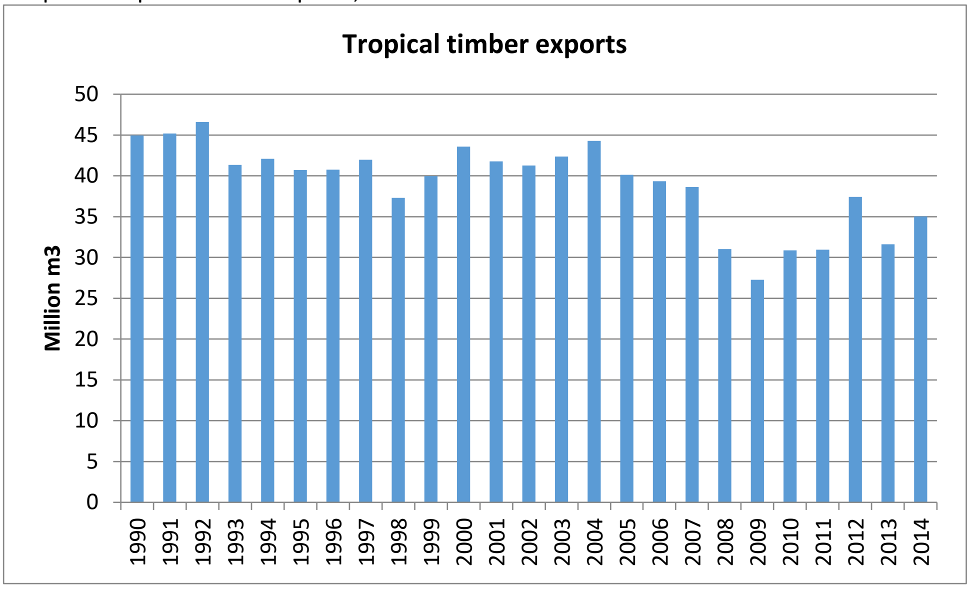
Presentation summary

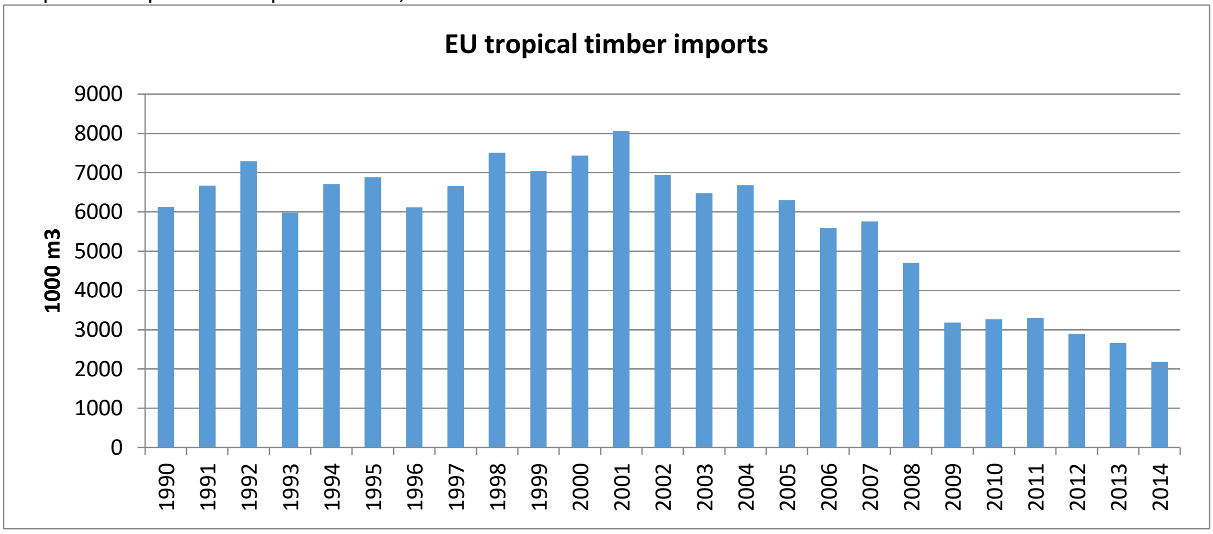
Title :Impact of market forces and government policies on the tropical timber trade

