

## US, EU Consumption Driving Chinese Imports of Illegal Wood from Around the World

### Chinese Government Faces Opportunities to Boost Timber Production And Reduce Poverty and Conflict in Rural Areas



**Jakarta, Indonesia and Washington, DC (24 March 2006)** — A new report released today by a coalition of international and Chinese organizations shows that the United States, Japan and the European Union are the main markets for furniture and other products made in China, much of which is made from wood harvested in countries with poor track records in terms of illegal logging, associated corruption or human rights violations.

The report, entitled *China and the Global Market for Forest Products: Transforming Trade to Benefit Forests and Livelihoods* also finds that China has a tremendous opportunity to boost its own timber production, reduce its reliance on raw materials imports and alleviate rural poverty by strengthening property rights and removing policy barriers that have prevented local communities and people from investing in forest production.

The report is based on five years of research by Forest Trends, the Center for International Forestry Research (CIFOR), and the Center for Chinese Agricultural Policy (CCAP) and many other Chinese and regional organizations.

The report finds that the US, Japan and the European Union are the leading importers of Chinese manufactured wood products. About 70 percent of all timber that is imported into China is converted into furniture, plywood and other processed products, and then exported. This booming trade coupled with China's own domestic growth and demand for paper products is having a devastating impact on forests and poor forest communities globally.

"Few consumers realize that the cheap prices they pay are directly linked to the exploitation of some of the poorest people on Earth and the destruction of their forests," said Andy White, lead author of the report.

According to the report, imports of forest products from China bound for the US/EU have increased almost 900 percent since 1998. The US now accounts for almost 40 percent of all forest product imports – by far the largest destination of Chinese exports. US demand for all products manufactured in China grew by 24 percent between July 2004 and July 2005 alone. Meanwhile, China has become the world's leading importer of wood from tropical, developing countries. China has captured one-third of the global trade in furniture over the last 8 years.

"It is clear that China is in the middle of a global commodity chain, feeding consumption by consumers in the US and EU who are demanding low-priced forest products," said Michael

Jenkins, President of Forest Trends. "There are key roles for consumer countries to play in transforming this trade into one that benefits forests and people."

The report highlights the inter-connection between China's domestic growth, the global economy's demand for cheap wood products manufactured in China, the widening gap between rural and urban populations within China itself, and environmental destruction and poverty in forest areas around the world. It also presents a number of recommendations for the importing country governments and industry.

The report calls on international governments and the forest industry to increase transparency and accountability procedures and crack down on corruption and money laundering that drives the illegal business. The report's recommendations call on the Chinese government to:

- Implement public procurement policies requiring all governmental contracts to require the purchase of only verifiable legally produced and traded wood products - starting with a pilot program to ensure legal sourcing related to the 2008 Beijing Olympics;
- Expand the use of anti-corruption tools and money laundering tools to control illegal behavior by major forest industry and traders at home and while operating abroad;
- Encourage forest industry and traders to adopt strict and transparent codes of conduct, certification and log tracking systems, helping the global forest industry clean up and rid itself of illegal actors; and
- Strengthen property and resource rights of indigenous and local communities – ensuring that they have full rights to own, use and trade forest products and services and promote initiatives that support small and community-owned enterprises.

The report's recommendations call on consumer countries to:

- Develop major education programs, particularly in consuming countries, to inform importers, retailers and consumers of the social, environmental and economic impacts of illegal forest product trade; and
- Strengthen aid programs between donor and developing countries on illegal logging and trade.

"We welcome the valuable information and insights that this work provides. It makes clear that importing countries, like the UK, have a key role to play in ensuring that our imports come from legal and sustainable sources. The UK will follow up these recommendations and continue to participate with others in negotiating agreements to crackdown on illegal logging across the world," said Gareth Thomas, Parliamentary Undersecretary of State for International Development in the United Kingdom.

