

Overview of World Tropical Hardwood Resources, Forest Products Trade and Environmental Issues



Forest Trends
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Lack of Good Quality Data

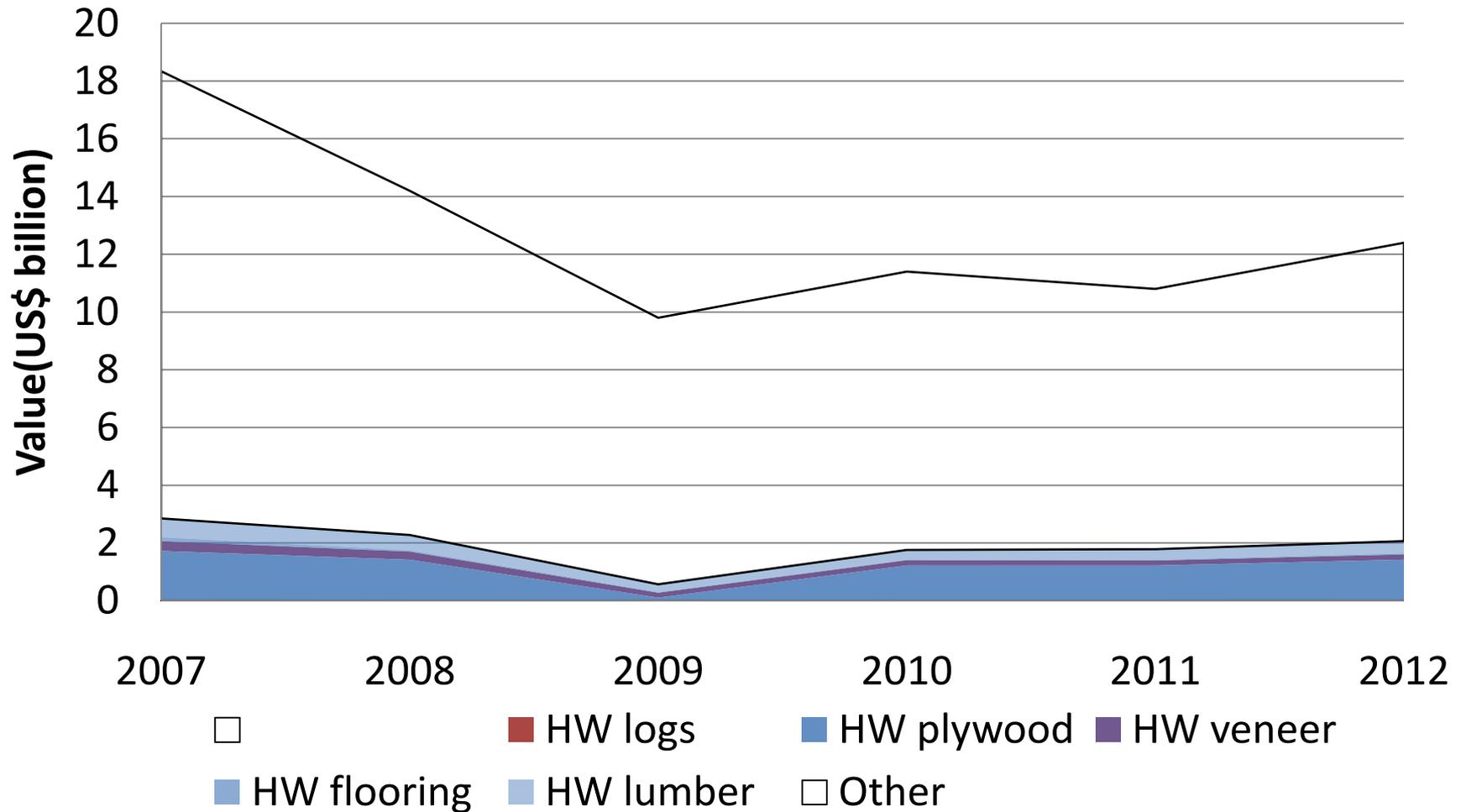
Tracking global trade flows for tropical hardwood products is extremely difficult. Most statistics are provided by:

- FAOSTAT (part of FAO)
- International Tropical Timber Organization (ITTO)
- UN Economic Commission for Europe (UNECE)