1. Tropical timber trade in the long term.
   Graph of tropical timber exports, 1990-2014



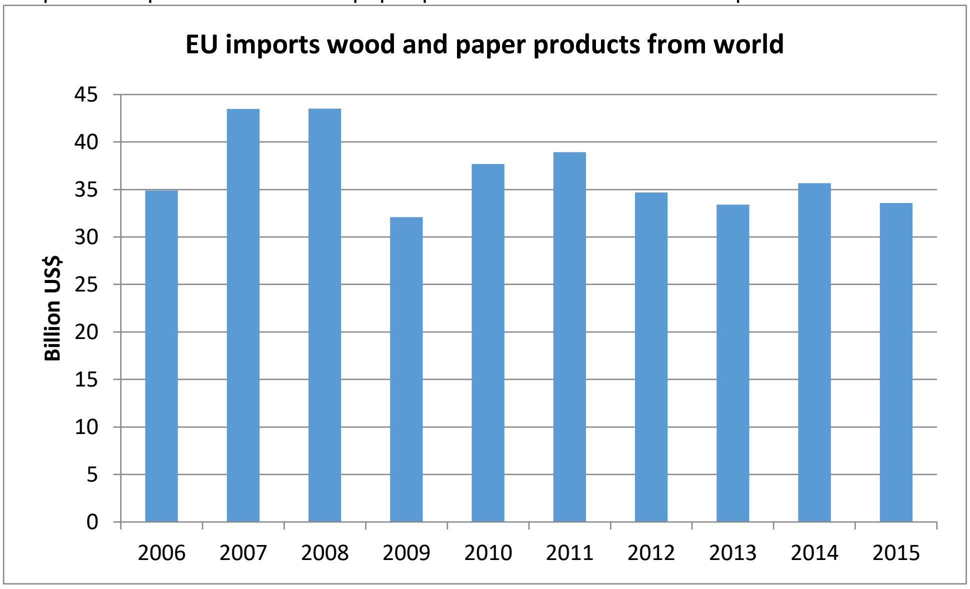
Note: Only industrial roundwood, sawnwood, plywood and veneer.
Source: ITTO, 2017.
Analysis: Tropical timber exports, to all destinations, fluctuated from 1990 through 2004, and then started falling even before the global economic crisis in 2008 which accelerated the decline. Since the low point in 2009, exports of these 4 primary tropical products have rebounded, but not reached previous levels.

