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International Market Requirements Implications for Cambodian Wood Industry

To Xuan Phuc, Forest Trends

October 1, 2010, Phnom Penh

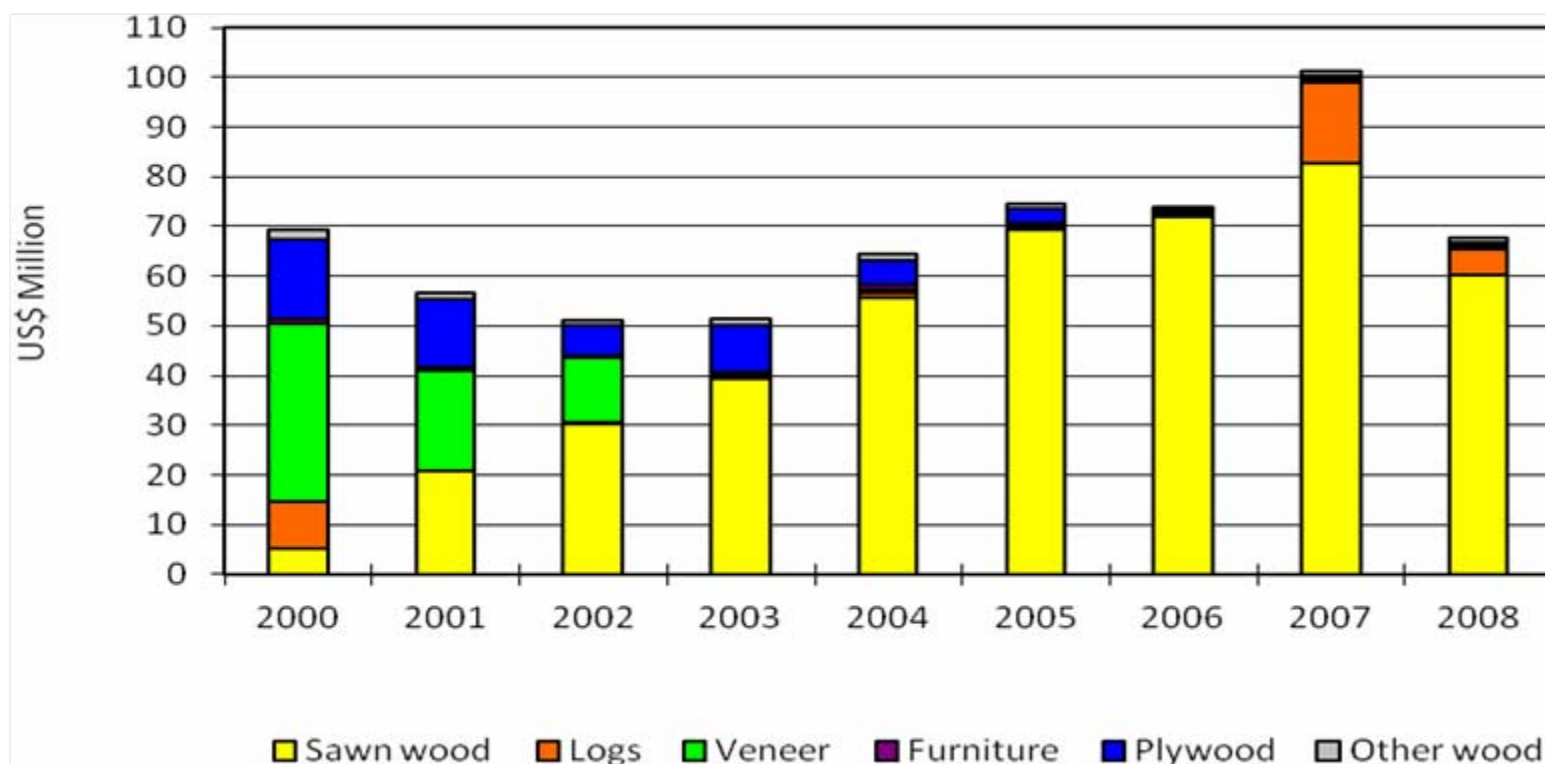
Demand side measures affecting demand for verified legal wood products

