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Illegal Wood Import and Re-export: The Scale of the Problem and the Response in Thailand, South Korea and India

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SUMMARY

Context

This paper presents an assessment of levels of import and re-export of illegal timber in Thailand, South Korea and India, and the response from government and the private sector in each country. Using both primary research and secondary sources, the study assesses the situation using a set of standardized indicators previously developed by Chatham House, including: an assessment of the country's policy framework and enforcement; import-source estimates of illegally sourced wood imports; trade data discrepancy analysis; assessment of media coverage; and an assessment of levels of certification and legality verification.

Thailand, Korea and India are among the world's largest timber and wood product importers. Some 90% of wood demand in Korea is met from imports, as is more than half of wood demand in Thailand and around 30% of wood demand in India. Thailand is also a large and growing exporter of timber and wood products.

Levels of illegal logging

The three countries are among the most important destinations for timber and wood product exports from some of the countries most badly affected by illegal logging; and, consequently, they are all among the world's principal importers of illegally sourced timber and wood products.

A significant minority of the estimated illegally sourced wood imported by each of the three countries is imported direct from producer or processing countries that are negotiating or implementing bilateral agreements with the EU on the issue. The largest sources of illegal wood that are not currently expected to be encompassed by an EU Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA) licensing scheme are timber from Burma (Myanmar), Sarawak (Malaysia) and Russia (both direct and indirect via China).

More than 18% of Thailand's wood imports are estimated to be of illegal origin. Imports of illegal wood from Indonesia and Malaysia have declined over the last decade, but this has been offset by increased imports of wood products from China that are at high risk of being illegally sourced. Since most of the illegal wood imports to Thailand are consumed within the country, the proportion of Thailand's exports that are high risk is much lower. Much of the timber used for exports is produced from plantations in the country.

About 17% of imports to India are estimated to be of illegal origin. Although per capita illegal wood consumption is low, the country's size means that it is nevertheless a major importer of illegal wood. Its consumption of illegal wood is rising more rapidly than that of any other country surveyed.

The proportion of total wood imports into Korea estimated to be of illegal origin is 13%, and per capita illegal imports are the highest of any consumer country assessed by Chatham House. Illegal imports have fallen by 30% over the last 10 years, however, mainly reflecting reduced illegal logging in Indonesia (an important source country).

In comparison with other consumer countries examined, a greater proportion of South Korea's and India's high-risk imports are of primary wood products (logs, sawn timber, plywood and veneer) and a greater proportion arrive direct from producer countries. This should make cleaning up supply chains easier.

Response to the issue

There has been very limited recognition of the problem in these three countries to date. Furthermore, the governments have shown little response: none of the countries has examined the extent of the problem or developed an action plan or policies to address it. The authorities in Thailand and India are paying much greater attention to domestic illegal logging and associated exports, although much more illegal timber is imported than is harvested locally.

The response of the private sector in the three countries has also been slow, with limited interest in chain of custody certification. This is a reflection of the fact that there is little incentive for companies to act: most high-risk wood is consumed domestically and there has been little consumer concern and no government regulation.

However, there are some indications of increased recognition of this issue by the Thai and Korean governments. Thailand has begun formal negotiations with the EU for a VPA, while Korea has recently passed new legislation that includes provisions related to illegal logging.

Conclusions and recommendations

Recommendations include that the governments of the three countries introduce a prohibition on imports of illegally sourced wood and wood products, and require proof of legality in government purchases. These measures should recognize and require legality licences issued by VPA countries once these systems have been implemented.

Thailand must conclude a VPA with the EU that includes domestic wood sales.

The governments of the three countries must work with other consumer country governments to encourage important supplier countries that are not yet engaged on this issue to do so – most importantly Burma, Sarawak (Malaysia) and Russia. The sharing of export data would be a useful first step.

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GLOSSARY OF TERMS

CoC	Chain of Custody (a system for ensuring that verified wood is not mixed with other wood)
EU FLEGT	European Union Forest Law Enforcement, Governance and Trade (EU programme on FLEGT)
FSC	Forest Stewardship Council (a certification system and standard for ensuring legality and sustainability of timber and wood products)
GFTN	Global Forest & Trade Network (a WWF initiative, assisting timber companies)
Primary wood product	Logs, sawn timber, plywood and veneer
Re-export	In this report, re-export is used to refer to exports of wood products manufactured from imported wood
RWE	Roundwood equivalent volume (the volume of logs estimated to have been required to produce a given amount of a wood product)
South Korea	While the official title is the Republic of Korea, this report uses the more common South Korea, or simply Korea
VPA	Voluntary Partnership Agreement (bilateral agreement with the EU)
Wood product	In this report, wood product includes primary and secondary timber products, other wood manufactures, and pulp and paper

BACKGROUND TO THE STUDY

Chatham House has developed a methodology and a series of standardized indicators for assessing illegal logging and related trade, and associated forest governance, in countries that produce, trade and consume illegally sourced timber. The indicators look at the nature and extent of the problem, the attention it receives, and the response by both the government and the private sector.

Twelve countries were assessed in 2008–09, including five consumer countries (France, Japan, the Netherlands, the United Kingdom and the United States) and two ‘processing’ countries – countries that re-export a large proportion of their timber imports (China and Vietnam). The results showed that progress had been made in all of these countries to tackle imports of illegally sourced wood in the preceding decade, although the amount of progress varied considerably.

During 2012–13 Chatham House expanded the assessment to two new consumer countries – India and the Republic of Korea (hereafter referred to as South Korea, or Korea) – and one new processing country – Thailand. The indicators used to measure the situation in these countries include reviews of relevant media coverage, collection and analysis of data on voluntary verification and certification by timber companies, import-source estimates of volumes and values of illegally sourced wood, and a detailed and structured assessment of the response of government, both in terms of policy and implementation. In the case of Thailand, a private sector survey was also conducted and destinations of re-exports were analysed.

This report presents the findings for the three new consumer and processing countries assessed. A reassessment of the original seven consumer and processing countries will follow in early 2014.

CONTEXT

It should be noted that while this study examines only the role of these three countries as consumers (South Korea and India) or as processor re-exporters (Thailand) of illegal wood from elsewhere, Thailand and India also suffer from domestic illegal logging, while both Korea and India also re-export significant volumes of wood products (albeit less than do countries such as Thailand, China and Vietnam). In addition, as the analysis below demonstrates, in retrospect Thailand might be more accurately defined as a consumer rather than a processing country.

The Chatham House indicators for processing and consumer countries are largely the same, so the classification in which a country is placed makes little difference. However, the decision not to focus on the role of India and Thailand as producers does mean that the study deliberately excludes any analysis of domestic illegal logging in these countries.

Thailand

Driven in part by an industrial logging and export boom, Thailand’s forests shrank from 50% of land cover in the 1960s to less than 25% by the mid-1980s. Thailand’s natural teak forests were particularly hard hit, declining by 94% between 1953 and 2000.¹ In 1989, following the worst floods for over a century, the Thai government recognized the scale of deforestation and degradation, and introduced a complete ban on logging of natural forests. After the ban, wood imports increased exponentially. More than half of Thailand’s wood demand is now met from imports, which totalled 10 million cubic metres (by roundwood equivalent volume – RWE) in 2011.²

Since the logging ban, the government has implemented measures to protect the remaining natural forests and to promote plantation forest development. Thailand now has large areas of both rubberwood and eucalyptus plantations. Rubberwood (mostly domestically sourced) supplies 87%

¹ Calculated from hectare figures in FAO, (2009): *Thailand Forestry Outlook Study*. Bangkok: FAO.

² Chatham House estimate for 2011, based on comparison of import volume (10 million m³ RWE – calculated from customs data) and domestic log production volume (8.7 million m³ – FAOSTAT).

of wood furniture production (and an even higher proportion of furniture exports),³ while eucalyptus supplies a large part of Thailand's domestic pulp and paper demand. Imported hardwoods are used mostly for the construction sector, although they also make up the balance of supply to the furniture industry. Almost all of the 4 million cubic metres RWE of sawnwood used in the construction industry in Thailand in 2004 was imported tropical hardwood.⁴

Thailand is a major exporter of wooden furniture, sawn timber, fibreboard, particle board, wood chips and paper, and overall exports are increasing rapidly. Total exports increased by 60% (in terms of RWE) in the five years to 2011, before dropping back slightly in 2012, during which 18 million cubic metres RWE, worth \$4 billion, were exported. Sales of wood furniture, pulp and paper have actually been declining, but exports of sawn timber, fibreboard, particle board, and wood chips have been increasing.⁵ Approximately one-third of Thailand's wood product exports are destined for markets that require proof of legal origin.⁶ It appears that a small proportion of Thailand's wood product exports may be being produced from the country's high-risk imports, however. As mentioned above, most of the wood furniture is made from plantation-grown rubberwood, while most of the paper is made from plantation-grown eucalyptus.

In the late 1990s Thailand imported large volumes of illegal timber from neighbouring Cambodia. More recently, Thai loggers have been arrested in both Burma (Myanmar) and Malaysia; however, the situation on the border with Cambodia has reversed, with Cambodian illegal loggers targeting rosewood in Thai forests. In 2009 FAO reported that while illegal imports of timber from Burma and Laos continued, 'there is a general perception that illegal imports [from these countries] have been declining drastically compared to what they used to be'.