Graph: EU imports of tropical timber, 1990-2014



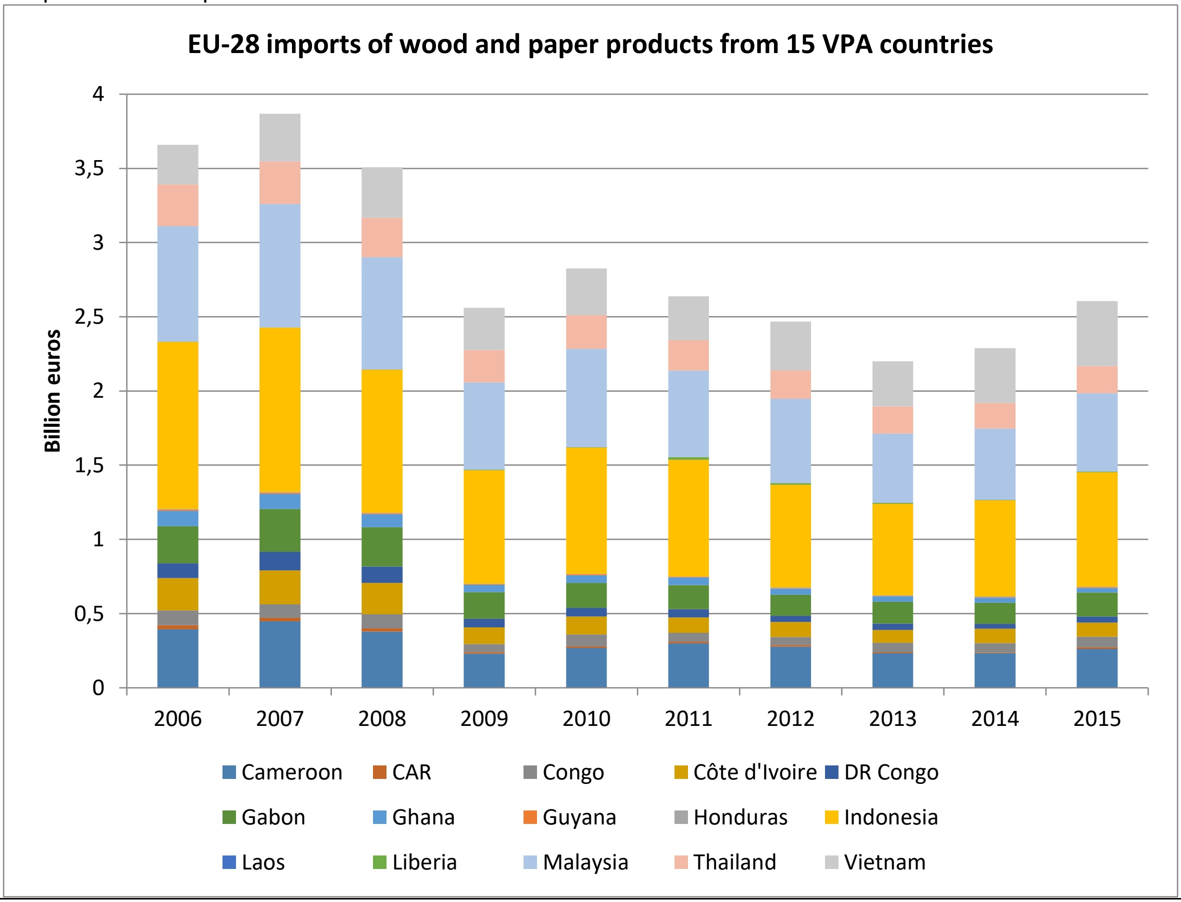
Note: Only industrial roundwood, sawnwood, plywood and veneer
Source: ITTO, 2017.
Analysis: EU imports of tropical timber, based on 4 primary products, rose through 2001, but have declined since. They fell more sharply in 2009, following the global economic crisis. Concerns about legality and sustainability of tropical timber by EU importers and consumers negatively impacted imports.

Graph: EU imports of wood and paper products from world for comparison



Note: Wood and paper products include all wood and wood products, pulp, paper and paper products and wooden furniture.
Source: UN Comtrade, 2017.
Analysis: EU imports from all destinations, including, but not limited to tropical timber, have not recovered to pre-2008 economic crisis levels – this hurts tropical timber imports. However, globally timber markets have recovered to pre-2008 levels according to FAO.