- Retailer purchasing policies for 3rd party verified / certified wood products (early 1990s)
 - Emergence of FSC, PEFC, MTCS
- European & Japanese public procurement policies (2000s)
- European timber trade federation policies
- US Lacey Act amendments (2008)
- EC due diligence regulation/ timber regulations (2010)
- Australia, New Zealand, Switzerland, Norway policies soon

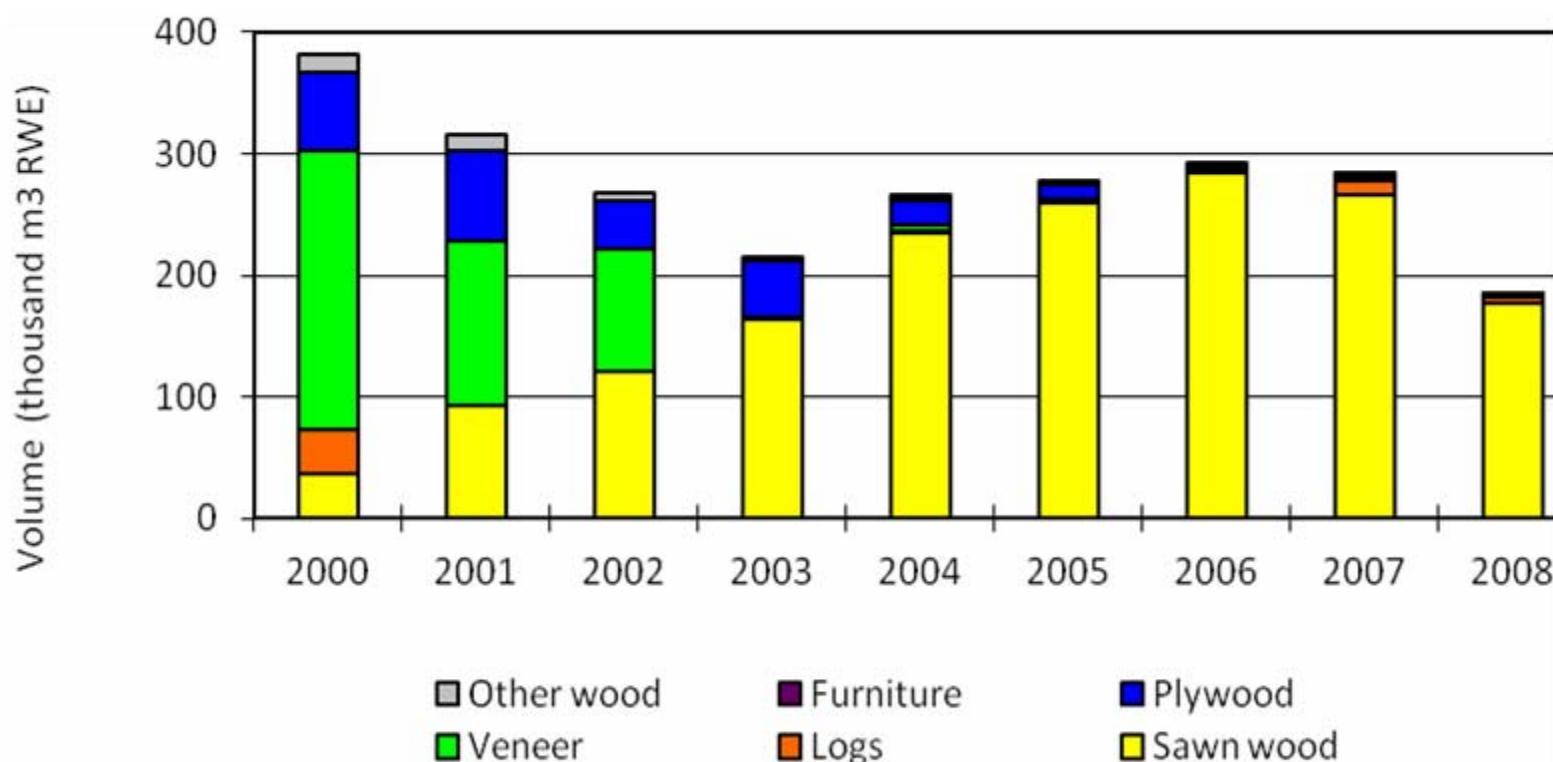
Is there one way that an operator can ensure compliance with all these similar, but different, requirements?