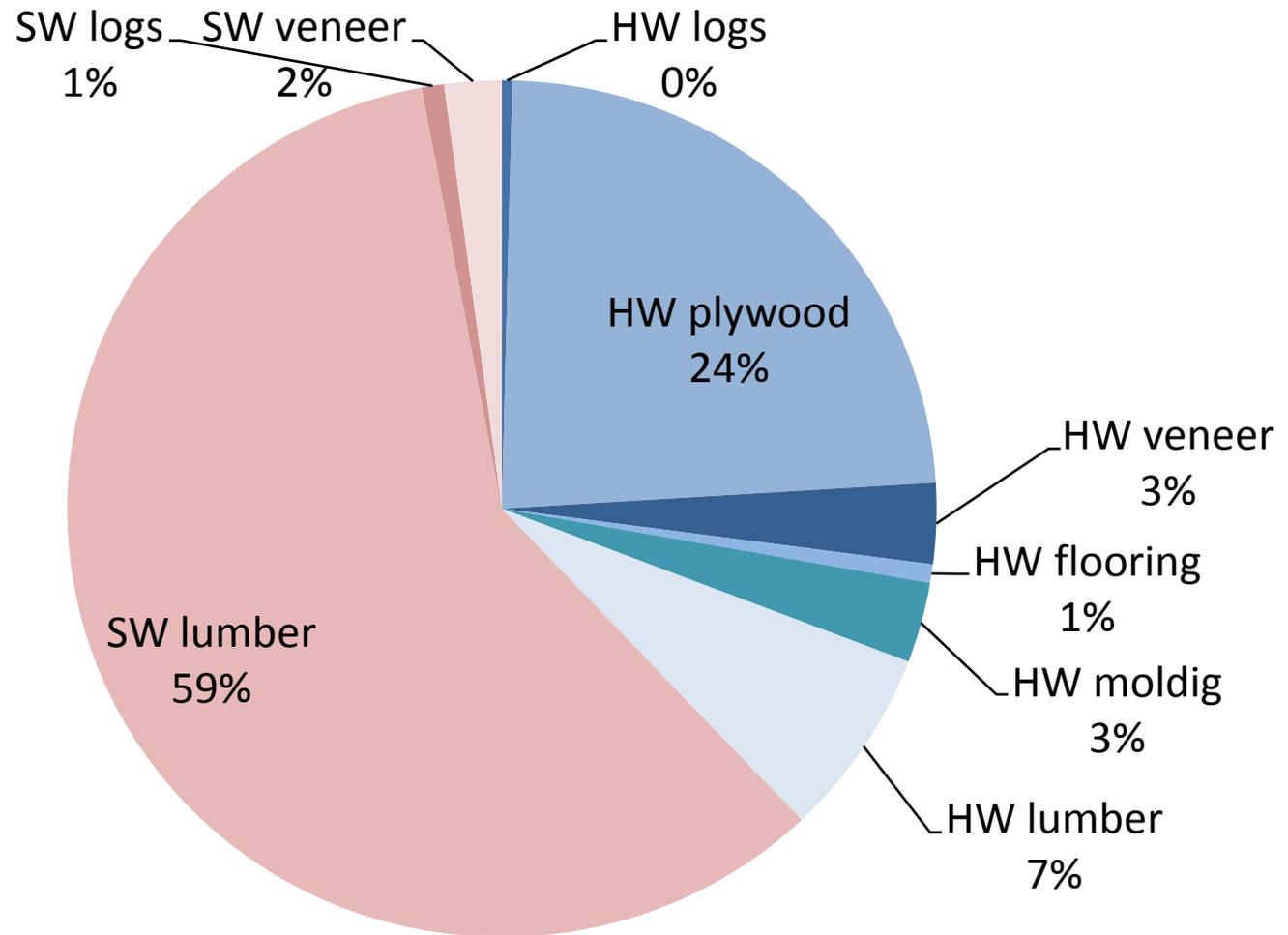
Major discrepancies in data reported by import and export countries

- Lack of standards in compilation of data
- Data errors
- Differences in classifications and measuring standards
- Inconsistent conversions
- Transshipments not recorded properly
- smuggling