South Korea

South Korea lost most of its original dense natural forest cover during the period of war and occupation in the middle of the last century. Reforestation efforts began in the 1970s, but plantations are not yet mature and the country is heavily reliant on imports to supply domestic demand for wood and paper.⁷ Around 90% of the country's wood needs are supplied by imports: Korea imported 30 million cubic metres RWE of timber and wood products in 2011 (worth \$6.6 billion),⁸ while domestic production was only 3 million cubic metres.⁹ Imports are expected to rise gradually in absolute terms, although their proportion within total consumption is expected to decline slightly.¹⁰

Korea is the world's second largest importer of tropical plywood and veneer, and is also among the 10 principal importers of tropical logs and sawn timber.¹¹ Tropical hardwood plywood is now mostly used for interior construction and furniture (fibre and particle board having displaced plywood for use in concrete shuttering).¹² Tropical hardwood lumber (imported or produced from imported logs) is generally used for low-grade furniture, low-grade interior construction materials, packaging materials and pallets.¹³

3 FAO, (2009): *Thailand Forestry Outlook Study*, p. 66, notes that 60% of furniture is made from solid rubberwood, while a further 30 is made from wood panels, 90% of which are themselves also made from rubberwood. This suggests that a total of 87% of furniture is made from rubberwood, 10% from solid hardwoods and 3% from hardwood panels. The same report notes that rubberwood has been especially strong in export markets, suggesting that even more than 87% of furniture exports are rubberwood.

4 FAO, (2009): *Thailand Forestry Outlook Study*, p. 51.

5 Based on analysis by James Hewitt of official customs data for timber products (HS44), pulp and paper (HS47 and 48) and wood furniture (HS94161; H94169; H940330; H940340; H940350; H940360).

6 EFI, (2013): *Press Release*, http://www.euflegt.efi.int/portal/news/focus_on_asia?bid=1150.

7 Lee, S.W., (2005): *Forestry in Korea*, Portland: World Forestry Centre/Eagon, http://wfi.worldforestry.org/media/presentations/korea_s.lee.pdf.

8 Official government import data, analysed by James Hewitt for Chatham House.

9 FAOSTAT.

10 FAO, (2012): *Republic of Korea Forestry Outlook Study*. Bangkok: FAO.

11 ITTO, (2012): *Annual Review and Assessment*. Yokohama: ITTO.

12 FAO, (2012): *Republic of Korea Forestry Outlook Study*.

13 Ibid.

Korea is among the principal destinations for timber exports from many of the countries that are most badly affected by illegal logging. It is the second largest importer of logs from the Russian Far East, the second largest importer of plywood from Indonesia, the fourth largest destination for logs from Papua New Guinea (PNG) and the fifth largest destination for tropical wood exports from Sarawak in Malaysia.

India

In response to rapid deforestation and degradation, in 1988 the Indian government placed major restrictions on legal domestic harvesting. Deforestation slowed thereafter but the rate has picked up again recently, driven by fuelwood demand and conversion for mining. Domestic illegal logging and smuggling of high-value timber is a major problem in many parts of the country (including in protected areas), and involves organized criminals, but the total volumes involved are uncertain. In 2009 the Ministry of Environment and Forests estimated that 2 million cubic metres of logs were being illegally felled each year.¹⁴ Partly as a result, 40% of India's forests are thought to be degraded.¹⁵

Economic and population growth have dramatically increased wood demand in India and this trend is expected to continue. Total consumption is projected to rise from 58 million cubic metres in 2005 to 153 million cubic metres in 2020.¹⁶ As consumption has risen but domestic supply has remained static, imports have grown to fill the gap. India's wood imports are trebling every 10 years, and the proportion of India's wood consumption supplied by imports has increased dramatically over the last 20 years. In 1994 just 2% of consumption was from imports; by 2006 the figure had risen to 17%.¹⁷ Chatham House estimates that the current figure may now be higher than 30%.¹⁸

India imported 21 million cubic metres RWE of wood products in 2011, of which 12 million cubic metres was pulp and paper, 7 million cubic metres primary timber products, and the balance secondary timber products.¹⁹ The vast majority of timber imports take the form of logs: Indian manufacturers prefer to import timber in log form to feed the domestic industries.²⁰ Unlike most other consumer countries that Chatham House has studied, India imports very little finished wood furniture. India is the second largest importer of tropical logs in the world: around 30% of all tropical logs in trade at any one time are destined for India.²¹ Like China, India's list of major timber suppliers reads like a 'who's who' of countries known to be badly affected by illegal logging. Two-thirds of Burma's log exports go to India, as do two-thirds of those from Sarawak in Malaysia. India is also the second largest buyer of logs from PNG.

Although India is being analysed by Chatham House for its role as an end consumer of illegal wood, the country does export substantial volumes of wood products, especially furniture and carved wood handicrafts. Exports are disproportionately likely to be made from domestically harvested species, however. India exported wood furniture to the value of around \$300 million in 2011.²² Around 13% of its wood product exports were destined for the EU; other major destinations include the United States and the Middle East.²³

14 Ministry of Environment and Forests, (2009): *Forest Outlook Study*.

15 FAO, (2005): *State of the World's Forests*. Rome: FAO.

16 Manoharan, T.R., (2011): *Supply determinants of timber trade in India*, New Delhi: WWF.

17 Ibid.

18 Estimate based on past trends, import data from Indian customs and production data from FAOSTAT.

19 Official government import data, analysed by James Hewitt for Chatham House.

20 ITTO, (2009): *Tropical Timber Market Report*. Yokohama: ITTO.

21 Based on tropical log trade in 2011 reported in ITTO, (2011): *Annual Review and Assessment 2011*.

22 Customs statistics.

23 Manoharan, T.R., (2013): *'Effects of the EU Timber Regulation and the demand for certified legal timber on business and industry in India'*, Joensuu :EFI.

MEDIA ATTENTION

Chatham House analysed domestic and international media coverage, and the reports and press releases of NGOs, in order to gauge the amount of attention being paid to the role of Thailand, South Korea and India as importers and consumers of illegal wood. The results show that the three countries have received little attention relative to their position as importers. It is likely that this is a major reason why the response of both governments and the private sector (pp. 11-17) has lagged behind that of other consumer and processing countries.

Thailand

During the late 1990s and early 2000s campaigning by the international NGO Global Witness focused a great deal of domestic and international attention on imports by Thailand of illegal timber from neighbouring Cambodia – imports that were helping to fund the Khmer Rouge. Action by the Thai authorities brought this trade to a halt some years ago, however, and more recently most attention has centred on domestic illegal logging of high-value rosewood, and subsequent smuggling to China via Cambodia and Laos.

In 2012 there were just two brief stories in the Thai media regarding the country's role as an importer of illegal wood. One related to a protest in Bangkok by Greenpeace as part of a global campaign regarding the use of illegally sourced wood pulp from Indonesia in the manufacturing of fast-food cartons by an international chain. Another story related to seizures and arrests by the authorities in Burma of Thai loggers who were illegally felling across the border. The Greenpeace protest was the first time in which Thailand had been publicly highlighted as an importer of high-risk Indonesian wood products. Although Thailand has long been among the most important destinations for Indonesian wood, NGOs had previously focused attention on other consumer countries – including China, Malaysia, the United Kingdom and Singapore. Given the value of Thai exports to the EU, it is to be hoped that the new EU Timber Regulation (EUTR) and the discussions between Thailand and the EU over a Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA) will raise attention paid to the issue in the future.

South Korea

Despite being the world's fifth largest consumer of illegally sourced wood (after China, Japan, the United States and the EU – see p. 20), there has been almost no domestic or international attention paid to South Korea's role as a consumer of illegal wood. There has been little or no campaigning work by NGOs, either domestically or internationally, and no coverage in the local or international media.

Chatham House found only two mentions of illegal logging in the last 10 years in the six Korean newspapers with the largest circulation, and neither story mentioned the country's role as an importer.²⁴ A wider search by Chatham House's partner consultant of 17 separate newspapers, trade journals and other media sources in Korea for the period April 2010–March 2012 also found no articles related to illegally sourced wood imports. Of 24 articles mentioning illegal logging, 15 were about domestic illegal logging. Of the nine others, five related to discussion in 2012 of illegal logging during the annual bilateral talks on forestry between Korea and Australia (see p. 12 for more on this topic). The remaining reports related to illegal logging in Cambodia, Thailand and Indonesia, but did not include anything about Korean imports.

²⁴ Factiva search for stories including the Korean-language equivalent of the phrase 'illegal logging' in Chosun Ilbo, JoongAng Ilbo, Dong-a Ilbo, Maeil Business Newspaper, Busan Ilbo and Hankyoreh, 2000–12.