ALL include some form of “due care” or “due diligence” usually implying systems to independently verify legal origin and legal compliance throughout the supply chain.

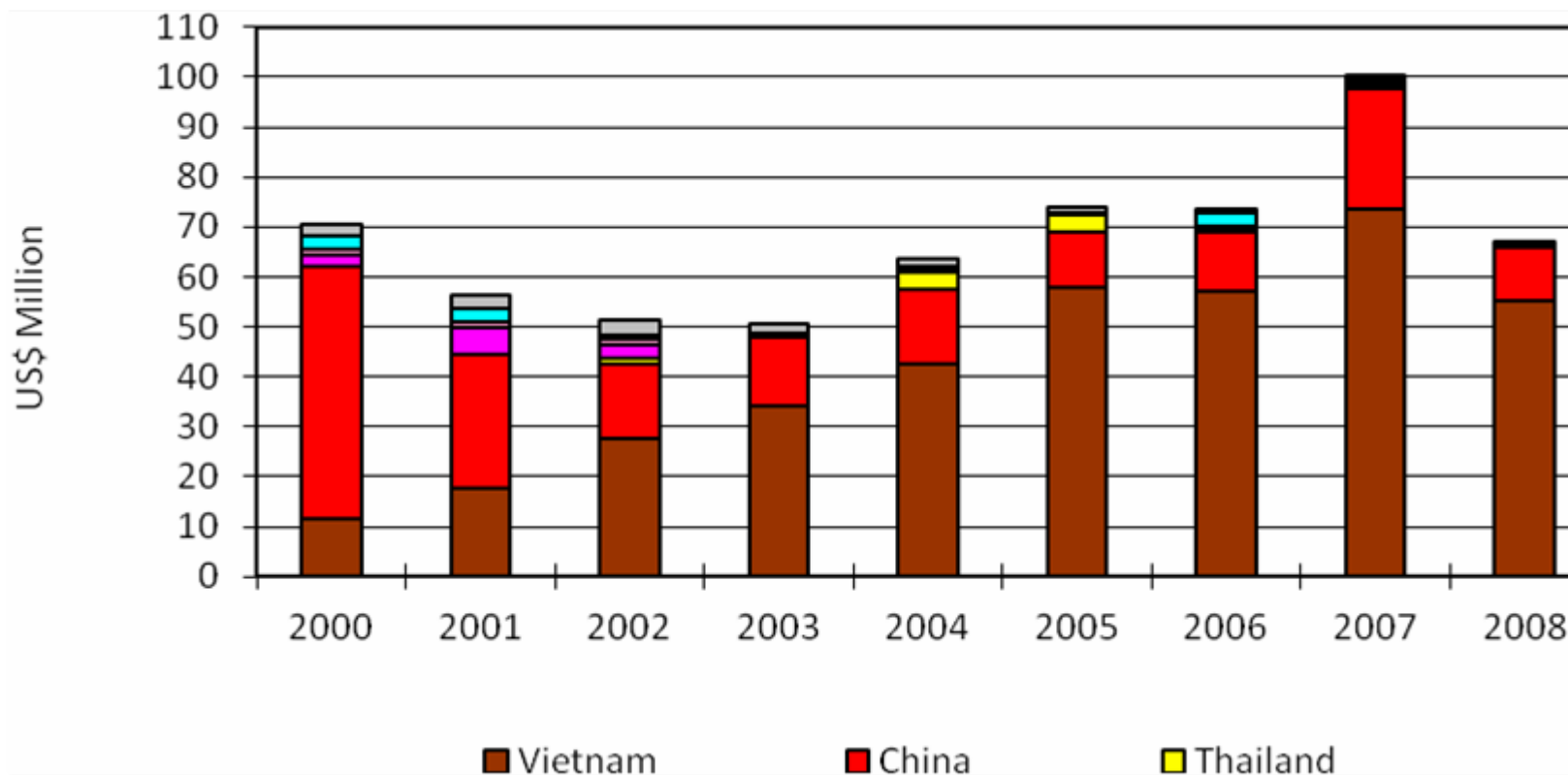
Cambodia Forest Product Exports (US\$ million)