Hardwoods as a Percentage of Global Forest Products Trade

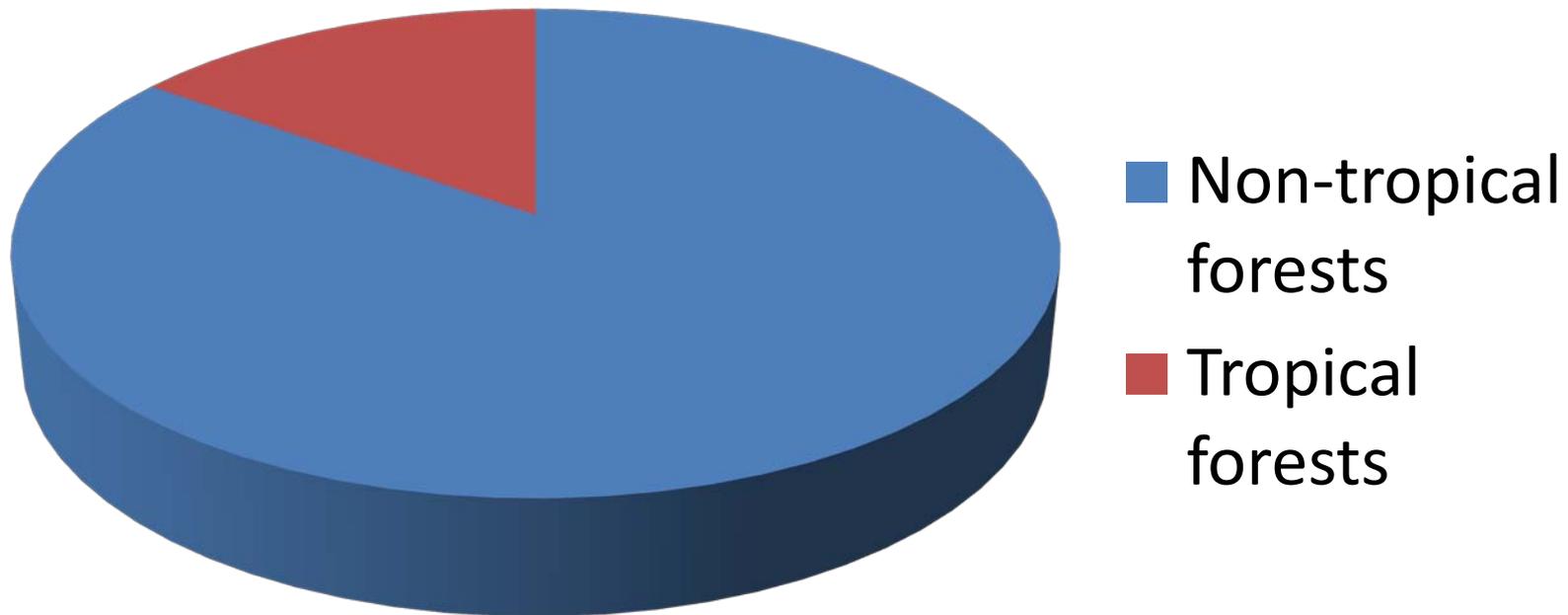


Comparison of hardwood and softwood major products internationally traded



Non-tropical forest areas dominate

Proportion of internationally traded industrial roundwood by forest type



Tropical forest products are decreasing vis a vis temperate hardwoods on the international market

Distinctions in Hardwoods

Precious Woods:

- highly valued for a range of valuable inherent qualities (e.g. appearance, tone, physical, scent, chemical properties)
- rare or of limited availability
- higher trading prices

Semi Precious Wood Definition:

- highly valued but have less highly valued inherent qualities
- less expensive
- higher biological production and regeneration rates and a wider ecological range or lower demand

Commodity Wood Definition

- traded widely and has a wide distribution
- Lower market value due to a wider biological abundance and more favourable production and reproduction rates.