India

In 10 years, among India's nine English-language newspapers with the largest circulation, only one small story was published relating to the country's role as an importer of illegally sourced wood from abroad – a 2011 article about smuggling of illegal timber from neighbouring Nepal.²⁵ A search of archives for a broader range of local media from April 2010 to the end of 2012 uncovered just two further articles, these regarding small cases of smuggling of illegal timber from Burma²⁶ and Bhutan.²⁷ There were also very few stories about illegal logging in other countries in the Indian media, when compared with the amount of attention shown in the media in other consumer countries such as the United Kingdom, France and Japan. The international media has been almost completely silent on the issue of illegal wood imports by India as well – the only example being a BBC piece from 2010, also regarding imports from Nepal.²⁸

This relative lack of coverage is due to the limited attention to India's timber imports on the part of campaigning NGOs, both national and international. Although India is a major importer of high-risk wood from Malaysia (Sarawak) and Burma, NGOs campaigning for attention to be paid to exports from these countries have instead focused on China (for Burma) and Japan (for Sarawak). There is now more attention given to India's impact on other countries' forests as a result of its imports of agricultural commodities than there is in relation to its imports of timber.²⁹ India has been mentioned by international NGOs as a destination for smuggled merbau logs from Indonesia (in 2005),³⁰ and illegally sourced logs from Liberia (in 2013),³¹ but the principal focus in both cases was on China. Given its importance as a market for Indian wood exports, the new EUTR can be expected to raise attention to the issue in the future. Indeed, early indications suggest that this is already occurring.

25 Times of India, 19 February 2011, 'Smuggled Nepalese goods flood Bihar'.

26 Assam Tribune, 28 July 2010, 'Seized timber part of larger consignment'.

27 Third Pole, 16 October 2012, 'Bhutan struggles to control illegal wildlife trade'.

28 BBC, 29 September 2010, 'Nepal's forests "being stripped by Indian timber demand"'.

29 In 2012 a report by Greenpeace about India's impacts on forests in Southeast Asia as a result of its consumption of palm oil received some attention.

30 Environmental Investigation Agency (EIA) /Telapak, (2005): *The Last Frontier: Illegal logging in Papua and China's Massive Timber Theft*. London: EIA.

31 Global Witness microsite <http://www.globalwitness.eu.org/>, accessed 3 June 2013.

GOVERNMENT RESPONSE

Policy assessment

Chatham House uses a structured system for assessing the existence, design and implementation of those laws, policies and regulations generally considered necessary to minimize illegal logging and ensure good forest governance in high-risk countries. Five major policy areas are assessed and scored, using 15 questions. The assessment provides a baseline against which future progress can be measured. The results for each major heading are summarized below.

High-level arrangements

Unlike some other countries (such as the United Kingdom), none of the three in this study has carried out a review of its role as a consumer of illegally sourced wood, or created an action plan aimed at reducing this role. However, the South Korean government is reported to have an action plan under development, following the enactment of new legislation by parliament requiring some kind of government response (see p. 11). None of the three countries has any issue-specific intra-governmental coordination mechanism or multi-stakeholder consultation process in place, although in some cases (such as in India) generic, environment-related coordination and consultation processes do exist that could possibly be used for this purpose.

Awareness of the issue is very low among relevant government officials in each country. The focus of the respective forest agencies is entirely on domestic forestry issues, and the customs agencies are currently only concerned with proper taxation of imported wood. Government officials in Korea told Chatham House researchers that they believed the problem was negligible, since most of the country's imports are low-risk softwoods – a conclusion that contradicts Chatham House's findings (see p. 20).

Regulation of timber imports

None of the three countries has analysed the potential of existing legislation to prevent imports of illegally sourced wood products. Neither India nor Thailand has begun the process of implementing additional legislation to prevent such imports. Korea enacted a new law on sustainable use of timber in May 2012 that contains a broad provision of relevance to both imports and government procurement: Article 34 states that national and local governments shall 'carry out measures against the distribution and/or use of illegally logged timber domestically and internationally'.³² The same article also instructs the Korea Forest Service to 'guide and advocate the public not to distribute or use illegal timber', in collaboration with timber companies and local governments. Although this new law is an important first step, it is very vague and does not at present constitute an import prohibition or a procurement policy. Its significance will depend on how the government chooses to interpret the legislation.

Thailand at one time had a ban on imports of logs and sawnwood across land borders, but this applied to all wood, regardless of source, and was implemented in an effort to prevent the 'laundering' of timber illegally harvested within Thailand rather than in other countries.³³ In the late 1990s a major scandal erupted in which large volumes of illegal Thai timber were being taken across the border into Burma and returned to Thailand as though of Burmese origin. While the ban has since been overturned, relatively strict checks on log origin are still made. Under current Thai regulations, primary wood products can only be imported from Burma by sea via Yangon and must be accompanied with official Burmese government documentation. Special exemptions for land border imports are allowed but are rarely granted.³⁴ Although imperfect (and reportedly

³² Republic of Korea, (2012): Law No. 11429, Act on Sustainable Use of Timber, enacted 23 May 2012, effective 24 May 2013, Article 34; unofficial translation by Chatham House partners.

³³ Forest Trends, (2011): *Baseline Study 5, Thailand: Overview of Forest Law Enforcement, Governance and Trade*. Washington DC: Forest Trends.

³⁴ Forest Trends, (2012): *Baseline Study 4, Myanmar: Overview of Forest Law Enforcement, Governance and Trade*.

circumvented to some extent by laundering through Malaysia – see p. 23), it is likely that this regulation is helping to reduce imports of illegally harvested Burmese wood.

Enforcement

In the absence of any other legislative basis in the three countries for taking action against illegally sourced wood imports, an assessment of enforcement can only relate to those timber species listed under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). All three countries claim to provide sufficient training to customs officers to enable them to enforce CITES controls on listed timber species. However, official trade reports to CITES suggest that implementation of CITES listings for timber species in all three countries is poor. While a number of countries have reported exports or re-exports of CITES-listed timber and wood products to Thailand, Korea and India in the last few years, in almost no case did these countries record such shipments on arrival, as they should if systems were operating properly.³⁵ Korean officials have recognized problems with the implementation of CITES timber listings, however, and have implemented new systems in an effort to address these.

International engagement

In May 2013 Thailand announced that it is expecting soon to begin formal negotiations with the EU towards a FLEGT VPA. The country has established a National FLEGT Negotiation Committee and officials of both sides have met informally,³⁶ although as of September 2013 formal negotiations had not yet begun. There is no formal dialogue between the EU and India or Korea, but informal discussions have taken place in both countries.

Korea has memoranda of understanding (MoUs) on forestry with a number of countries, but only one of these is with a high-risk timber-producing country. An MoU between Korea and Indonesia on combating illegal logging was signed in 2003. This did not include any specific commitments on behalf of Korea, stating only that the country will 'support Indonesia' in efforts to combat illegal logging and associated trade.³⁷ The MoU, like that signed by Indonesia with China a year earlier, does not appear to have led to any significant practical measures being taken.

The three countries have each signed bilateral free trade agreements (FTAs) with important source countries of illegal timber (including between India and Malaysia; Korea and Peru; and Thailand and Peru). Thailand has further FTAs with neighbouring countries through its membership of ASEAN (the Association of Southeast Asian Nations), and both Korea and India have FTAs with ASEAN. However, the only one of the three countries' bilateral or regional arrangements that includes any mention of illegal logging or related trade is the agreement between Korea and the United States. In January 2012 Korea signed an Environmental Cooperation Agreement as part of its FTA with the United States.³⁸ This included a joint commitment to combat illegal logging and associated illegal cross-border trade and the use of illegally obtained timber in the manufacturing of forest products.³⁹ Both Thailand⁴⁰ and Korea⁴¹ have stated their intention to join the Trans-Pacific Partnership (TPP), a new regional trade agreement currently being negotiated. The United States, a key partner in the negotiations, is pushing for specific provisions on illegal logging and associated trade to be included in the TPP.⁴²

35 Analysis of trade data reports submitted to CITES by parties for trade in ramin (*Gonystylus* spp.), afrormosia (*Pericopsis elata*) and mahogany (*Swietenia* spp.), 2009–11, and available via the WCMC CITES Trade database.

36 EFI EUFLEGT Facility, 14 May 2013, 'Thailand to start VPA negotiations with the EU'.

37 Ministry of Forestry, (2003): Press Release No.: 984/II/PIK-1/2003: 'Indonesia and Korea signed cooperation in combating illegal timber trade and in development of sister park', 22 Aug 2003, http://www.illegallogging.info/uploads/Indonesia_Korea_MoU.doc.

38 Voice of America, 9 February 2012, 'U.S. - South Korea Environmental Cooperation Agreement'.

39 US International Trade Commission, (2007): *US-Korea Free Trade Agreement: Potential Economy-Wide and Selected Sectoral Effects*.

40 Reuters, 18 Nov 2012, 'Thailand to join Trans-Pacific Partnership trade talks'.

41 Chosun Ilbo, 9 September 2013, 'Korea to Join Trans-Pacific Partnership'.

42 USTR, (2011): *Green Paper on Conservation and the Trans-Pacific Partnership*, <http://www.ustr.gov/about-us/press-office/fact-sheets/2011/ustr-green-paper-conservation-and-trans-pacific-partnership>.

None of the three countries has specific systems in place for receiving enforcement alerts from source countries regarding shipments of illegal timber or wood products en route.

Government procurement

None of the countries has regulations or policies in place requiring that all government purchases of timber and wood products are legally sourced. While all three countries have government procurement regulations, and in most cases these include some environmental standards, none is specific to wood products and none includes generic requirements encompassing legal sourcing of wood products. In India new draft government procurement legislation was awaiting parliamentary approval at the time of writing, but this does not include any mandatory minimum environmental standards. Korea has legislation promoting the use of domestically sourced timber in government projects; however, this does not preclude or address imports. The country also has generic public procurement regulations on environmental sustainability,⁴³ but the only relevant provision is for a minimum recycled fibre content in paper products. Provisions on solid wood products relate only to health and safety (such as formaldehyde content). Korea's new Law on Sustainable Use of Timber requires the government to act on the issue of illegal wood consumption (see p. 11), but it is not yet clear whether this will include a procurement policy.