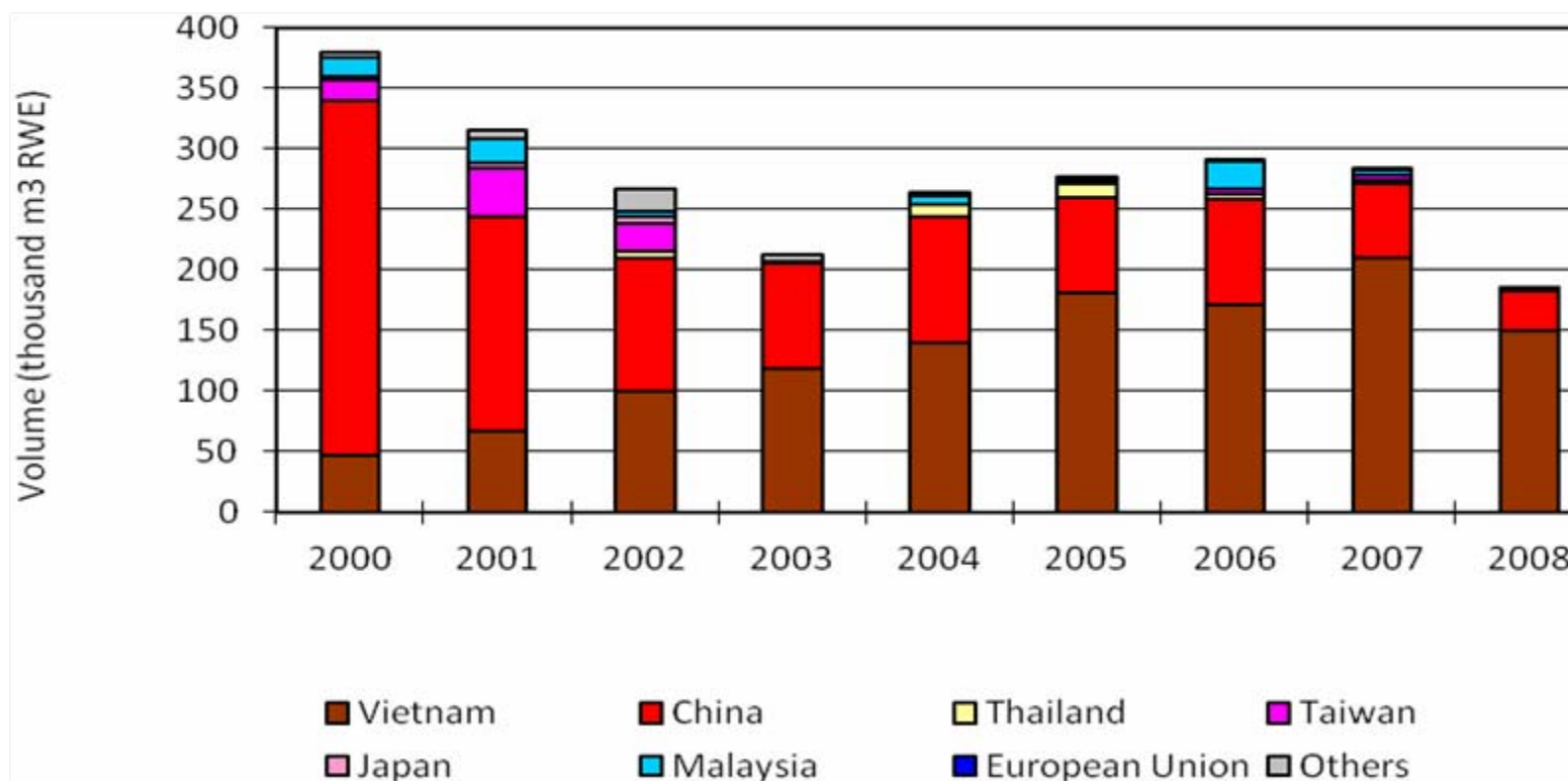
Cambodia Forest Product Exports (thousand m3 REW)