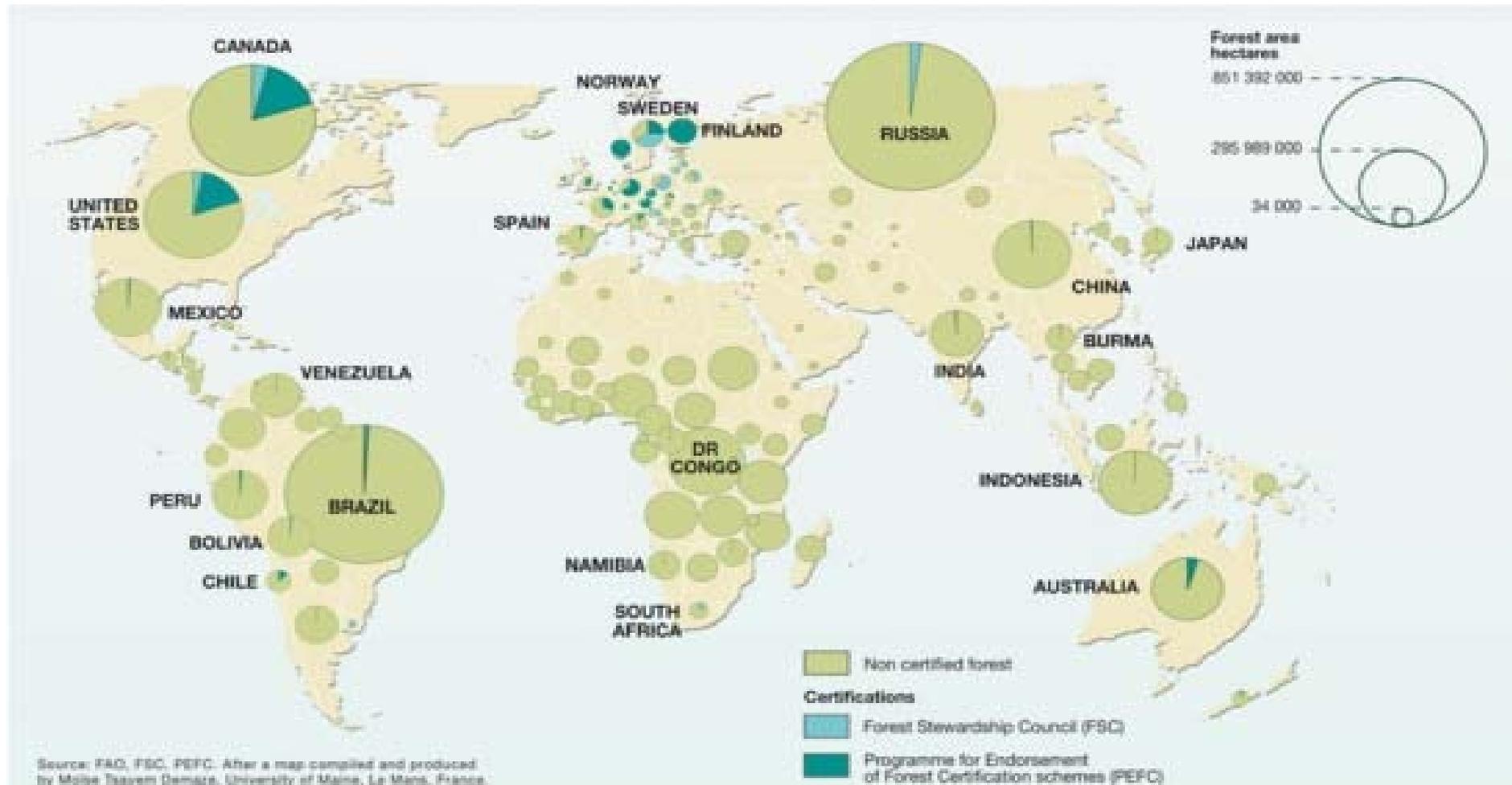
Problems of Illegality with Precious Woods

Illegalities and unsustainability associated with Precious Woods (PWs) are most prominently a problem in tropical regions, although some hardwoods from Russia are also considered “high risk.”