2. Trade developments from countries with Voluntary Partnership Agreements with the EU
Graph: 15 VPAs exports to EU

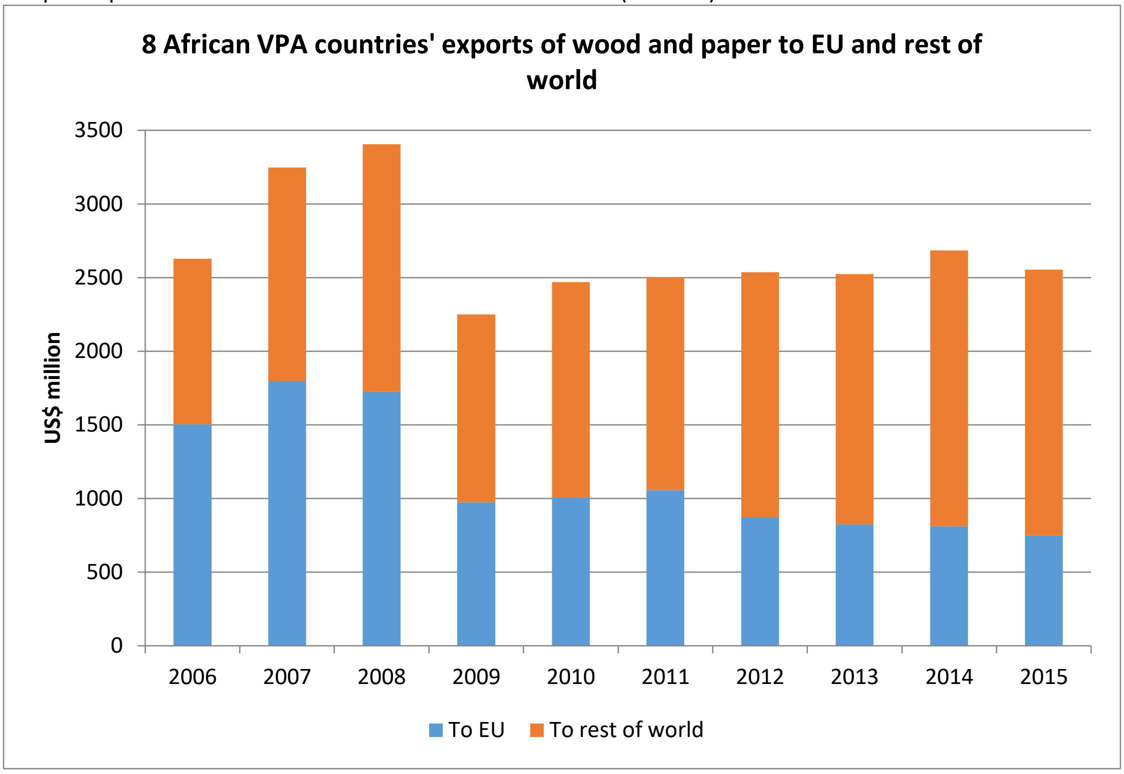


Note: Wood and paper products include all wood and wood products, pulp, paper and paper products and wooden furniture.

Source: UN Comtrade, 2017.

Analysis. Via the EU FLEGT Action Plan, the EU has established VPAs with 15 countries to date. One important aim of the program is to establish fully legal timber imports (not only tropical) by the EU. This ambitious program has seen an upturn in EU imports from the 15 VPA countries since 2013. Based on the first 10 months of 2016, there was yet another increase of EU imports from these 15 countries in 2016.

Graph: Exports of 8 African VPAs to EU and rest of world (non-EU)

