



FLEGT Briefing Notes

FOREST LAW ENFORCEMENT, GOVERNANCE AND TRADE

What does FLEGT mean for Member States?

1. Why should Member States be concerned?

Illegal logging causes enormous environmental damage in timber-producing countries and impoverishes rural communities that depend on forest products for a living. Illegal logging also costs developing and emerging market economies significant amounts of money. The World Bank estimates that illegal logging costs governments of timber-producing countries €10-15 billion per year in lost revenue [1]. This overshadows the European Commission's annual development assistance budget of approximately €6.5 billion.

Law-abiding forest enterprises cannot compete with cheap timber from illegal operations, which heavily distort trade and undermine legitimate business, both within the EU and in wood-producing countries. Illegal logging is also often closely associated with corruption, organised crime and, in some cases, may exacerbate national and regional conflicts, as in Cambodia, Liberia and the Democratic Republic of Congo.

Illegal logging aggravates the loss of biodiversity, for instance through logging of protected areas. It can contribute to deforestation, forest fires and the illegal exploitation of wildlife. It also has negative impacts on the livelihoods of forest-dependent people, who are often among the world's poorest and most marginalized communities.

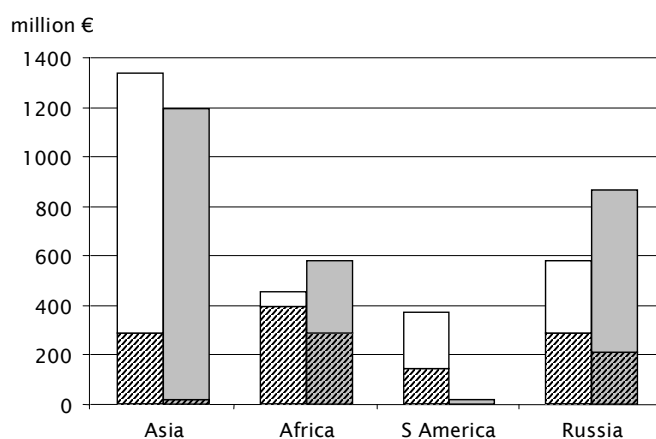
The continued and pervasive influence of illegal logging is undermining many of the European Commission's development objectives, such as public sector financing for pro-poor development, peace, security, good governance, reduced corruption and sustainable environmental management.

The titles of the eight briefing notes in this series are:

1. What is FLEGT?
2. What does FLEGT mean for Member States?
3. What is legal timber?
4. Why the focus on legality, not sustainability?
5. Bilateral, regional and multilateral approaches
6. Verification of legality
7. Voluntary Partnership Agreements
8. What are the WTO implications?

2. The EU's potential for influence

Although most of Europe's trade in wood products is between Member States, the EU is an important consumer of timber from areas where illegal logging is a serious problem. The EU is the largest importer by value of African roundwood and sawnwood, and the second largest market for sawnwood from Asia [2].



The value of export of sawnwood □ and roundwood ■ from four regions into the EU ▨ and the rest of the world in 2000. Source: FLEGT Action Plan 2003.



P. v. Gardingen/FRP

The EU, as a significant timber consumer, has a shared responsibility to tackle illegal logging. Efforts to support reforms in the timber sectors of producing countries are fundamentally undermined if the EU continues to accept illegal timber from these regions.

This gives the EU both the potential and the responsibility to tackle illegal logging and the trade in illegal timber. However, it is also important to work in collaboration with other major consuming countries such as Japan, China and the USA, given their importance in the global timber trade.

3. What can Member States do?

Many EU Member States are already involved in initiatives to tackle trade in illegal timber. Several are developing public procurement policies for timber products, while others are addressing the issue through bilateral aid for forestry projects. The FLEGT Action Plan offers an opportunity to build on these efforts.

EU Member States can take a number of positive steps, including:

- developing **public procurement policies** that ensure only legal timber is supplied. New EU rules have clarified that public procurement policies can take into account production methods, if they relate to the subject matter of the contract. A European Commission Handbook on Green Procurement, due out in mid-2004, will provide guidance on how Member States can take into consideration the legality of supplies, when purchasing imported timber;
- promoting **private sector initiatives** that encourage companies to use voluntary codes of practice for the legal harvesting and purchasing of timber. These codes of practice can be supplemented by independent supply chain audits;
- examining the **environmental and social criteria** for **due diligence assessments** carried out

for investments by Export Credit Agencies and other publicly funded financial institutions, and supporting the development of criteria by private investors. Project screening procedures should ensure that public money does not promote illegal forest sector activity;

- examining possibilities to apply existing criminal legislation, such as **legislation concerning money-laundering or bribery**, to the proceeds of crimes related to illegal logging;
- co-ordinating donor funding for forest sector activities with FLEGT activities, to ensure that FLEGT is integrated into the wider context of sustainable forest sector development;
- ensuring that relevant legislation and regulations, statistics and border controls are compatible with each other.

4. Impacts of FLEGT

Implementing the FLEGT Action Plan is likely to have impacts both in and beyond the EU. To get a better understanding of these impacts, the European Commission has commissioned an impact assessment of the proposed voluntary licensing scheme for ensuring that only legal timber enters the EU (see **Briefing note 1**). This will cover:

- impacts on the timber trade and wood-processing industries in EU Member States;
- impacts on timber trade flows between potential Partner Countries and the EU;
- institutional, capacity building and additional regulatory requirements and associated costs of implementing the Action Plan;
- potential environmental and social impacts in selected Partner Countries.

REFERENCES

- [1] World Bank Revised Forest Strategy 2002.
[2] FLEGT Proposal for an EU Action Plan, 21 May 2003, Annex 2. Communication from the Commission to the Council and the European Parliament.