Enforcement data

Chatham House could not find any record of seizures of illegal wood imports by any of the three countries. In the absence of more general legislation akin to the US Lacey Act or the EUTR, the principal legal basis for seizure of illegally sourced imported wood in the three countries is where the timber species concerned is listed under CITES.⁴⁴ Since very few species are CITES-listed, the proportion of each country's imports that are covered by CITES is very small. Although all three countries do import CITES-listed wood,⁴⁵ none appears ever to have made a seizure. By comparison, a number of seizures of CITES-listed wood imports are made each year in the United States and the United Kingdom. The lack of seizures in Thailand, South Korea and India suggests that relatively little effort is currently being made in these countries to enforce CITES controls on timber imports.

43 Including a 2005 Act on the Promotion of the Purchase of Environment-friendly Products and a 2012 Notice for Products that Meet the Minimum Green Requirements for Public Procurement.

44 Most countries do require an official Certificate of Origin for all imports, and in some cases of illegal export, such certificates may be missing or forged for shipments of illegal timber. This may in some rare cases provide a justification for seizure of non-CITES-listed timber. In practice however, few checks are made on the veracity of these documents and Chatham House is not aware of any instance in which timber has been seized as a result.

45 Based on CITES trade reports to WCMC.

PRIVATE SECTOR RESPONSE

Voluntary verification and certification

Since it is costly and difficult for companies in consumer and processing countries to check independently the legality of wood sources, often these companies turn to third-party systems that provide independent certification (of both legality and sustainability) or verification (of legality) to given standards. Data on the take-up of these systems in consumer and processing countries is used by Chatham House as an indicator of the response of the private sector. For further information on the various systems, please see Chatham House's 2010 illegal logging indicators report.⁴⁶

To date, no companies in Thailand, South Korea or India have been approved to handle timber independently verified as legally produced under one of the specialist systems set up for this purpose. The following analysis of take-up of verification and certification systems is therefore limited to Forest Stewardship Council (FSC) certification for sustainability.

FSC Chain of Custody certification

One of the most common methods used by timber traders and wood product manufacturers to ensure the legality and sustainability of the timber they use is FSC certification. Although FSC was principally established to certify the sustainability of timber sourcing, it also serves to provide evidence of legality. In order to handle FSC-certified wood, companies must obtain FSC Chain of Custody (CoC) certification. While it is possible (and common) for companies to obtain CoC certification but not handle any FSC wood, and concerns over sustainability are also an important driver, the numbers of companies obtaining FSC CoC certification in consumer and processing countries can be used as a rough proxy indicator for the extent to which the industry in each country is addressing the problem of trade in illegally sourced wood.

In this regard, Korea, India and Thailand lag far behind other countries that Chatham House has previously assessed. Korea has less than half as many FSC CoC-certified companies per million population as does neighbouring Japan, and one-10th as many as the United Kingdom (see Figure 1). Thailand has half as many FSC CoCs per million population as China, and just a quarter of the number in neighbouring Vietnam. India has the smallest number of FSC CoC-certified companies per million population of any consumer or processing country that Chatham House has studied.

⁴⁶ Chatham House, (2010): *Illegal logging and Related Trade: Indicators of the Global Response*, London: Chatham House, Section 4.2, pp. 70–78.

Figure 1: FSC CoC certificates per million population, 2012, selected countries

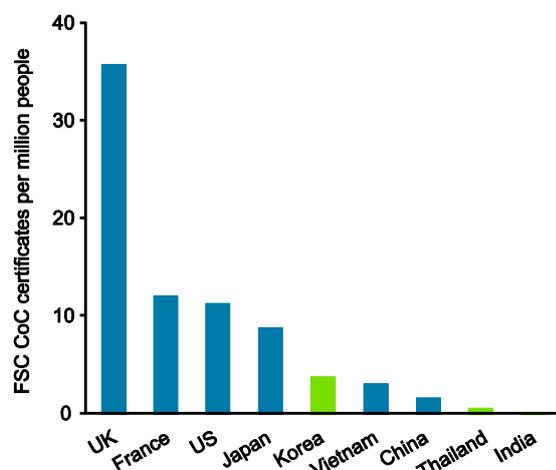
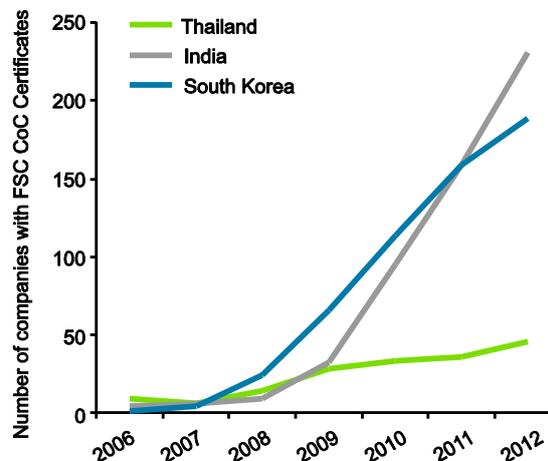


Figure 2: Number of companies with FSC CoC certificates in Thailand, India and South Korea, 2006–12



Sources: Figures for numbers of CoC certificates issued to companies in each country as of October each year provided by FSC. Population data from World Bank.

On a more positive note, the number of companies with FSC CoC certification is growing rapidly in all three countries (see Figure 2). The rate of growth has been especially marked in India and Korea since 2008. While numbers have been growing steadily in Thailand, the speed of growth is much lower than that in many other countries, including China.

WWF Global Forest & Trade Network

The WWF Global Forest & Trade Network (GFTN) aims (*inter alia*) to help timber trading and processing companies in consumer and processing companies to ensure that the wood that they use is legally sourced. Although it is not a certification and verification system in its own right, the growth of this initiative provides an indicator of the level of interest in cleaning up supply chains among companies in different countries.

GFTN has operations and member companies in 11 important importing and processing countries in Europe, North America and Asia. India was the most recent consumer or processing country to start a GFTN scheme, with the first members joining in 2009. As of May 2013 there were 10 trader members in India, handling a total of 15,000 cubic metres RWE.⁴⁷ All of the members import at least some of their raw materials, and all also export products to sensitive markets where legality requirements are now in place (the United States, Europe and Australia).⁴⁸ Only one new member has joined the scheme in India since 2010, a guitar parts supplier which shortly after joining was alleged to have illegally misdeclared exports destined for Gibson guitars in the United States.⁴⁹ The wood involved was seized for violation of the Lacey Act (which prohibits imports of wood illegally sourced in the country of origin). The current Indian GFTN members are all relatively small, specialist companies, and the total volume encompassed by the scheme there to date is less than 0.1% of production and imports. The volume of timber handled by GFTN members in China is 200 times greater. GFTN does not yet have any members in Korea or Thailand.

47 GFTN, (2013): GFTN India Participants List, http://gftn.panda.org/about_gftn/current_participants/gftn_members.cfm?country=India&countryid=13, 29.

48 Analysis of individual company profiles on the GFTN website.

49 Atheena Exports, which joined GFTN in June 2011 (GFTN website), was alleged in an affidavit filed by the US Fish and Wildlife Service in August 2011 to have exported sawnwood products to Gibson in the United States and misdeclared them as processed wood in order to circumvent an Indian government ban on exports of sawn timber (USFWS, Affidavit in Support of Search Warrant 11-MJ-1067, 18 Aug 2011, <http://graphics8.nytimes.com/packages/pdf/arts/GibsonWarrant.pdf>).

Perceptions survey (Thailand)⁵⁰

As part of its illegal logging indicators research, Chatham House carries out a survey of the views of the private sector in processing countries. One survey is targeted at timber and wood product companies, while another survey analyses the response of industry associations. In Thailand, 18 companies answered the anonymous survey, as did five industry associations. It should be noted that the survey is not randomized; and that both the selection of targeted respondents and differences in response rates are likely to mean that the results are somewhat biased towards those companies that sell to sensitive markets and are concerned about, and have taken action on, the issue.

Companies

Timber legality demands were reckoned on average to be second only to overall economic demand as a driver of the competitiveness of the timber industry worldwide over the next five years – i.e. more important than manufacturing costs, levels of taxes, subsidies and tariffs, or demands for sustainability. Two-thirds of respondents believed that legality would be ‘highly’ or ‘most’ important. Although still important, legality was thought on average to be slightly less important for the competitiveness of Thailand’s own wood products industry than for the worldwide industry, perhaps because so much of Thailand’s exports are of low-risk plantation wood.

A third of companies believed that timber prices had increased recently as a result (at least in part) of supply shortages resulting from increased enforcement against illegal logging. It is not clear to which products or source countries these companies were referring.

15 companies surveyed stated that it was now common for their buyers to express concerns or make demands in relation to the legality of wood supplies, and the same number of companies also stated that the number of buyers expressing such demands had increased in the last year. It is likely that the imminent entry into force of the EUTR was the most important driver of this increase.