Thus, this presentation focuses primarily on the trade in tropical hardwoods

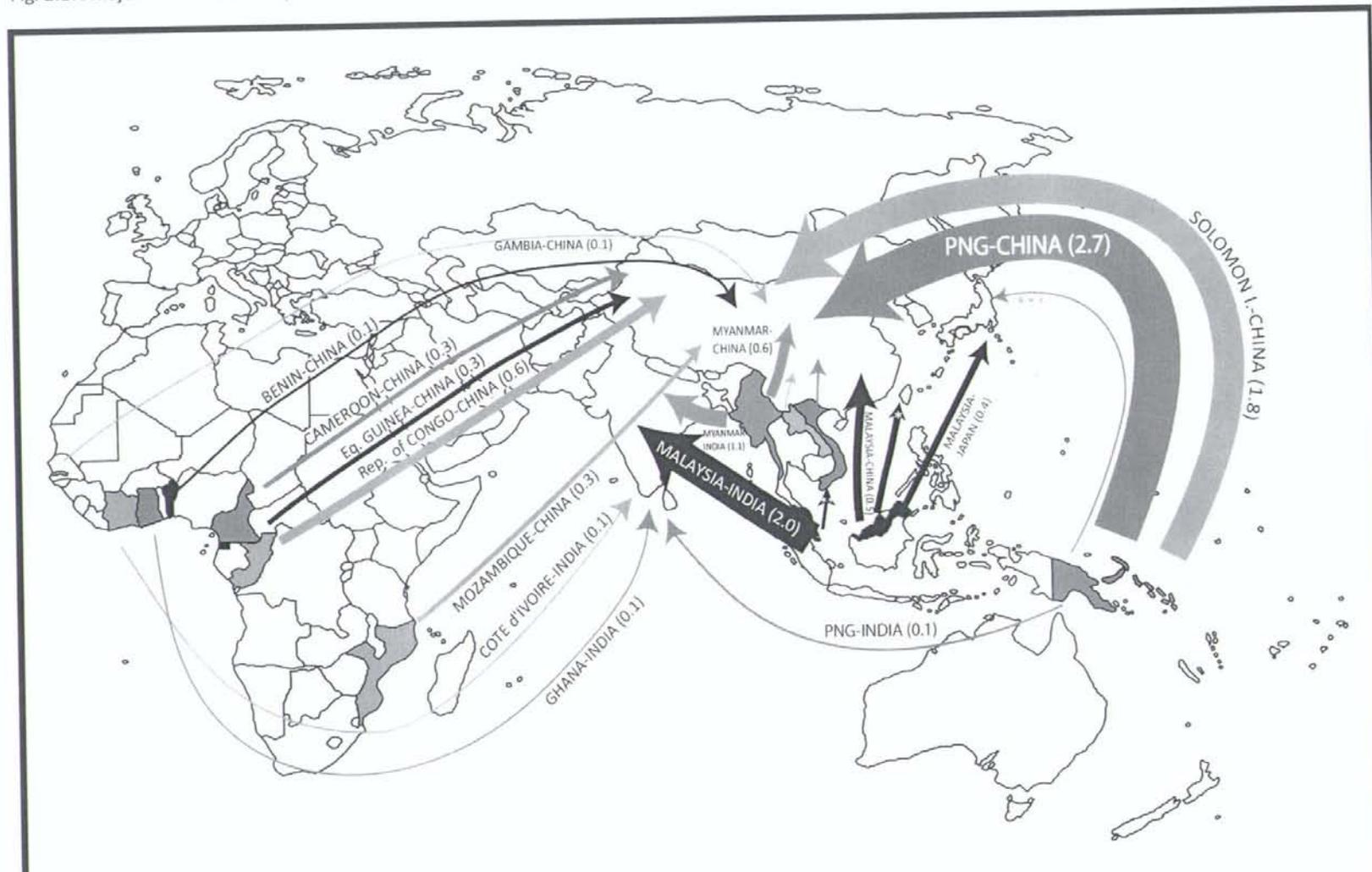
Extent of Forest Certification

Yet tropical forests have the least amount of forests under certified management (2009)



