

Translation from Chinese Original

Public Statement in Response to EIA Report *Appetite for*

Destruction---China's Trade in Illegal Timber

In November 2011, the Environmental Investigation Agency (EIA) published a report named *Appetite for Destruction---China's Trade in Illegal Timber*. Based on evidences obtained from undercover investigations, it accuses China for importing large volumes of illegal timber and attributes the long-term failure in solving the problem of illegal logging in some countries to China's increased demand for imported timber in the past decade. We, China Timber and Wood Products Association (hereinafter referred to as CTWPDA), hold the position that EIA's reporting is not only biased and one-sided, but also overstated the severity of the problems in China's timber trade and obliterated the contribution of Chinese timber and wood product industry to world forestry, timber trade and the economic development of timber producing countries. To this report, we attach great concern and would like to make the following statements.

1. China's timber import and forest resource destruction in the case study countries of EIA's report is not necessarily correlated.

In the report, EIA pointed out that driven by the demand of Chinese market, illegal logging activities in Indonesia, Myanmar, Russia, Laos, Mozambique and Madagascar has resulted in serious damage to the forest ecosystem of these countries. This conclusion is not valid as data shows that there is no necessary correlation between China's timber import and the forest resource destruction in these countries.

Table 1 Proportion of China's Timber Import to Annual
Timber Resource Increment in the Case Study Countries of EIA's Report

Country	Forest Area (10,000 ha)	Forest Stock Volume (10,000 m ³)	Annual Timber Resource Increment (10,000 m ³)	China's Log and Sawn Timber Import (10,000 m ³)	Proportion of China's Timber Import to Annual Timber Resource Increment (%)
Indonesia	8849.5	521600	4381.4	33.35	0.76%
Myanmar	3222.2	274000	2301.6	63.06	2.74%
Russia	80879	8047900	67602.4	2145.96	3.17%
Africa	63541.2	6385800	53640.7	232.38	0.43%
Liberia	315.4	49800	418.3	0.01	0.00%
Mozambique	4100	49600	416.6	21.38	5.13%
Viet Nam	1293.1	85000	714.0	8.11	1.14%
Madagascar	1283.8	220100	1848.8	0.43	0.02%

Source: *The State of the World's Forest 2011* published by UNFAO and data from China Customs

The countries listed in Table 1 are the case study countries of the EIA report. Annual timber increment is calculated based on annual forest stock volume growth rate of 1.4% and log yield rate of 60%. The result shows that China's timber import only takes up a small percentage of the annual timber resource increment in these countries and consequently proves that there isn't necessary correlation between China's timber import and the forest resource destruction of these countries.

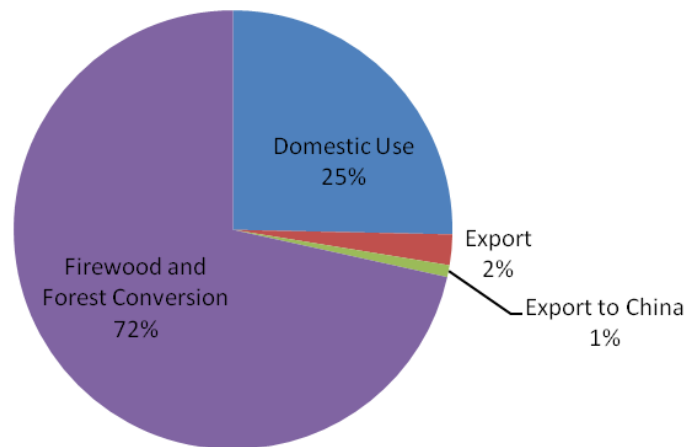
2. China's timber import and world's tropical forest destruction is not positively correlated.

All the case study countries listed in the EIA report are tropical countries except Russia. From 1990s, illegal logging and forest destruction in some tropical countries have raised some great international concerns. In recent years, international NGOs released several reports similar to the *Appetite for Destruction----China's*

Trade in Illegal Timber and put China under the spotlight of public opinion. However, such a view that China's timber import contributed to tropical countries' illegal logging and forest destruction is forcefully refuted by the following data.