Industry associations

None of the five timber industry associations surveyed had in place a code of conduct on legality of timber sourcing, although two were in the process of preparing one. Three of the five associations said that they offer guidance and/or training for members on legality requirements, but only one had received a request for such guidance during the last year.

Sensitive market share (Thailand)

There is a danger that the potential impact of efforts to prevent imports of illegally sourced wood in some consuming countries may be undermined by ‘leakage’, whereby the wood is simply diverted to less sensitive markets. Equally, shifts in trade towards less sensitive markets (even if driven by other factors) can serve to undermine the influence that more sensitive markets have. For these reasons, Chatham House tracks the proportion of exports from producer and processing countries that are destined for sensitive markets, examines to the extent to which any changes may be due to increased sensitivities over legality, and analyses what changes in sensitive market share may mean in terms of the response to the problem.

Thailand exports a lower percentage of its wood products to sensitive markets than do the other regional processing hubs, China and Vietnam, and this share is falling. In 2012 just 5% of exports (by RWE volume) were to the most sensitive markets (Europe, North America and Australia/New Zealand), down from 16% in 2005.⁵¹ Around half of Thailand’s wood furniture exports are still

⁵⁰ In the Chatham House (2010) report, private sector perceptions surveys are only conducted in countries classified as processing countries, and not in those classified as consumer countries.

⁵¹ Trade data, as analysed by James Hewitt for Chatham House

destined for sensitive markets (principally the EU and the United States), but this proportion is also declining (from a peak of 70% in 2005).

About half of Thailand's exports to sensitive markets are of furniture, and the other half are paper. The vast majority of Thailand's furniture exports are of low-risk rubberwood (p. 6), and it is likely that the proportion of higher-risk wood in furniture destined for sensitive markets is even lower than the average. Similarly, almost all of Thailand's paper production is made from low-risk eucalyptus. For these reasons, it is probable that a very small percentage of Thailand's existing exports to sensitive markets are high risk, and the proportion destined for such markets should not therefore be greatly influenced by increased sensitivities over legality. Despite this, around a third of respondents to the Chatham House private sector survey concurred that trade is shifting away from sensitive markets and believed that legality concerns are a major driver of this change (although not the most important driver). By contrast, however, a majority of Thai wood product manufacturers surveyed actually believe that trade is either static or shifting *towards* more sensitive markets. It is likely that this is due to these respondents reflecting the situation as regards the relatively small part of the overall export industry to which they belong.

It is possible that Thai exports made from rubberwood and eucalyptus could be being blocked from sensitive markets by legality concerns, despite being low risk, because it is proving difficult to trace supply chains and prove compliance with all aspects of legislation.

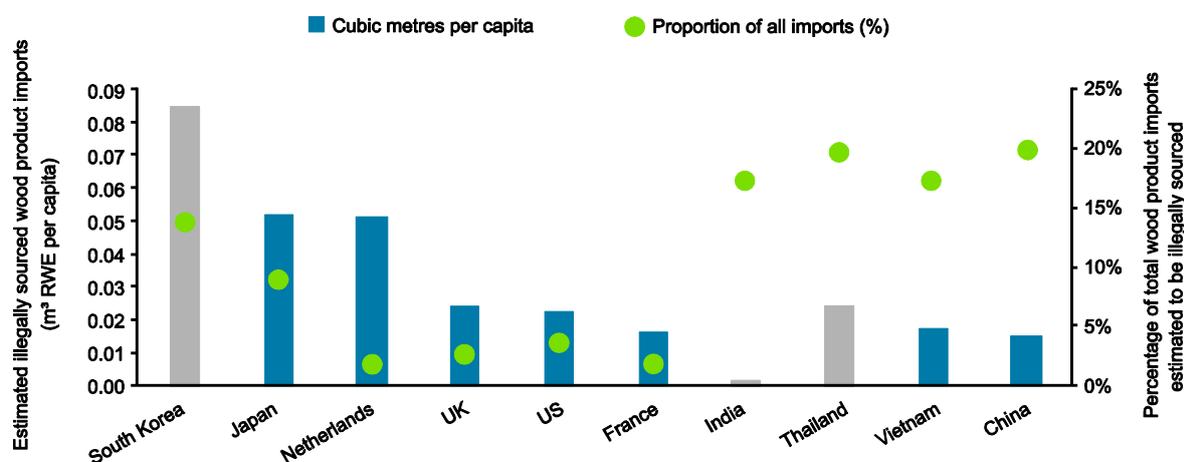
LEVELS OF ILLEGAL LOGGING AND ASSOCIATED TRADE

Estimates of illegally sourced wood imports

Methodology

Chatham House has developed a detailed methodology for estimating the amount of likely illegally sourced timber and wood products (including pulp and paper) imported by consumer and processing countries. The method involves calculating RWE volumes for individual import flows (source country/product) from official import data (for timber products, wood furniture, and pulp and paper) and then multiplying these by estimates of the proportion of wood estimated to be likely to be illegally sourced in each individual wood flow in each year. Individual illegality percentages are applied to specific wood product flows, depending on the source country, the wood product involved and the destination country. The baseline for these percentages is an estimate of the level of illegality in the source country in each year (derived from Chatham House's own research or third party research). However, adjustments are made to reflect how different species and different products are more or less likely to have been illegally sourced, to reflect the fact that disproportionate amounts of illegally sourced wood may be consumed domestically, and that flows to different destination countries are also more or less likely to be illegally sourced as a result of differences in the amount of due diligence applied by importers.

Figure 3: Estimated illegally sourced wood imports (per capita and as a percentage of all wood imports), selected consumer and processing countries, 2008



Source: Chatham House import source estimates of illegally sourced wood imports.

Note: 2008 chosen as reference year because newer data are not yet available for the original seven countries.

Thailand

Thailand's imports of illegally sourced wood products have remained roughly static over the last 10 years in volume terms, and were 1.8 million cubic metres RWE in 2012 (worth \$0.4 billion) (see Figure 4). While imports of illegally sourced wood from Malaysia have declined, imports from China have increased. Pulp and paper, and chips from Indonesia, and sawn timber from Laos are the largest sources of estimated illegally sourced wood, while plywood and paper from China, sawnwood from Malaysia, and logs, and joinery and mouldings from Burma are also important (see Figure 5). Thailand's per capita imports of illegally sourced wood are considerably higher than is the case for China and Vietnam. In RWE volume terms, Thailand's imports are similar to those of Vietnam, but just one-10th those of China.

Thailand is the largest destination in the world for high-risk tropical sawn timber from Laos and from Sarawak in Malaysia, and the second or third largest destination for many other high-risk tropical wood flows (including logs and sawn timber from Burma, and sawn timber from Cambodia), although in every case its imports are dwarfed by those of China.

A relatively low share (26%) of Thailand’s estimated imports of illegally sourced wood products originate in countries that have signed or are negotiating VPAs. The real percentage involved is even lower, since most of the estimated illegal imports from Malaysia are from Sarawak, which has opted out of the VPA. The low share reflects the fact that a large proportion of Thailand’s high-risk imports are from Burma, Laos and China. Another major non-VPA source is wood chips from Singapore (although if these actually originate in Indonesia they would be encompassed, indirectly, by a VPA). Laos has, however, begun informal discussions with the EU over a possible VPA. If successful, this would significantly extend the proportion of Thailand’s high-risk imports that are covered.

Figure 4: Thailand’s estimated imports of illegally sourced timber and wood products, 2000–12

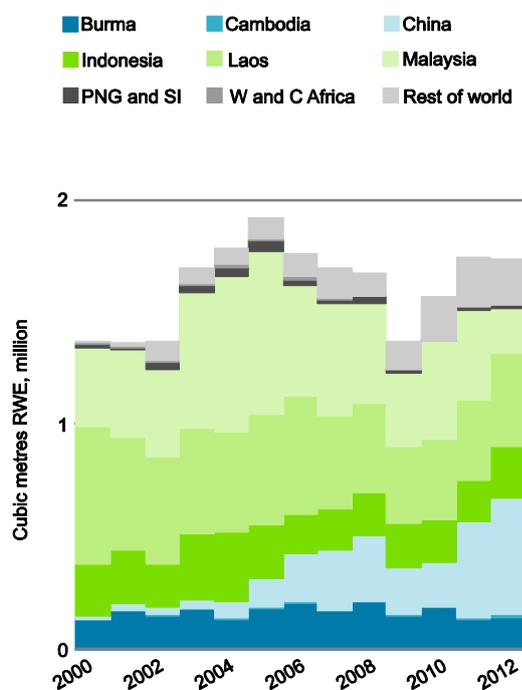
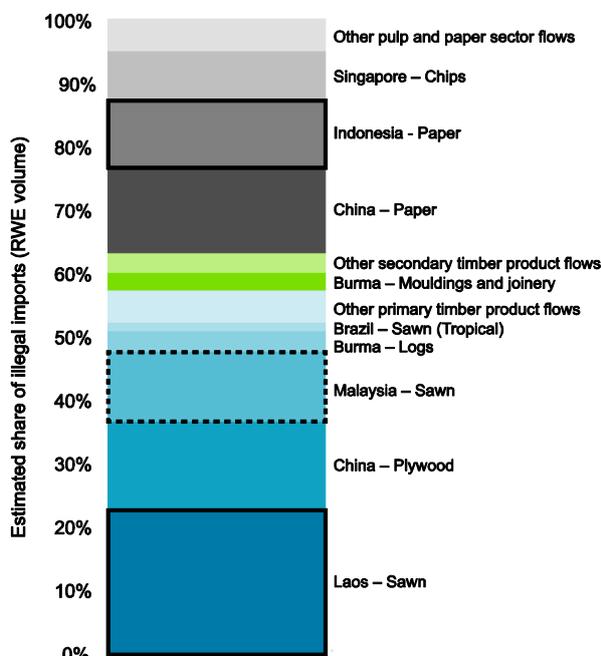


Figure 5: Largest estimated flows of illegally sourced timber and wood products into Thailand (share of total RWE volume), 2012 (flows from countries negotiating or implementing VPAs indicated by black boxes*)



Source: Chatham House import source estimates of illegally sourced wood imports.