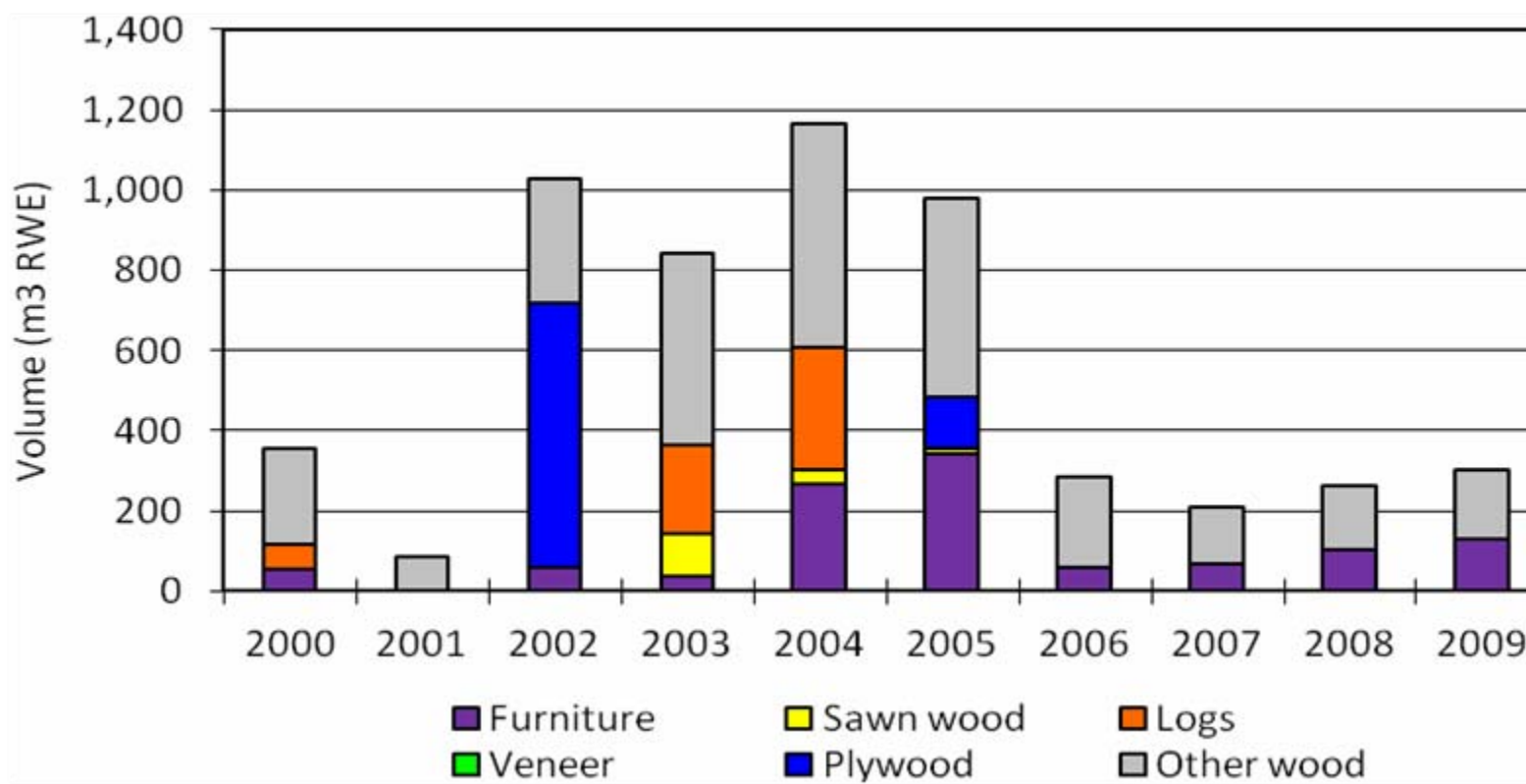
Cambodia Timber Product Exports by country (US\$ million)