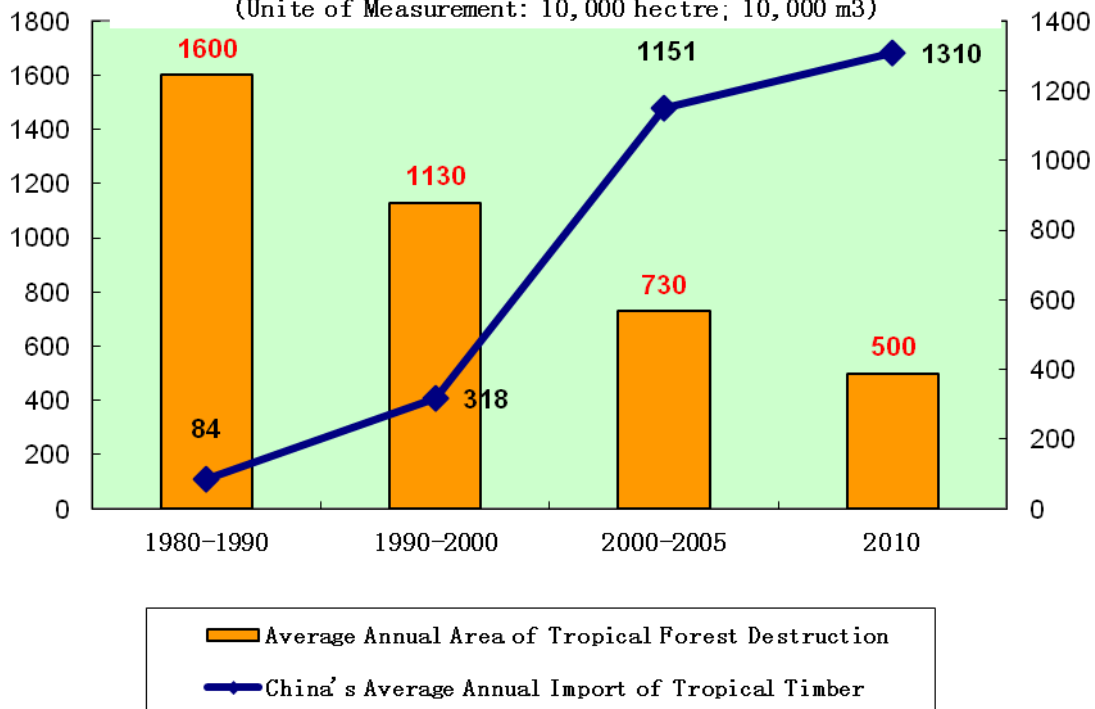
According to *the State of the World's Forest 2011* published by Food and Agricultural Organization of the United Nation, world total consumption of tropical forest resources in 2008 was 1.95 billion m³, while in the same year, China imported 10.2 million m³ of tropical timber, accounting to 1% of the world total consumption of tropical forest resources. Chart 1 shows that tropical forest resource consumption is mainly attributed to firewood usage and forest land use change.

**Chart 1: World Tropical Forest
Resource Consumption in 2008: 1.95 Billion**



In addition, Chart 2 shows that from 1980 to 2010, average rate of tropical forest destruction was decreasing, while China's tropical timber import shows an increasing trend. It shows that there is no positive correlation between tropical forest destruction and China's tropical timber import.

Chart 2: Average Area of Tropical Forest Destruction v. s. China's Average Annual Import of Tropical Timber
(Unit of Measurement: 10,000 hectre; 10,000 m3)



3. The term “*high-risk county*” lacks science-based explanation.

The report made several subjective conclusions: “approximately two-thirds of logs imported by China from its 10 largest suppliers in 2011 came from high risk sources. Of total log supplies to China, 52 per cent came from high risk countries; the share of lumber imports from high risk suppliers in the top 10 suppliers decreased to 41 per cent. 37.4 million cubic metres (RWE) of the 70.4 million cubic metres (RWE) of logs and sawn timber imports from China’s 10 biggest suppliers came from high risk countries in 2011; More than half of China’s current supplies of timber raw material are sourced from countries with a high risk of illegal logging and poor forest

governance.”

It is obvious that the above estimates are based on certain definition of the term “high risk countries”. According to China Custom data, China imported timber from over 100 countries or regions in 2011, among which the top 10 log supplying countries were Russia, New Zealand, USA, Papua New Guinea, Canada, Solomon, Australia, Myanmar, Congo and Ukraine, accounting for 89% of the China’s total log import volume; the top 10 sawn timber supplying countries were Canada, Russia, USA, Thailand, Indonesia, Philippine, Chile, New Zealand, Germany and Malaysia, accounting for 91.7% of China’s total sawn timber import. If EIA’s conclusions are also based on China Custom data, then the so-called “*high-risk countries*” in the report should be among the above countries. Since currently there is no globally accepted definition for “*high-risk countries*”, we look forward to EIA’s explanation of the exact definition of “*high-risk country*” and the reasons behind.

4. Chinese government and industry associations have taken many actions to combat illegal logging and associated trade.

EIA also pointed out in the report that although Chinese government has signed a series of bilateral agreements with both producer and consumer countries and is planning to establish the “Chinese Timber Legality Verification System, China still lacks of effective actions in combating illegal logging. Obviously, EIA lacks the full knowledge of China’s government and trade associations’ efforts in this area. It neglected the fact that apart from the government agencies, trade associations and its members have also taken actions and some positive changes are slowly revealing.