* Box for sawn timber from Malaysia has a dotted line, since most of this wood is from the Malaysian state of Sarawak, which has opted out of the VPA. Laos has begun informal discussions on a VPA with the EU, but has yet to begin formal negotiations.

South Korea

South Korea has the highest per capita estimated consumption of illegal wood among the 10 consumer and processing countries studied so far; and is the fifth largest importer of illegal wood, after China, the United States, Japan and the EU. Korea’s high per capita illegal wood consumption is due to the fact that it imports large volumes of high-risk tropical wood from Southeast Asia, as well as high-risk non-tropical wood from the Russian Far East, and because, unlike its East Asian

neighbours Japan and China, the influence of these twin imports is not lessened by substantial low-risk domestic production.

Korea's estimated imports of illegally sourced wood products reduced by about half between 2004 and 2009, but have since picked up slightly, reaching 4 million cubic metres RWE in 2012 (worth \$0.9 billion) (see Figure 6). The reduction was due to a decline in the volume of imports from Indonesia and a decline in the percentage of those imports estimated to be illegal, as a result of reduced illegal logging at source. The largest current sources of estimated illegal wood are pulp from Indonesia and plywood from China. Other important sources include paper from China, plywood from Sarawak (Malaysia), chips and plywood from Vietnam, sawnwood and pulp from Russia, and plywood from Indonesia (see Figure 7).

Figure 6: South Korea's estimated imports of illegally sourced timber and wood products, 2000–12

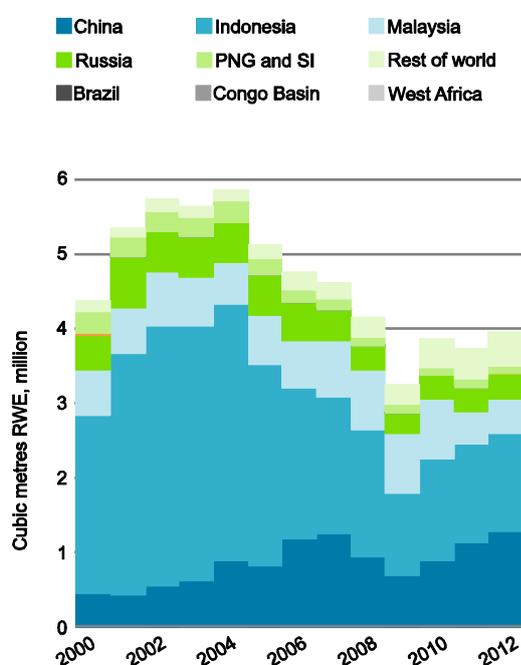
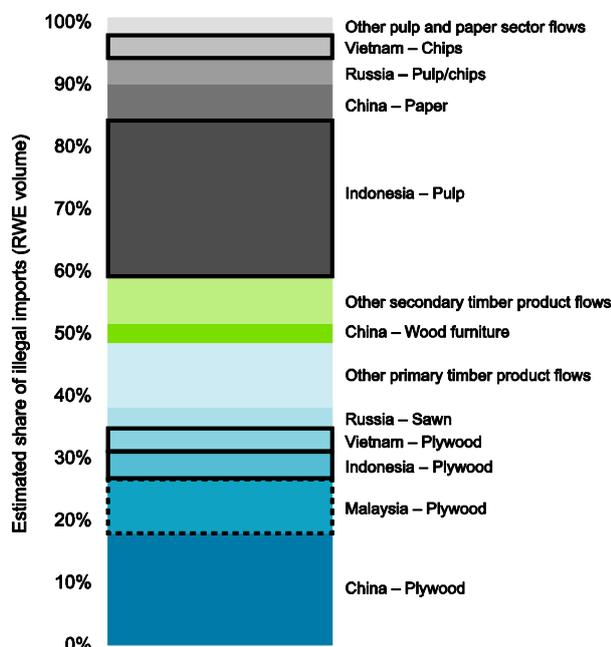


Figure 7: Largest estimated flows of illegally sourced timber and wood products into South Korea (share of total RWE volume), 2012 (flows from countries negotiating VPAs indicated by black boxes*)



Source: Chatham House import source estimates of illegally sourced wood imports.

* Box for sawn timber from Malaysia has a dotted line, since most of this wood is from the Malaysian state of Sarawak, which has opted out of the VPA.

A relatively high share (55%) of Korea's estimated imports of illegally sourced wood products originate in countries that have signed or are negotiating VPAs (see Figure 7), although, as in the case of Thailand, the real proportion encompassed is lower, since most plywood imported from Malaysia originates in Sarawak, which has opted out of the VPA. Almost half of the estimated imports are also of primary products – a higher proportion than for many other consumer countries (although much lower than for China and India, for instance). Both factors mean that the future potential for reducing Korea's consumption of illegal wood is better than it may be for other countries.

India

India's imports of illegally sourced timber and wood products increased dramatically between 2002 and 2011, from 1 million to 3.5 million cubic metres RWE (worth \$1.3 billion in the latter year) (see Figure 8). Estimated imports of illegally sourced wood products increased by 30% in 2011 alone. The vast majority of the estimated imports of illegally sourced wood are logs from Sarawak (Malaysia) and Burma, plywood, furniture and paper from China, and pulp and paper from Indonesia (see Figure 9). All of these sources increased dramatically in 2011, with the exception of logs from Sarawak. India is the largest destination for high-risk tropical log exports from Burma and Sarawak. While the country's imports of illegally sourced wood are increasing rapidly, India is the lowest per capita consumer of illegal wood of any of the consumer and processing countries examined thus far by Chatham House, with per capita consumption less than one-fifth that of China.

Although the volumes of trade are small when compared with the major flows shown in Figure 9, India is one of the largest destinations for illegal wood exports from a number of other countries. In 2007 India was exposed as the second most important destination for illegal wood exports from Tanzania;⁵² and more recently it has been exposed as the second largest destination for illegal timber from Liberia, with 43% of exports from illegal Private Use Permits between August 2012 and February 2013 found to be destined for India.⁵³

Various aspects of the results for India should make it easier to tackle the issue there than might be the case in many other consumer countries. More than 80% of the estimated illegally sourced wood arrives direct from producer countries (compared with less than 25% in the United States, for instance). Around two-thirds of arrivals are also of primary timber products (compared with 35% in the United Kingdom, for instance). More than half of all estimated illegally sourced imports are logs. These factors mean that supply chains for the majority of the high-risk wood imported by India are relatively simple, which should facilitate cleaning them up. Around 40% of the estimated imports are from countries that have signed or are negotiating VPAs – a higher proportion than for Thailand, but lower than for Korea. India's three largest sources of likely illegal wood (logs from Burma, Sarawak and PNG) are not encompassed by a planned VPA.

52 TRAFFIC, (2007): *Forestry, Governance and National Development: Lessons learned from a logging boom in Southern Tanzania*.

53 Calculated from export figures for different countries, based on Liberian export permits and provided on Global Witness microsite <http://www.globalwitness.org/>, accessed 3 June 2013.

Figure 8: India's estimated imports of illegally sourced timber and wood products, 2000–11

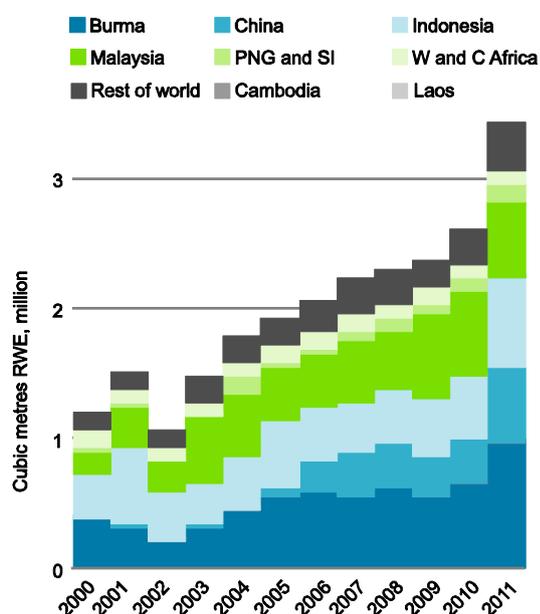
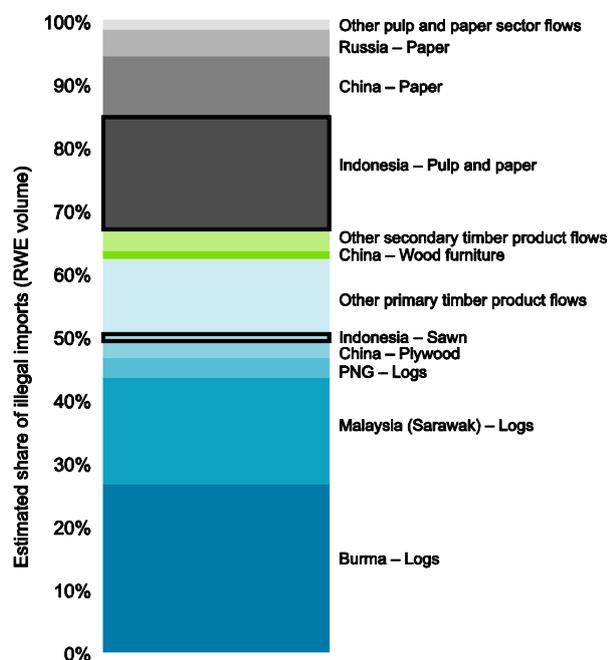


Figure 9: Largest estimated flows of illegally sourced timber and wood products into India (share of total RWE volume), 2011 (flows from countries negotiating or implementing VPAs indicated by black boxes)



Source: Chatham House import source estimates of illegally sourced wood imports.

