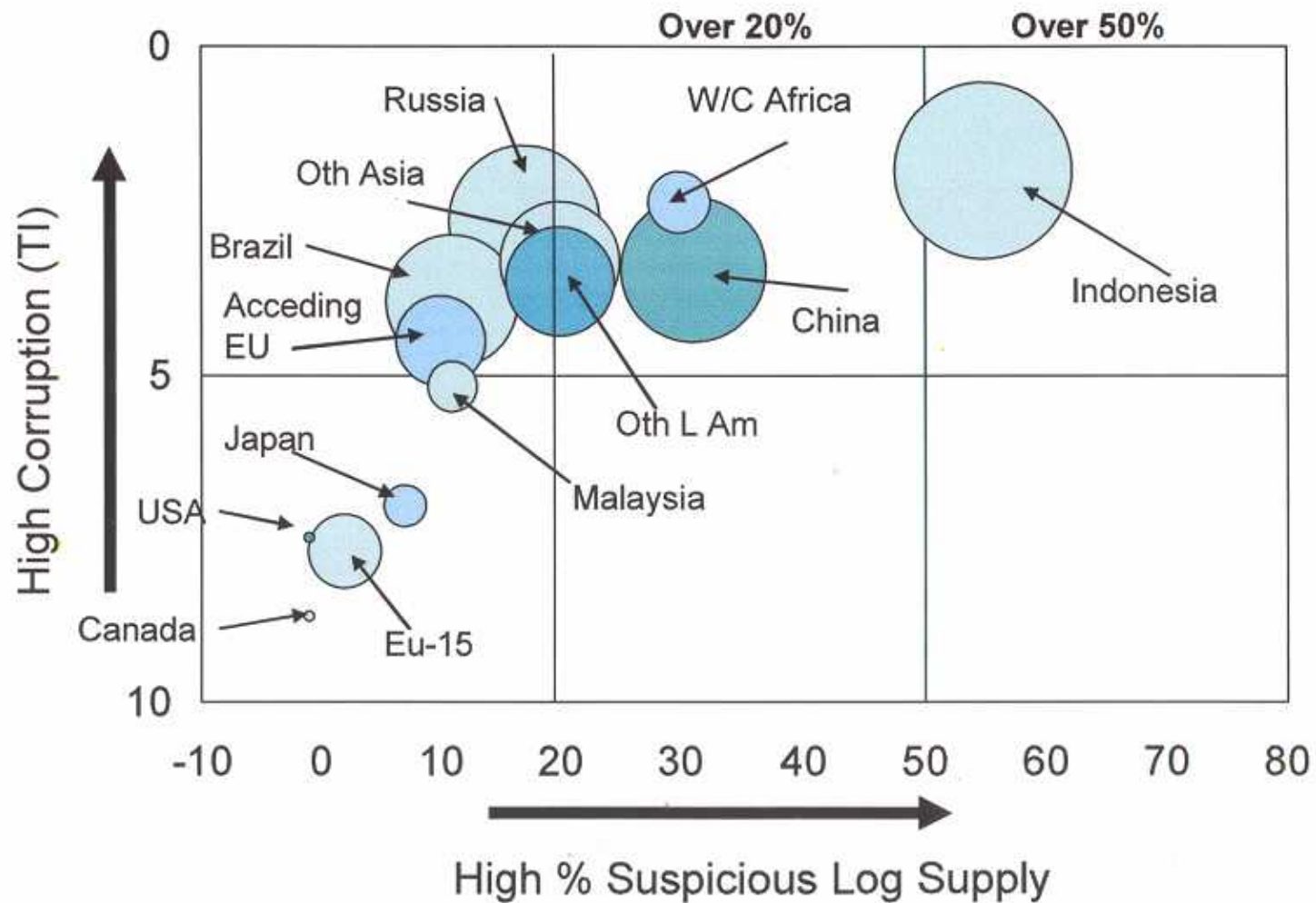
State Laws & Regulations

- Laws & regulations vary by state
- States have different processes for monitoring and/or controlling forest practices
- Some 276 state agencies have some role in overseeing forestry activities in the 50 states
- At least 15 states have specific regulatory programs
- All states have programs governing water quality protection -- 37 have regulatory programs specific to nonpoint source water pollution of the kind linked to some forest practices.
- **Federal and state laws are strictly enforced**