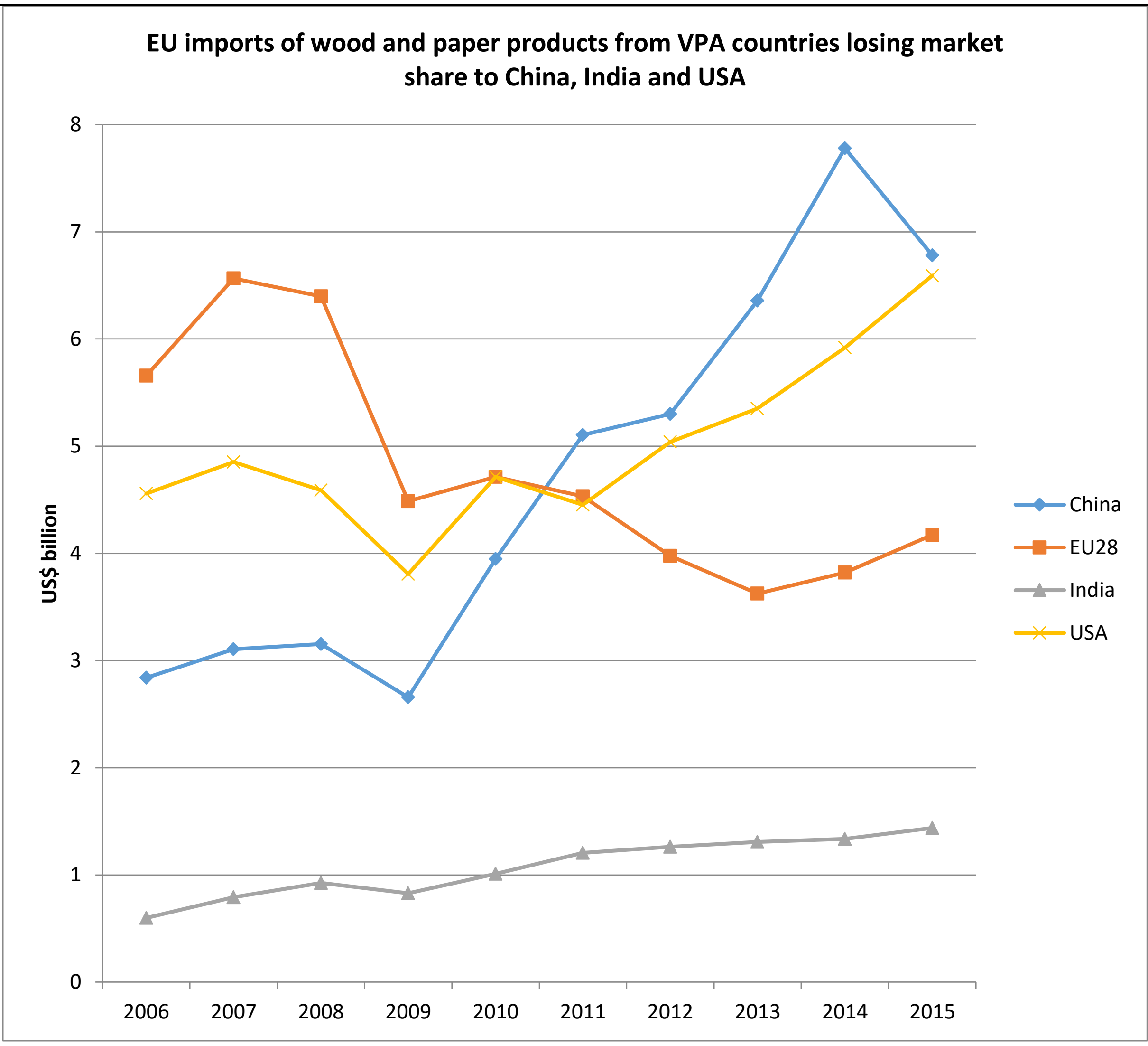


Note: Wood and paper products include all wood and wood products, pulp, paper and paper products and wooden furniture.

Source: UN Comtrade, 2017.