Trade data discrepancies

Because there is rarely any basis for enforcement at import, it is common that where timber is smuggled out of a country and/or misdeclared at the point of export, the same timber is nevertheless officially declared as imported by the destination country. This leads to differences between volumes of timber reported as legally exported by a producer country and ‘mirror’ import statistics from destination countries. These differences can sometimes be used to detect and track changes in illegal exports, especially in relation to logs and sawn timber.⁵⁴ Chatham House has compared import data for major timber products from Thailand, Korea and India during 2000–12 with export data from the main high-risk source countries. Where major discrepancies that are likely to be indicative of illegal trade were discovered, these are discussed below.

Thailand

Very large discrepancies arose during the early 2000s for logs and sawn timber entering Thailand that were claimed as originating in Malaysia. This is almost certainly a result of illegally exported Indonesian logs and sawn timber being misdeclared as Malaysian at the point of import, a practice well documented in China at the time.⁵⁵ Large discrepancies in trade data for logs appeared in 2001, in which year Indonesia enacted a log export ban (see Figure 10). When Indonesia expanded the ban in 2003 to cover raw sawn timber, discrepancies for sawn timber also appeared in the trade data (see Figure 11).

⁵⁴ For further discussion of the use of trade data discrepancies for this purpose, see Chatham House, (2010): *Illegal Logging and Related Trade: Indicators of the Global Response*, pp. 110–111.

⁵⁵ EIA/Telapak, (2005): *The Last Frontier: Illegal logging in Papua and China's Massive Timber Theft*.

Figure 10: Trade data discrepancies for trade in logs from Malaysia to Thailand ('000 m³) 2001–12

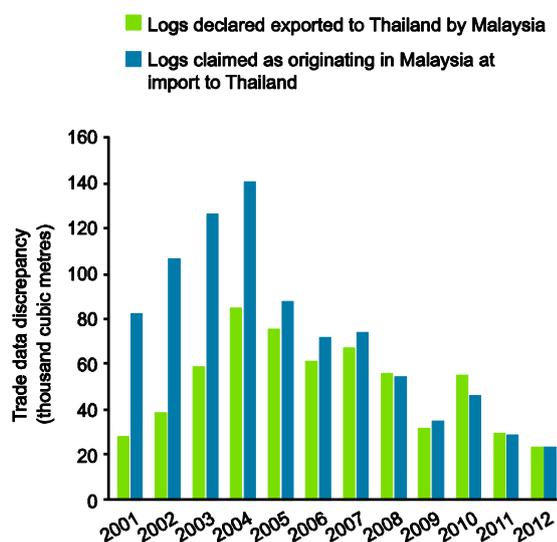
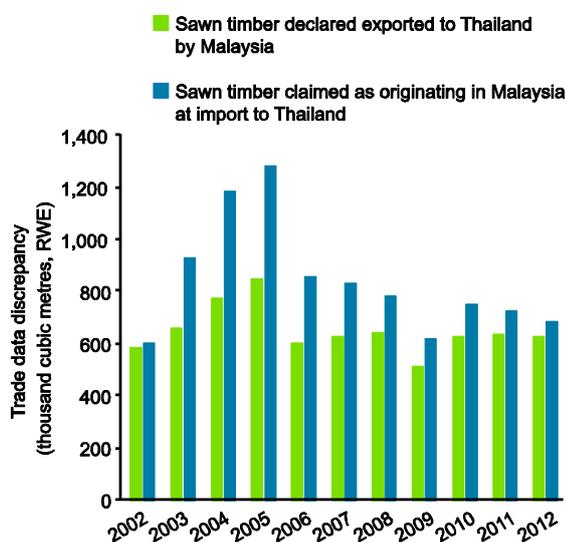


Figure 11: Trade data discrepancies for trade in sawn timber from Malaysia to Thailand ('000 m³ RWE), 2002–12



Source: Official customs data, analysed by James Hewitt for Chatham House.

The discrepancies peaked in 2004–05, during which period the data suggest that Thailand imported almost 0.5 million cubic metres RWE of illegally exported logs and sawn timber from Indonesia (falsely declared as being of Malaysian origin) each year, worth \$100 million. Thereafter, the discrepancies declined markedly (see Figures 10 and 11). This coincides with a major increase in enforcement in Indonesia; and equivalent discrepancies for trade between Malaysia and China fell at the same time for the same reason.⁵⁶ Log trade data discrepancies had been largely eliminated by 2007. Sawn timber trade data discrepancies have continued, and may continue to indicate illegal trade, although by 2012 the differences were small enough potentially to be attributable to innocent causes, such as variations in measurement techniques.

It is worth noting that there have also been allegations in the past that some of the sawn hardwoods entering Thailand that were marked as originating in Malaysia were actually Burmese wood. It is alleged that Burmese logs are smuggled to Malaysia, sawn there and exported as though of Malaysian origin.⁵⁷ While there is no reason to doubt that this occurs, it cannot explain the discrepancies in trade data for trade in sawn timber between Malaysia and Thailand, since such wood would be captured in Malaysian export statistics.

There are no significant discrepancies for trade in sawn timber from Brazil to Thailand. Comparison of trade data for shipments of logs and sawn timber from the other two important sources (Laos and Burma) to Thailand is not possible, as those countries do not publish export statistics.⁵⁸ Significant and suspicious discrepancies have been noted in the past in trade data for exports of sawn timber from Thailand to China and Malaysia.⁵⁹ Analysis by Chatham House confirms significant discrepancies in 2005 and 2006, but these have disappeared in the years since.

56 Chatham House, (2010): *Illegal Logging and Related Trade: Indicators of the Global Response*, pp. 111–113.

57 Forest Trends, (2011): *Baseline Study 5: Overview of Forest Law Enforcement, Governance and Trade*, p. 8.

58 Some data for log exports from Burma during 2000–05 were reported by ITTO. For most of those years the data give higher figures for exports to Thailand than Thailand reported as imports. This is the opposite of what would be expected if large volumes were being smuggled out of Burma, and may not be due to any sort of illegality.

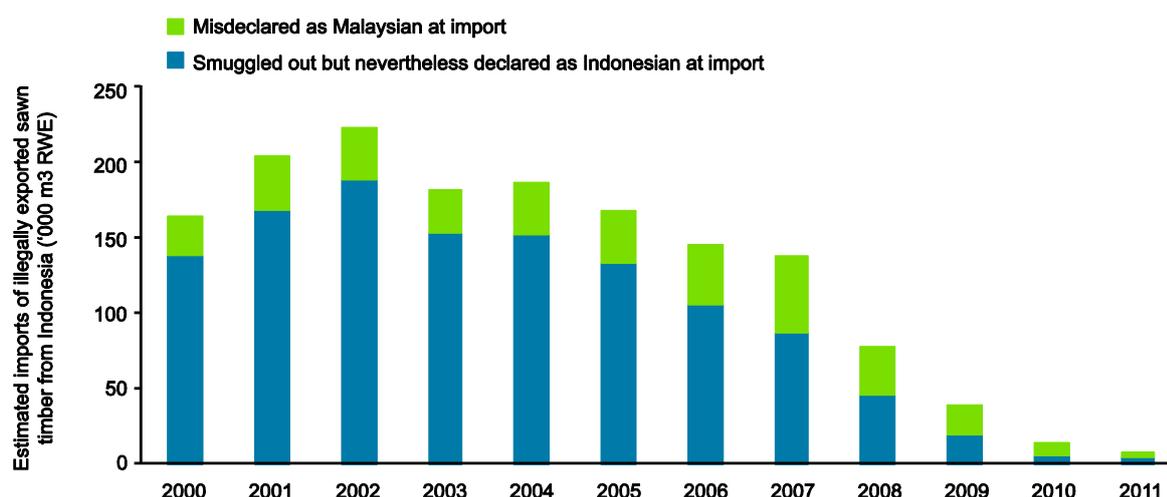
59 FAO, (2009): *Thailand Forestry Outlook Study*, p. 60.

