



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 1/7/2005

**GAIN Report Number:** E35004

## EU-25

### Agricultural Situation

### Forest Law Enforcement, Governance and Trade (FLEGT)

### 2005

**Approved by:**

Norval Francis

U.S. Mission to the EU

**Prepared by:**

Karin Bendz

---

**Report Highlights:**

The EU has determined that illegal logging is a growing problem especially in developing country markets and is concerned about the environmental damage it causes in developing countries.

Forest Law Enforcement Governance and Trade (FLEGT) is the European Unions attempt to deal with this problem by developing voluntary partnership agreements with timber producing countries that have a problem with illegal logging.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Brussels USEU [BE2]  
[E3]

**FLEGT**

FLEGT stands for Forest Law Enforcement, Governance and Trade. It is the European Union's way of addressing the growing problem of illegal logging and trade in assorted timber products. FLEGT also aims to strengthen international co-operation to address violations of forest law. Products covered in FLEGT are logs, sawn wood, veneer sheets and plywood.

In May 2003 the FLEGT action plan was adopted. The action plan sets out a range of measures that aim to combat the problem of illegal logging, these include support for improved governance and capacity building in timber producing countries, development of Voluntary Partnership Agreements with timber-producing countries to prevent illegally produced timber from entering the EU market and efforts to reduce the EU's consumption of illegally harvested timber as well as to discourage investments by EU institutions that may encourage illegal logging.

Since illegal logging is most common in developing and emerging-market countries, a co-operation between these countries and the EU Member States can play an important role in tackling the problem. This would be done through Voluntary Partnership Agreements. Illegal logging and the trade in illegal timber are responsible for vast environmental damage in the developing countries, and it impoverishes rural communities that depend on forest products for living.

Voluntary Partnership Agreements aim to reinforce Partner Countries' ability to control illegal timber production, and to offer a mechanism to exclude illegal timber from EU markets. This would be done by identifying legally produced timber exported to the EU by means of licenses issued by the partner country. Timber originating in a FLEGT partner country and arriving at an EU point of import without such a license would be considered illegal and denied entry into the union. However to enable EU custom authorities to exclude illegal timber, and thereby make the partnership agreements effective, a new EU regulation is needed.

**Legal timber**

All FLEGT partner countries would need to agree a definition of legality and have, or develop, a credible legal and administrative structure with adequate systems to verify that exported timber is legal according to the country's national laws. It is the laws of the exporting country that are to be followed. This implies a commitment to:

? ensuring that the applicable forest law is consistent, understandable, enforceable and supportive of basic sustainable forest management principles.

? developing credible technical and administrative systems to make sure that harvesting operations conform with relevant laws, and to track timber from the point of harvest to the point of export.

? developing procedures to license exports of legally harvested timber.

The reason for focusing on legal timber and not on sustainable forestry is that there have been numerous projects over the past decade to implement and assess sustainable forest management, and no clear, widely accepted international definition has emerged. Also in many countries there is a wide gap between current forest exploitation practices and sustainable forest management by definition. Thus, an intermediate requirement for sustainability has proven not only difficult to define, but beyond the abilities of many forest owners and managers to meet. The European Commission assumes that legal compliance, which forms an essential component of many sustainable forestry definitions should be a

more achievable target, and a first step in progressing towards sustainable forest managements.

FLEGT is not limited to tropical timber. Also temperate timber is covered as the EU intends to work with all countries that face a problem with illegal logging, for example Russia is leading an initiative to combat illegal logging in Europe and Northeast Asia. This will be strongly supported by FLEGT.

### **Impact on trade**

The impacts on trade of the FLEGT could be affecting international trade in different ways, for example, timber from one of the partnership countries that arrives to a port of entry in the EU without a certificate would be denied entry and redirected.

According to a Commission export report, the likelihood for trade diversion is highest in Brazil (estimated percentage of illegal logging 20 percent) and Indonesia (estimated percentage of illegal logging 73 percent) for which exports to the EU have minor importance. For a country like Cameroon (estimated percentage of illegal logging 50 percent) that has a bigger trade with the EU, decreased harvesting would be more likely, even if the risk of diversion of illegal timber to third countries is high.

### **WTO implications**

In view of the fact that unlicensed timber exports from countries that are in the voluntary partnership agreement with the EU would be excluded from entering the Union, and as any restrictions in trade are potential subjects to the WTO rules, the question about WTO-compatibility arises.

However, since the proposed trade measures in the FLEGT are aiming at fighting illegal timber production and are based on voluntary bilateral agreements, the measures in FLEGT are not considered to pose any problems in WTO-compatibility.

### **Recent evaluations**

At the Agriculture Council in Brussels in late December 2004, the EU agricultural ministers failed to reach an agreement on a full package of measures to block imports of wood obtained from illegal logging. Whereas the ideas in FLEGT with incentives for good practice in developing producer countries and a voluntary licensing scheme to keep illegal timber out of the EU are relatively uncontroversial, there was no solution on what to do with countries not covered by the FLEGT.

The European Commission has committed €20 million to support the EU action plan for Forest Law Enforcement, Governance and Trade. The release of these €20 million forms part of a new commitment of more than €60 million for projects to support the conservation and sustainable management of forests in developing countries.

### **The next steps**

The next steps for the European Commission is to work in Council to finalize the proposed regulation and mandates to make partnerships. The Commission will also continue to deepen consultations with potential partner countries and continue the assessment of additional options.

Indonesia is one of the important partner countries. It will during a 5-year period receive €15 million in FLEGT projects. There are also pilot projects in Vietnam and funds are proposed for Africa, Caribbean and Pacific countries. For some countries the first step would be to accept that there is a problem.

It is noticeable that the FLEGT program does not only apply to countries that have a big trade with the European Union, but also other countries with important illegal logging. As the name of the project states it is also about law enforcement and governance.

The Commission is planning to hold about seven meetings with Member State representatives and other stakeholders during 2005, to keep the process moving forward.

**Visit our website:** our website [www.useu.be/agri/usda.html](http://www.useu.be/agri/usda.html) provides a broad range of useful information on EU import rules and food laws and allows easy access to USEU reports, trade information and other practical information. E-mail: AgUSEU.Brussels@usda.gov

**Related report from USEU Brussels:**

Report Number	Title	Date Released
E34102	European Commission Review of the Forest Strategy	12/13/04
This report can be accessed through our website <a href="http://www.useu.be/agri">www.useu.be/agri</a> or through the FAS website <a href="http://www.fas.usda.gov/scriptsw/attacherep/default.asp">http://www.fas.usda.gov/scriptsw/attacherep/default.asp</a> .		