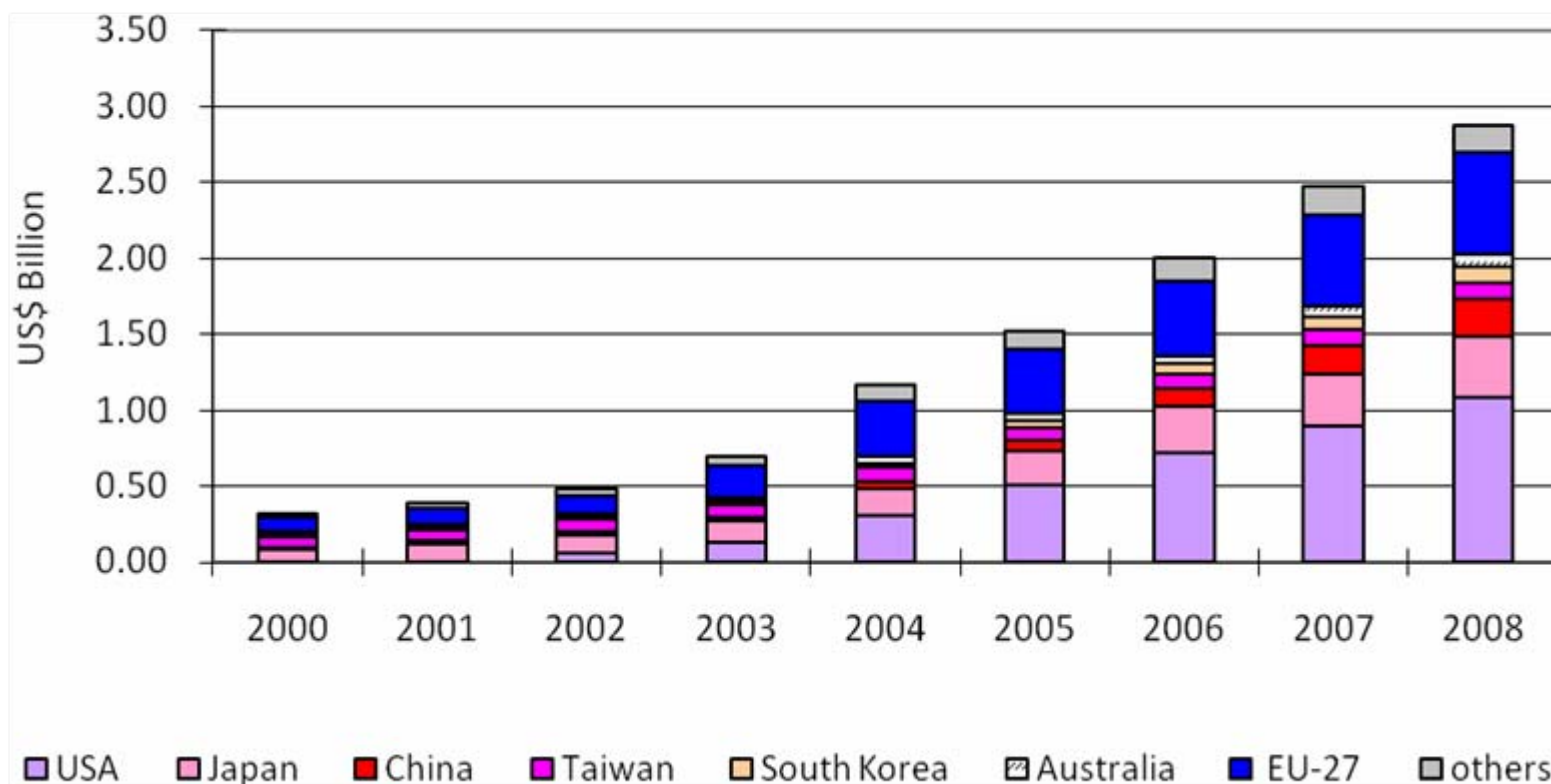
Cambodia Timber Product Exports by volume (thousand m3 RWE)