Major trade flows - logs

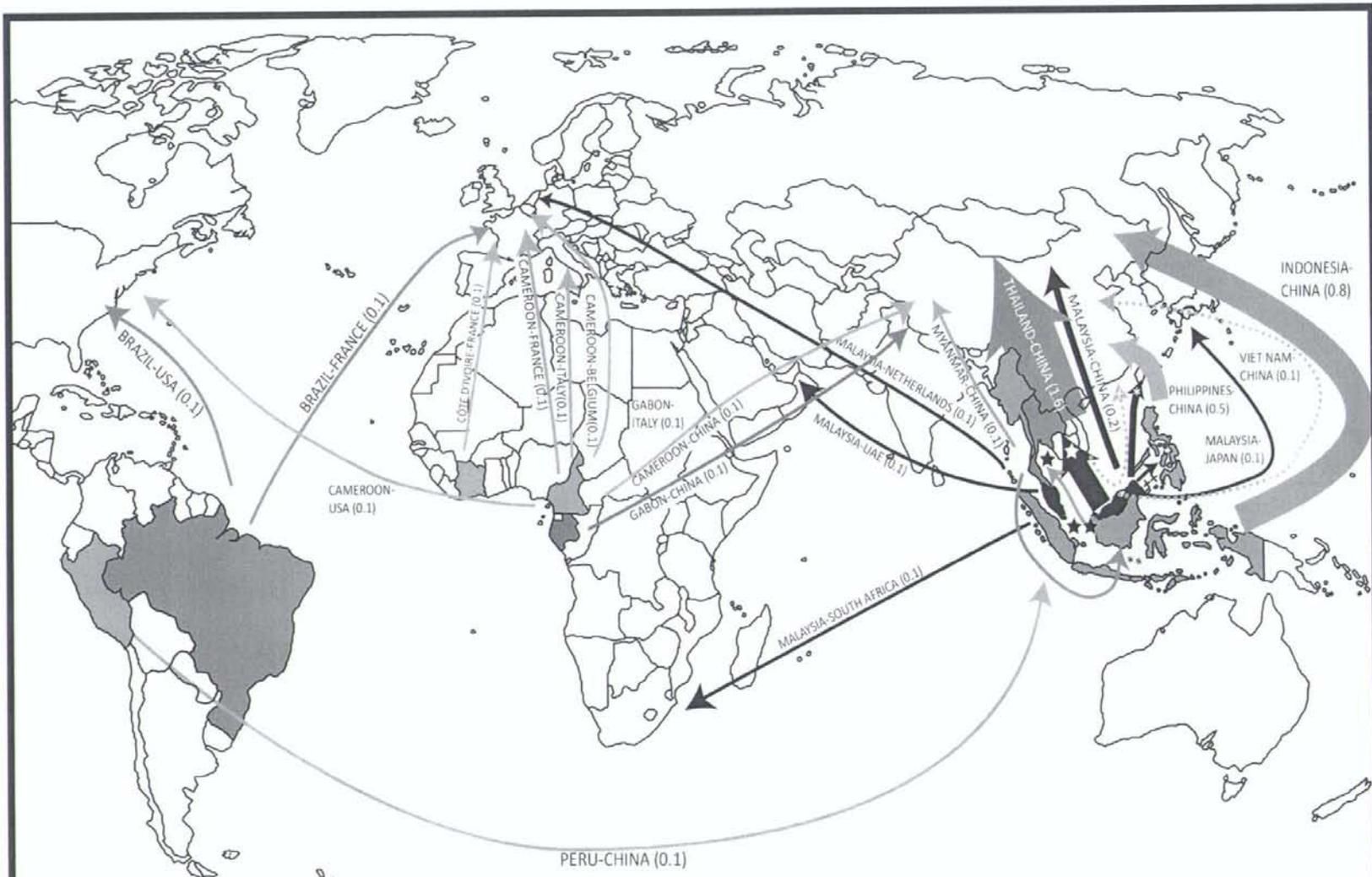
Fig. 2.17. Major Trade Flows: Tropical Industrial Roundwood 2011 (million m³).



Major trade flows - sawnwood

Fig. 2.18. Major Trade Flows: Tropical Sawnwood 2011 (million m³).

27



China and India: Dominant Importers of Tropical Hardwood Logs

The global trade in tropical primary wood products is concentrated within the Asia-Pacific region.

Tropical saw and veneer log exports from Asia-Pacific producers account for about three-quarters of global exports (Malaysia, PNG, Solomon Islands and Myanmar).

China and India account for more than 86% of total tropical roundwood imports by ITTO members (2011) compared with 22 percent in 1995.