Risk Assessment: A Sensible Approach

- Requirements established for legality verification and certification should be based on an objective assessment of the risk of illegal and unsustainable forestry practices in timber supplying regions
 - To prevent imposition of unnecessary controls on suppliers where there is little risk of poor practice
 - To ensure resources are focused on problem regions
 - To ensure the response is proportionate to the scale of the problem
 - To help prevent technical barriers to trade for timber from small relatively low intensity managed forests

Corruption and illegal logging

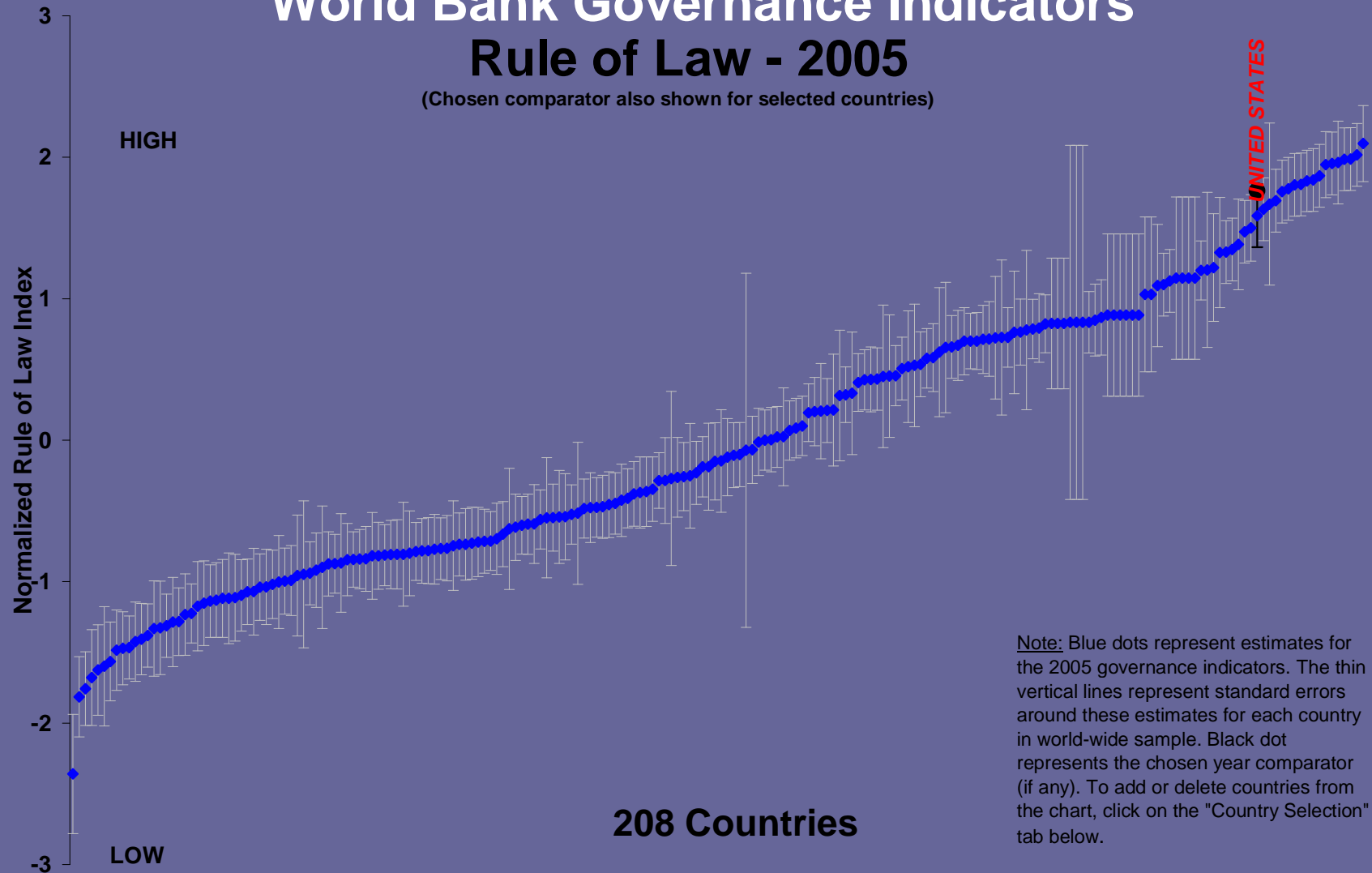


Source: Transparency International; WRI/SCA estimates

World Bank Governance Indicators

Rule of Law - 2005

(Chosen comparator also shown for selected countries)



Source: "Governance Matters V: Governance Indicators for 1996-2005 " by Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi.

Disclaimer: The governance indicators presented here reflect the statistical compilation of responses on the quality of governance given by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries, as reported by a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The aggregate indicators in no way reflect the official position of the World Bank, its Executive Directors, or the countries they represent. As discussed in detail in the accompanying papers, countries' relative positions on these indicators are subject to margins of error that are clearly indicated. Consequently, precise country rankings should not be inferred from this data.

US Compared to 200+ Countries

World Bank Governance Indicators

WB Indicator	US Percentile
Rule of Law	92%
Control of Corruption	92%
Regulatory Quality	93%
Government Effectiveness	92%

Source: World Bank

Legislative Options

- Effectively 2 options:
 - 1) Burden of proof on the prosecution**
 - Similar to US Lacey Act
 - Encourages risk assessment and due diligence
 - *Proportionate to the scale of the problem*
 - 2) Burden of proof on the importer/supplier**
 - Every shipment would have to be verified legal
 - Takes no account of the risk of illegal activity
 - Could lead to imposition of unnecessary bureaucratic controls
 - *Not proportionate to the scale of the problem*

Combat Illegal Logging Act 2007 (“Lacey Act”)

- Supported by American hardwood industry through the Hardwood Federation together with environmental organisations.
- It would become an offence within the U.S. to trade in a wood product that has been “*taken, possessed, transported, or sold*” in violation of any foreign law.
- An amendment to the U.S. Lacey Act which currently regulates trade in fish, wildlife and limited subset of plants.
- Burden of proof with the prosecution who would have to demonstrate that wood derived from an illegal source
- Actively encourages importers’ risk assessment and greater diligence and action in regions of high risk