"Handled properly, China's expanding timber industry could have major positive implications for China's leadership in managing rural unrest now emerging due to the increasing disparity between rural and urban incomes," CIFOR Director General, David Kaimowitz, said.

"With China's timber products so popular, China can better attend to environmental issues and set an example in good forest management," Kaimowitz, said.

The report shows how China is not likely to meet its own 2015 targets for domestic wood production. This finding is backed up by a recent announcement by officials of China's

National Development and Reform Commission (NDRC) who estimate a domestic timber supply gap will reach 150 million cubic meters by 2015, with the gap to be filled by imports, increased efficiency in wood processing, and the substitution of wood products.

It also states that unless farmers and local communities have greater incentives to plant and manage plantations on their collectively owned forest land, and forest ownership and management reforms are advanced on public lands, the domestic timber supply gap may rise even further.

Specifically, the report encourages the government of China to strengthen tenure and policy reforms, allowing the rural poor to boost timber production, while simultaneously allowing forestry to contribute more to rural development and reduced rural conflicts. In particular the government should strengthen efforts to improve productivity within its own forestry sector and reduce its reliance on imports, and engage with other governments to explore new options to achieve the twin goals of ecosystem protection and timber production, the report urges.

“For a number of years the global forest community has expressed disdain with the Chinese government and industry for driving illegal logging and negative impacts on forests – and encouraged greater action on their part,” said Michael Jenkins, of Forest Trends. “While, to date, the US government has had a limited and ambivalent approach to addressing illegal logging and trade, US producers are beginning to recognize that they are being undercut by illegally sourced and traded wood.”

“This report accurately reflects the globalization of the forest product industry,” says John Begley, CEO of Port Townsend Paper. “Its detailed view of the supply chain impact defines what has happened to the industry. We must stop looking at our business as independent geographical areas and view it as global system. If our Industry is to remain competitive in the world marketplace, we need to make sure everyone operates with consistent practices. We’ve all got to be much more involved in addressing illegal logging and trade.”

The report synthesizes information from a series of reports by a variety of sources. Each of these reports is available on Forest Trends web site at [http://www.forest-trends.org/programs/pacific\\_rim.htm](http://www.forest-trends.org/programs/pacific_rim.htm).

Forest Trends, CIFOR and CCAP are grateful to the UK Department for International Development (DfID) and the Swedish International Development Cooperation Agency (SIDA) for their financial support of this analysis and for their broader support to advance market and policy reforms to improve livelihoods and enhance forest conservation in the Asia-Pacific Region.

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Washington, DC-based **Forest Trends** is an international non-profit organization that works to expand the value of forests to society; to promote sustainable forest management and conservation by creating and capturing market values for ecosystem services; to support innovative projects and companies that are developing these new markets; and to enhance the livelihoods of local communities living in and around those forests. We analyze strategic market and policy issues, catalyze connections between forward-looking producers, communities and investors, and develop new financial tools to help markets work for conservation and people. Forest Trends is also a key sponsor of the [Ecosystem Marketplace](#).

Headquartered in Indonesia, the **Center for International Forestry Research** (CIFOR) (<http://www.cifor.cgiar.org>) is a leading international forestry research organization established in response to global concerns about the social, environmental, and economic consequences of forest loss and degradation. CIFOR is dedicated to developing policies and technologies for sustainable use and management of forest goods and services, and for enhancing the well being of people in developing countries who rely on tropical forests. CIFOR is a Future Harvest Center (<http://www.futureharvest.org>). Future Harvest supports 15 food and environmental research centers that are primarily funded through the Consultative Group on International Agricultural Research (<http://www.cgiar.org>).

The **Center for Chinese Agricultural Policy** (CCAP) was established in December 1995 as part of the Chinese Academy of Agricultural Sciences (CAAS). CCAP is comprised of a group of motivated and vibrant young economists dedicated to pursuing CCAP's aims of analyzing policies related to food, agriculture, natural resource and environmental issues in China, and helping formulate practical and feasible policies for the development and modernization of rural China.

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