South Korea

The only trade data discrepancies of significance for South Korea also relate to illegal exports from Indonesia. While (unlike for Thailand) there have never been significant discrepancies related to imports of logs from Indonesia and Malaysia, until relatively recently there have been very large discrepancies in relation to trade in sawnwood. Although (as in Thailand) there are important discrepancies in data for imports claimed to originate in Malaysia, which are likely to represent misdeclared wood from Indonesia, most of the illegal sawnwood entering Korea from Indonesia is honestly recorded as originating there. In this regard, it is worth pointing out that since it is not currently illegal in Thailand, Korea or India to import wood that has been exported in contravention of an export ban in the source country, but it *is* illegal to misdeclare country of origin, falsification of origin is arguably both an unnecessary and unwise strategy on the part of traders.

In total, the trade data discrepancies suggest that Korea imported 225,000 cubic metres RWE of illegally exported sawn timber from Indonesia at the peak in 2002, worth around \$80 million (see Figure 12). As elsewhere, discrepancies (and implied illegal trade) declined in the late 2000s, although the decline was both slower and later than in other destination countries.

Figure 12: Estimated imports into Korea of illegally exported sawn timber from Indonesia, 2000–11 ('000 m³ RWE), based on trade data discrepancies



Source: Calculated by Chatham House based on discrepancies in official trade data reported to UN COMTRADE

India

For 2003 and 2004 trade data discrepancies for logs imported by India from Malaysia also suggest large-scale misdeclaration of timber from Indonesia. In each of those years the discrepancies suggest that illegal logs from Indonesia to the value of around \$150 million may have been imported. Since then, discrepancies in the data with Malaysia have largely disappeared. However, in recent years (since 2009) India has begun reporting imports of logs and sawn timber from Indonesia that Indonesia does not record as having been legally exported. The volumes are not huge, but are significant – in 2011 33,000 cubic metres RWE, worth \$13 million – and growing.

India typically reports annual imports of between 100,000 and 200,000 cubic metres more logs from West Africa than are reported as exported by the various source countries (Benin, Ghana, Côte d'Ivoire, Nigeria and Togo) combined. Individual country comparisons are difficult, since there is evidence that logs from one are sometimes misreported as coming from another. The overall difference (an excess of 50–100%) is too great to be explained by most innocent reasons, but further research is required in order to establish whether it is indicative of illegal exports.

The only export data available for Burma are those for log exports reported to the International Tropical Timber Organization (ITTO) for the years to 2005.⁶⁰ For those years Burma reported much larger volumes of exports to India than India recorded as imports from Burma. This is the opposite discrepancy to what would be expected if logs were being smuggled; the cause is uncertain and may not be due to illegal activity.

CONCLUSIONS AND RECOMMENDATIONS

This assessment has demonstrated that Thailand, India and South Korea are among the world's seven principal importers of illegally sourced timber and wood products (along with China, the United States, the EU⁶¹, Japan and Vietnam).⁶² Thailand's per capita illegal wood imports are the highest of the processing countries examined thus far, and Korea's are the highest among the consuming countries examined. While India's per capita consumption remains very low, its imports of illegally sourced wood are rising rapidly. The three countries are among the main destinations for high-risk imports from some of the countries most badly affected by illegal logging.

The assessment has also shown that, unlike other important markets, these three countries have made very little progress so far in tackling imports of illegal wood. Voluntary action by timber companies to try to clean up supply chains lags far behind that seen in Europe, the United States and Japan. Governments have yet fully to recognize the problem, let alone take meaningful action.

Actions being taken elsewhere can be expected to help reduce the flow of illegal wood into these three countries – particularly the EU FLEGT VPAs being implemented in a number of important supplier countries. However, the majority of high-risk wood being imported by the three will not be encompassed by the VPAs currently in the pipeline. If illegally sourced wood imports are to be halted, governments in the three countries need to take action themselves.

In this regard, there have been some recent positive developments. Thailand and the EU have recently announced their intention to begin formal negotiations for a VPA. The Korean parliament has passed legislation that requires the government to take some form of action. However, none of the three countries has taken, or even begun considering taking, the two most powerful potential steps taken elsewhere: banning imports of illegally sourced wood; and requiring proof of legality for wood used in government projects. Governments in the three countries should follow in the footsteps of other important consumer countries and implement both measures, using best practice and learning lessons from experiences elsewhere.

In addition, Thailand should conclude and implement the VPA with the EU, and this must include domestic consumption. Once legality assurance systems established in VPA partner countries are up and running (and where these have been applied to all exports), Thailand, Korea and India must recognize and require relevant licences for imports from these countries. The three governments should also work in partnership with other international leaders to engage key supplier nations not already active in international efforts, including Burma, Laos and Russia. They must also add their backing to China's nascent efforts.

Although the key actions must be taken by the relevant governments, international donors, the governments of other major consumer countries, and both local and international NGOs have an important role to play in encouraging and assisting the authorities in Thailand, Korea and India to take these actions.

These and other detailed conclusions and recommendations are summarized in Table 1.

60 ITTO, (2001:2006): *Annual Review and Assessment of the World Timber Situation, 2001-2006*. Yokohama: ITTO.

61 The EU is treated as a single destination here; since it is a single market and trade rules are an EU mandate. Import source analyses using the Chatham House methodology have only been conducted for some EU member states (the United Kingdom, France and the Netherlands), so no EU total figures are available, but the total for these three countries alone is enough to place the EU in the top seven.

62 Although detailed import source assessments have not been made for other countries, it is extremely unlikely that any other country would exceed these seven, since total imports of timber and wood products by other countries from high-risk sources are considerably lower.

Table 1: Detailed conclusions and recommendations

CONCLUSIONS	RECOMMENDATIONS
Attention	
Attention to the issue is very low in all three countries, compared with other countries assessed	National and international NGOs and governments of more active consumer countries (such as the EU and the United States) must seek to increase attention, by public campaigning, advocacy and outreach The estimates of illegal wood consumption contained in this report should be used to try to leverage greater attention
Government Response	
The government response thus far has been very poor in all three countries, compared with other countries assessed	Governments in all three countries urgently need to improve their response to the issue of imports of illegally sourced wood
None of the three countries has legislation in place that prohibits the import or sale of wood products sourced illegally in third countries; they are among the largest global importers of high-risk wood not to have made progress in this regard	Governments of the three countries should urgently explore the enactment of additional legislation of the kind already implemented in the United States, the EU and Australia
Unlike Japan and most key EU importers, none of the three countries uses government procurement policy to prevent consumption of illegally sourced wood	Governments of the three countries should implement rules requiring that all purchases of wood by government are proved to be legally sourced, following best practice
There has been limited international engagement on the issue by the three countries	Thailand should fast-track the negotiation and implementation of a VPA with the EU, and include domestic consumption in the agreement; India and Korea should seek to expand cooperation with the EU, the United States and key source countries
Private Sector Response	
The response of the private sector in the three countries lags far behind that seen in other consumer and processing countries	Donors and NGOs should continue to provide encouragement and assistance, but recognize that only changes to incentives will have a major effect
There is currently too little incentive on companies in the three countries to take voluntary action: programmes of assistance and encouragement (such as GFTN) will not be effective until incentives change	Although there will be some effect as a result of new legislation in re-export markets, private sector action in the three countries is unlikely to take off until regulatory action is taken by domestic governments
Illegal Wood Imports and Re-exports	
Most of the illegally-sourced wood that Thailand imports is consumed domestically Actions in key markets for Thailand's wood product exports will not on their own significantly reduce Thai consumption of illegal wood	To have a meaningful impact, any VPA between the EU and Thailand needs to include domestic consumption as well as exports
A significant minority of the estimated imports of illegally sourced wood by the three countries are sourced from countries that are negotiating or implementing VPAs that will encompass all exports	The EU should continue to encourage key source countries negotiating VPAs to include all production and exports Once VPA licensing schemes are up and running in key source countries, Thailand, Korea and India should legislate to require relevant licences at import
A number of important flows of illegally sourced wood into the three countries are not already being addressed by VPAs in the source countries	The three countries should prioritize flows from non-VPA countries for independent bilateral action This includes sawn timber from Laos to Thailand; plywood and paper imports from China by all three countries; imports of logs from Burma by Thailand and India; and imports of logs, sawnwood and plywood by all three countries from Sarawak (Malaysia)
Although such imports have drastically reduced, trade data discrepancies suggest that all three countries continue to import logs and/or sawn timber illegally exported from Indonesia	The three countries should respect any export prohibitions put in place by source countries, using reciprocal regulations
It is not possible to use trade data to assess possible illegal trade for exports from Burma and Laos because these countries do not publish export data	The EU, the United States and the governments of the three countries should encourage the Burmese and Laos governments to share relevant data

ABOUT THE AUTHOR

Sam Lawson is an independent researcher and founding director of Earthsight, an organization that specializes in researching and investigating environmental and social crime and injustice. He has been researching and investigating illegal logging and associated trade for 15 years, for various international NGOs and development agencies, and is the author of a number of influential reports on the subject. He has researched illegal logging in many countries across Asia, Latin America and Africa, and has been actively engaged with international initiatives to tackle the problem. In his role as Associate Fellow within the Energy, Environment and Resources Programme at Chatham House, he led the organization's work on illegal logging indicators between 2006 and 2013.