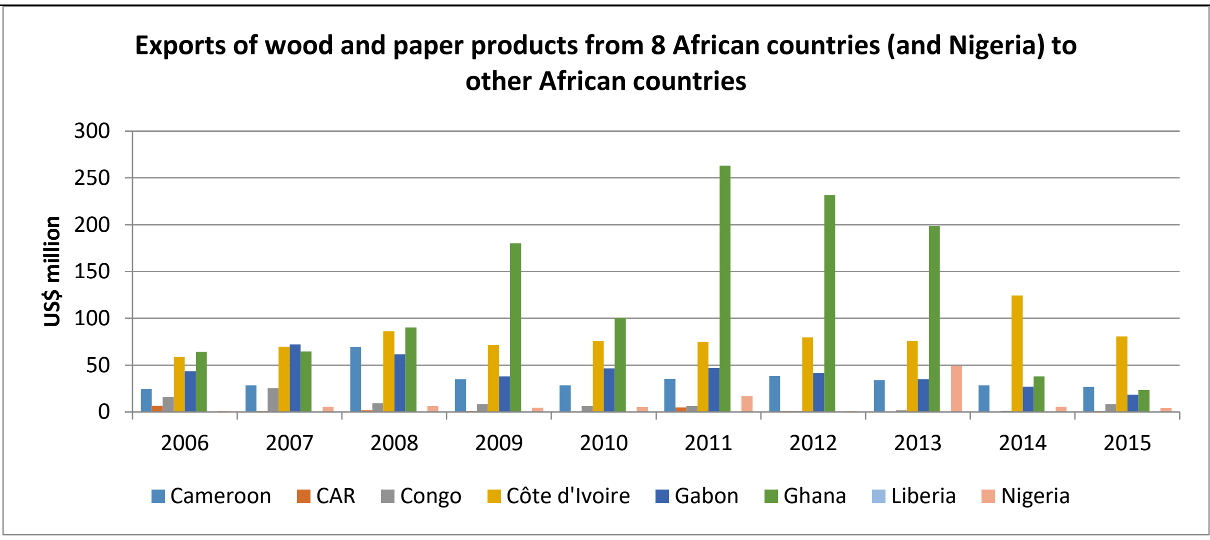
Analysis. The 8 African VPA countries’ exports to the EU were rising before the 2008 global economic crisis, but they fell sharply in 2009 and have continued falling gradually. In contrast, the African VPA countries have found other markets, especially southeast Asia, and have increased exports gradually since the global economic crisis. Part of the reduced exports to the EU is due to the weak EU economy.

Graph: EU imports from VPA countries losing market share to China, India and USA



Note: Wood and paper products include all wood and wood products, pulp, paper and paper products and wooden furniture.
Source: UN Comtrade, 2016.
Analysis. EU is losing market share of imports from the 15 VPA countries to China and the USA, and to a lesser extent India.

Graph: Intra-African trade of 8 African VPAs



Note: Wood and paper products include all wood and wood products, pulp, paper and paper products and wooden furniture.

Source: UN Comtrade, 2016.

Analysis. From an analysis for the FLEGT Facility, the regional trade within Africa is concentrated with neighboring countries, and based on long-standing trade practices. However, there is considerable variability in the values traded, which have been influenced by factors beyond economic demand. For example, political unrest has negatively influenced intra-African trade. In some countries the availability of desired species has been reduced due to over logging in accessible forests.

3. Final comments and conclusions
   a. Tropical timber trade was growing until global economic crisis in 2008
   b. Tropical timber trade rebounded after 2009, but has (or has not) regained pre-2008 highs
   c. Tropical timber exports to EU, as well as all EU imports, were climbing until the global economic crisis in 2008. But the EU's economy overall has not fully recovered, which has negatively impacted the wood trade, including tropical timber imports
   d. VPA exports to EU have increased in past few years, including 2016
   e. EUTR, created to promote legal imports of timber into the EU, caused hesitation initially in 2013 and 2014 as companies established the required due diligence systems. Strong support for legal (and sustainable) imports from EU trade associations has promoted the EUTR, and it is no longer an obstacle.
   f. Four other countries with EUTR-like legislation are positively influencing the legal and sustainable timber trade, including Australia, Japan, South Korea and the USA. Other countries, e.g. China, are establishing similar policies. Together the EU and the other 4 countries with EUTR-like legislation account for over half of China's exports, and a third of China's imports of wood and paper products. Therefore they constitute a significant force to require thorough proof of legality for sources of China's timber imports, as well as for China's exports to their countries.
   g. Public procurement policies promote import of legal and sustainable timber.
   h. First FLEGT-licensed timber on EU market in November 2016. The other 5 VPA countries that are implementing their agreements are preparing to license FLEGT timber too.