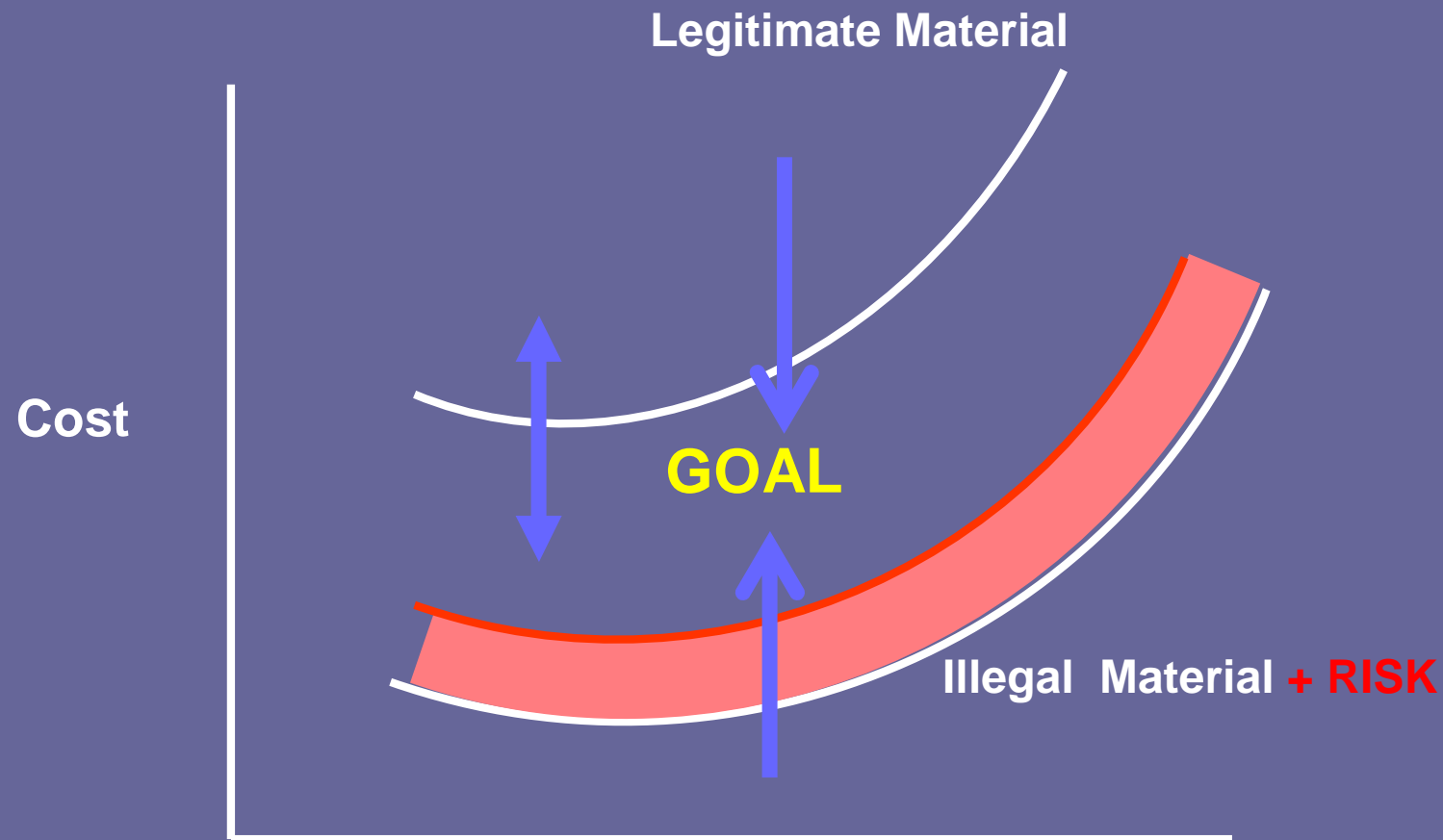
AHEC Actions

- AHEC-commissioned study to assess the risk of American hardwoods being derived from illegal sources or controversial sources as defined by FSC Controlled wood standard
 - Satisfy immediate demands from foreign governments for verified legal timber
 - Facilitate supply of FSC and PEFC labelled American hardwood products by providing an assurance that these derive from non-controversial sources
 - Ensure action in the US is targeted on issues and regions that may be identified as higher risk
 - Ensure American hardwoods are well positioned to ensure full compliance with any additional legislation that may be enacted
- Lobby national governments to accept detailed risk assessment as evidence of sustainability when dealing with small family-owned forests in countries demonstrating good forest governance
- Encourage timber importing associations to ensure risk assessment forms an integral component of private sector timber procurement policies
- Continue to explore with FSC and PEFC potential for regional certification of American hardwood forests accommodating large numbers of family owners at minimal cost

Procurement Policy Limitations

- Need to be targeted to be successful
- Markets can easily shift
- Need to address root causes of deforestation
- Risk of widening gap between illegal and legitimate production

Goal: Reduce the Cost Spread



Source: Seneca Creek Associates, LLC

For More Information:



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