

The Illegal Timber Trade:

The Problem & Potential Solutions

Sam Lawson

Independent Consultant

samlawson@earth sight.org.uk

Presentation for World Bank
Workshop on Forest Governance &
Corruption, 15th Nov 2006





Scale & Modalities

■ Some of the largest bilateral Illegal timber flows*:

By volume (rwe):

1. Logs	Russia – China	12.0 mill m ³
2. Plywood	Indon – Japan	3.4 mill m ³
3. Logs	Indon – China	1.6 mill m ³ (until 2005)
4. Log/Sawn	Burma – China	1.6 mill m ³ (until 2005)

By value:

1. Furniture	China – USA	\$1.6 billion
--------------	-------------	---------------

- Timber vs Processed Products
- Illegally Sourced vs Illegally Exported

*Preliminary estimates from J.Hewitt, see www.globaltimber.org.uk, and estimates by S Lawson

Illegal Timber Shipping in SE/East Asia

- More than one quarter of tropical timber traded worldwide is illegal timber traded within SE/East Asia. – est. 9 million cubic metres (m³) of logs, sawn-timber and plywood worth \$2.3 billion
- Source: Indonesia, PNG, Burma, Malaysia; Destination: China, Japan, Malaysia, Vietnam; Transit: Singapore, Malaysia
- Containerised; large (whole charter vessel) bulk cargoes; fleets of small boats and trucks. Shipment size 15m³ – 15,000m³
- Illegal origin / legal export vs **illegal export (smuggling)**



1: Illegal Indonesian logs to China

Illegal Volume	Illegal Value	Illegal Export
1.6 mill m ³	\$ 400 mill	1.6 mill m ³

- 2001: Indonesia bans all export of logs
- 2002-2005: Numerous seizures of large cargo vessels loaded with logs in Indonesian waters; often released once large bribes paid
- Most logs shipped to China on large cargo vessels (up to 15,000m³ per ship) chartered by traders
- False Malaysian origin paperwork; syndicates span HK (brokers), China (buyers, ships), Malaysia (loggers, traders), Singapore (money, false docs, ships), Indonesia (logging barons).
- Resulted in bilat agreement Indo-China 2002, but had no effect. Alerts sent to Chinese auths re specific shipments but no action resulted – no checks of paperwork with source countries
- Enforcement in Indonesia since May 2005 – trade massively reduced – merbau prices inc 183%, Chinese trop log imp down 33%

2: Containerised Indo sawn timber to China

Illegal Volume

0.7 mill m³

Illegal Value

\$ 200 mill

Illegal Export

0.7 mill m³

- 2004: Indonesia bans export of sawn timber
- 2005: China registered 720,000 m³ of sawn timber imports from Indonesia; Malaysia imported around 400,000 m³
- Squared logs (flitches) and rough sawn timber packed in containers in/near major Indon ports (eg Surabaya), or smuggled to Malaysia/Singapore to be containerised there
- Indonesian documents give false description
- Containers shipped in batches 5-50, feeder vessels/barges to Singapore then transit to Shanghai/Guangzhou
- Case study 2003 – 1000 containers/yr of illegal ramin (80,000m³) – Sumatra-Malaysia – China (issues with FTZs)



3: Indo-Malaysia cross border trade

Illegal Volume

0.4 mill m³

Illegal Value

\$ 80 mill

Illegal Export

0.4 mill m³

- Fleets of small wooden barter trade vessels bring small diameter round & square logs to Malaysia from Sumatra; small ships and trucks also bring rough sawn timber into Malaysian Borneo
- Around 400,000 m³ / year (down from 1 mill m³). Mal reciprocal ban on imports of round logs from Indon had big impact – but so far no equivalent reciprocation on sawn timber.
- Malaysian traders visit Indonesian timber barons and arrange & pay for shipments by cash in advance; paperwork often gives false origin
- Bribes paid to various authorities on Indonesian side



4: Plywood to Japan

Illegal Volume	Illegal Value	Illegal Export
1.9 mill m ³	\$ 480 mill	0.8 mill m ³

- Estimated 80% of logging in Indon illegal – same % of ply export. But some legalised (laundered) prior to export.
- Illegally exported plywood – est 30% of all cargoes, based on customs stat discrepancies
- Relatively small number of major supplier mills in Indonesia
- Shipped as consolidated bulk cargo by regular service vessels picking up from a number of locations; each consignment has separate paperwork etc

5. Chinese furniture to USA

Illegal Volume	Illegal Value	Illegal Export
1.8 mill m ³ rwe	\$ 1,600 mill	zero

- China largest buyer of tropical timber from most key countries affected by illegal logging; also biggest buyer of Russian timber
- Two thirds of tropical timber imports are exported as wood products, including flooring, furniture and plywood
- Wood furniture exports grown dramatically, from 3.5 million m³ in 1999 to 12 million m³ rwe in 2003; now largest wood furniture exporter in world; wood furn exports account for about half of all wood prod exports by rwe volume
- Shipped containerised; c100% legal at point of export (though issues re WTO/dumping); very difficult to identify furn made from legally sourced wood against illegal wood

Smuggling Techniques

- False origin paperwork (eg Indon logs arrive China & Vietnam with false Malaysian Certificates of Origin and phytosanitary certificates)
- Misdeclaration (eg rough sawn timber declared as processed wood; ramin declared as other species)
- Switching Bills of Lading – confuses true origin
- Bribes paid to enforcement officials at source & destination
- Buyers and shippers often collude
- Make use of lax controls in Barter trade ports and FTZs
- Enforcement at import often fails due to lack of relevant laws

Work So Far

- EU member states have analysed existing legislation and confirmed few relevant laws exist to halt imports, other than under CITES
- EU working on establishing voluntary legality licensing systems with producer countries; considering further legislative options but concerns over enf/WTO
- Expert analyses of 2 options for new laws show that general prohibition (ie Lacey Act type legislation) is WTO compatible and better option, while alternative (requiring all imports to be proven legal) more problematic
- Only apparent legal basis in East/SE Asia is CITES and Malaysian reciprocal controls on Indon imports, though more analysis needed
- Attempts by govts in East/SE Asia to halt cross-border shipments have mostly failed, due to lack of relevant legislation, lack of enf capacity and lack of political will
- FLEG Asia has carried out a lot of work on the issue, made numerous recommendations

Solutions

■ 1. Enforce what?

- exporting countries need to share info on controls/regulations & paperwork
- importing countries need to check what powers they have (if any)
- importing countries need to expand these powers (new laws, prior notif, reciprocal controls, CITES listings)
- focus on illegally exported timber / wood products initially

■ 2. Enforce how?

- once necessary regs are in place, enf agents need cap building
- Interpol RILO's can provide assistance
- bilateral/regional/multilateral agreements required
- dedicated body or bodies required (eg reg enf framework in Asia)
- need to get banks, shipping, insurance companies involved

The Illegal Timber Trade:

The Problem & Potential Solutions

Sam Lawson

Independent Consultant

samlawson@earth sight.org.uk

Presentation for World Bank
Workshop on Forest Governance &
Corruption, 15th Nov 2006