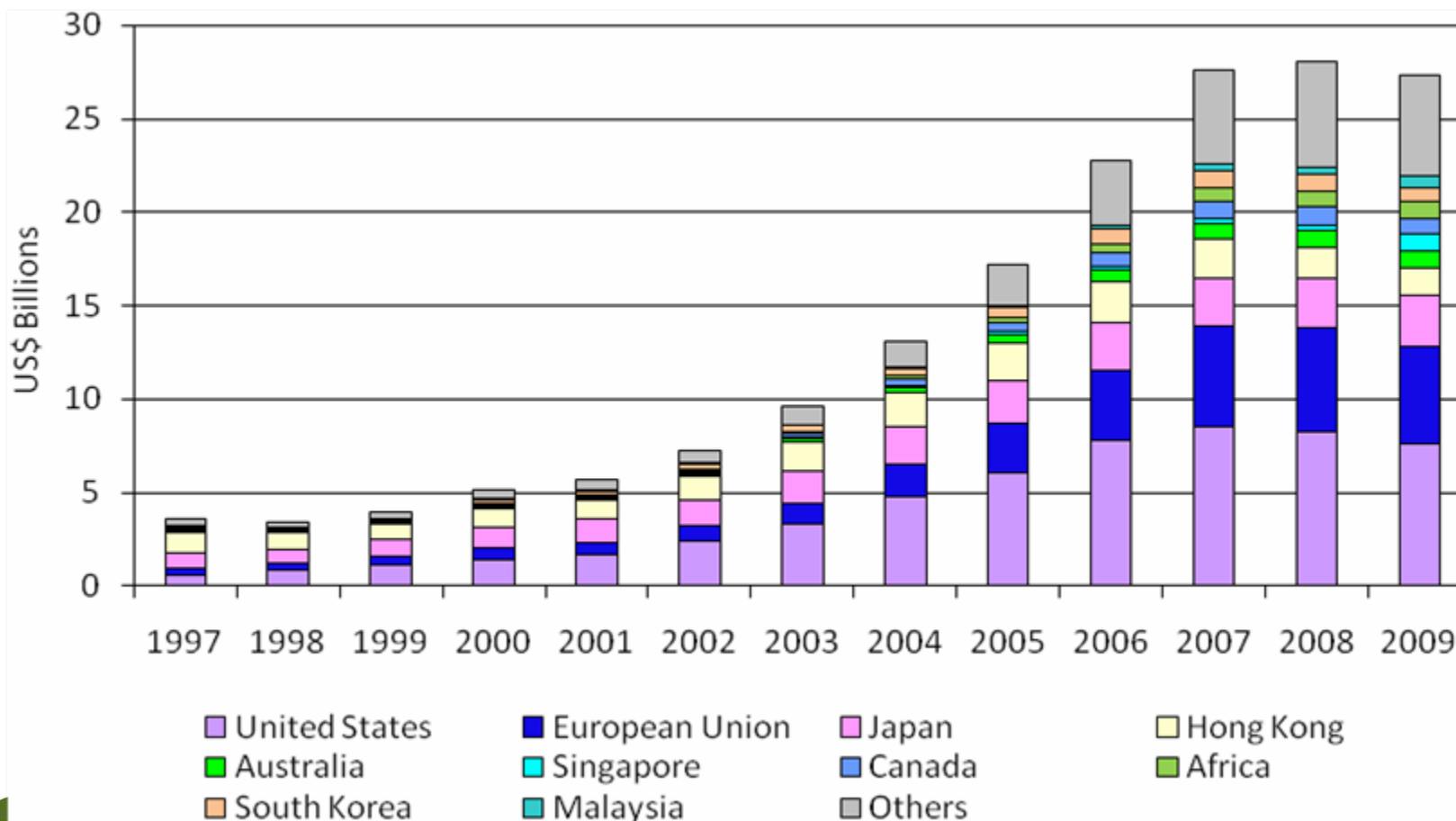
Cambodia export to EU (m3 RWE)



Vietnam Timber Product Exports by value (US\$ Billion)



China Timber Product Exports by value (US\$ billion)



Where does timber exported to China and Vietnam come from?

- No FSC forest
- Small/no plantation
- Logging bans and export bans
- Economic land concessions?
- By May 2010:
 - Total number of timber-oriented land concession: 46
 - Total area: 695,070 ha
 - Top 5 investors: China (14), Cambodia (17), Vietnam (6), USA (5), South Korea (3)
 - Documented area of timber oriented ELC land actually cleared: 35,683 ha

Problems associated with timber from ELCs

- ECL goes beyond area of limit (10,000 ha/LC each)?
- ECL does not follow procedures
- EIA is not adequately implemented
- Tenure conflicts (local community and government)

=> RISKS

Some key questions

- How much of the import to Vietnam and China is used domestically?
- How much of the import to Vietnam and China enter US and EU markets?
- How much of the import is certified or verified legal, and to which standards?
- Can you document place of legal origin?
- Do you have due diligence systems in place all along the supply chain? Include 3rd party verification systems?
- Not only the question of high vs low risk, legal vs illegal wood, but also the question of documented vs un-documented

VULNERABILITY BUT NOT DIRECT?

ANY OPTION?

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Thank you

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