In 2012 China's tropical hardwood log imports constitute about 1/3 of total log imports. India's imports are predominantly tropical hardwood (54 percent), with a strong preference for teak.

Tropical Sawnwood – growing after historic lows in 2009

The tropical sawnwood trade also is dominated by trade within the Asia-Pacific region, with China being the largest importer while Malaysia, Thailand and Indonesia being the top three exporters.

Increases in the sawnwood trade in China due to:

- demand for sawnwood by furniture and flooring Industries
- imposition of more log export restrictions in supplying countries (Gabon, Russia)
- increasing labor costs, rising domestic sawnwood prices and the strengthening of the Chinese currency which affected the competitiveness of tropical sawnwood manufactured in China.

China Diversifying Log Sources, but some are High Risk

Papua New Guinea and the Solomon Islands were China's main tropical log Suppliers in 2011, accounting for 2/3 of China's tropical log imports. Myanmar and the Republic of Congo were also important suppliers.

A significant proportion of China's tropical log imports are currently deemed to be from high risk regions with limited legality documentation.

This poses significant challenges for China's industries which utilize imported tropical logs and export processed products to environmentally sensitive markets

Market Shifts in Europe, USA, Japan

Consumer demand for sustainable wood products

1990s: European and American consumers started demanding wood products certified for sustainability.



Market Shifts in Europe, USA, Japan

Retailer demand for legal or certified wood products (FSC, PEFC): Major international companies, such as WalMart or IKEA, now require suppliers to be able to not only document country of origin of timber sources, but also demonstrate legality or sustainability through the use of third-party certification systems

Amendments to the US Lacey Act (2008), EU Timber Regulation, Australian Illegal Logging Prohibition Act

All new legislation that Makes it illegal to import or sell any timber product taken in violation of laws of producer and manufacturing country

Market Shifts in Europe, USA, Japan

Amendments to the US Lacey Act (2008)

- In 2010, Gibson Guitar was the first case investigated by the US Department of Justice (Madagascar mahogany)
- In 2011, a shipment of ebony and rosewood fingerboards being shipped from India to Gibson Guitars was seized due to questions about the legal sourcing of these product
- In 2013, the start of an Investigation of Russian Wood Produced in China for flooring exported to the USA.



Availability of Certified or Verified Legal Hardwoods

Availability of certified, or at least legally verified, tropical hardwoods improving:

- FLEGT VPA processes which will produce FLEGT-licenced (legal) timber to European markets in progress:

Indonesia, Malaysia, Vietnam, Ghana, Cameroon, Gabon, Honduras.....

- MTCC certified meranti can be obtained for 2-3% premium (2009)

- Leading Ghanaian shippers committed to FSC

- Major European-owned operations in Congo Basin developing legality verification procedures and committed longer term to FSC

- Gabon national certification scheme aligned with PEFC

- Over 58% of EU commercial forest area certified to either FSC or PEFC – available with no need to pay a premium



Be Careful of Substitutes

Either because of the lack of sustainable supply or desire to avoid association with “high risk / illegally harvested” species, other species are being falsely advertised and substitutes marketed as more ecologically friendly:

- “Tasmanian oak” (a Eucalypt, not Quercus)
- Chilean Lenga marketed as a cherry
- substitute
- Rubberwood sold as “oak”
- Treated softwoods
- Plastic laminate flooring
- Bamboo (grass) products
- Metal and ceramic products being marketed as “eco-friendly” alternative to tropical hardwoods

Improving data on hardwood trade

Encourage World Customs Organization and UN:

- To require reporting by individual species for logs, sawnwood, veneer and moldings.
 - United States already captures this on the documentation requirement from the US Lacey Act
 - Europeans could be collecting it under the EUTR.

Rosewood Trade

- Estimated at less than 1% of trade of global tropical hardwood logs & sawnwood* (2011)
- China accounted for 50%
- China reports trade in logs of a number of species - predominantly of the Dalbergia (rosewood), Diospyros (ebony) and Pterocarpus (sandalwood) families - under a unique commodity code (44039930) and describes this group as "padauk".

The top of the slide features a decorative header with a dark green background containing stylized, overlapping green leaves. Below this is a solid orange horizontal bar.

Thank you

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