In fact, as early as in 1980s, Chinese government issued *Forest Law*, which laid down clear rules on timber harvesting, transportation, inspection and quarantine. Since 2009, China Wood Value Promotion and Development Centre and WWF China initiated the “China Green Wood Industry Action Plan”; CTWPDA also added timber legality as a basic requirement of the “Credit Rating for Enterprises of Chinese Wood Industry ” and “Double Guarantee of Product Quality and After-sales Service for Wooden Door and Wooden Flooring Products” From 2009 to 2011, CTWPDA and Japan Federation of Wood-industry Associations co-organized the “International Seminar on Promoting Legal Timber and Wood Products” in three consecutive years, greatly promoted the exchange and communication between Chinese and Japanese governments and enterprises on green procurement and legality verification. In 2011, CTWPDA supported WWF and International Wood in carrying out a series of trainings on *US Lacey Act Amendments* and *EU Timber Regulation* in Dongguan, Shanghai, Dalian and Suifenhe. These training sessions served as excellent platforms in answering Chinese wood products processing and exporting companies’ questions about these two regulations. Some positive changes as the result of these activities are becoming evident. One indicator is that more than half of our members have obtained CoC certificate issued by an internationally recognized forest certification program. Nevertheless, these CoC certificate holders face a common problem, the insufficient supply of certified raw materials. Many of the widely used timber species in Chinese timber and wood industry lack certified materials. It is a problem beyond the capacity of Chinese timber importers to solve alone. The key to the problem lies in the efforts of timber producer countries in improving forest management and governance with the support of the

international community. In addition, considering the great leverage of government green procurement policy in influencing market preferences, WWF and our association started a joint feasibility study on Chinese public procurement policy for timber and wood products in 2012 and study is still on-going. With the preliminary results of study, our association is considering the option of providing the Ministry of Finance and the Ministry of Environmental Protection with policies suggestions that the definition, minimum of requirement and evidence of compliance with regard to timber legality and sustainability shall be elaborated in the current public procurement policy for timber and wood products.

5. The structure of Chinese timber import is closely correlated to policies of timber export countries.

It is of consensus that illegal logging and associated trade to a large extent involves logs. In recent years, some timber producer countries increased log export tax and introduced policies that limit the export of log and encourage the export of sawn timber. These policies helped to restrain illegal logging and associated trade and are reflected in the structure of China's timber import. From 2001 to 2011, China's log import grew annually at the average rate of 15.1%, while sawn timber import at 50.9%, showing a trend with decreasing growth rate of log import and increasing growth rate of sawn timber import. It implies that the key to attack illegal logging and associated trade still lies in improving forest law enforcement and putting in place policies that encourage the development of domestic wood industry of timber producer countries, consequently reducing their fiscal and economic overdependence on export of resources.

6. China is one country that attaches high importance to wood value promotion and efficient utilization.

China is a country with scarcity in timber resource. In order to meet the demand for timber and wood products in the process of economy development and improvement of living standards, apart from development plantation, China has also made remarkable achievements in timber saving, substitution and efficient utilization. As early as in August 1951, Chinese government released the *Notice of Government Administration Council of the Central People's Government on Timber Saving*. In early 1980s, Chinese government set up Timber Value Promotion Office in National Economy Commission (Now renamed as Timber Value Promotion and Development Center after several government organizational reform) to carry out timber value promotion and development work at the national level. In November 2005, the *Notice of the General Office of the State Council on Forwarding the National Development and Reform Commission's Opinion on Promoting Timber Value and Substitution* clearly stated the objective of annually saving and substituting 40-50 million m³ timbers by 2010 in average through implementing digital control project of timber processing machinery, timber conservation project, wasted timber recycling industrialization project and environmental-friendly timber substitution project. In 2009, the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Finance, the Ministry of Commerce, the State Administration of Taxation and the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China jointly issued the *Notice on Issuance*

of Work Program on Wood Packaging Substitution for Electromechanical Products. With the two Notices being issued, China's timber substitution was further strengthened, e.g. wood-based panel and preservative wood, as the main comprehensive utilization products, reached the annual output of 200 million m³ and 3 million m³, respectively; steel molding plate, steel scaffold, plastic and aluminum alloy window and door, magnesium packaging and decorative sheet, bamboo plywood and other substitutes have replaced over 30 million m³ of wood; as well as wasted timber and wood products recycling (such as furniture's old for new exchange program) also pushed timber saving and substitution forward to a new outstanding level. According to the statistics of China Timber Value Promotion and Development Centre, from 1980 to 2012, more 870 million m³ of wood have been saved and substituted, i.e. based on 60% yield rate from forest stock, about 1.45 billion m³ forest stock was saved; based on 84 m³ forest stock per ha, about 17 million ha forests have been saved. Therefore, China has made great achievements in timber saving and efficient utilization, as well as contributed significantly to relaxing world's timber demand-supply conflict and forest resources conservation.

7. Chinese government and industry associations would like to cooperate with foreign and international organizations to combat illegal logging and associated trade.

The success of China's timber and wood product industry should be accredited to the economic policies that embrace the principles of open market and free trade and encourage the development of small and medium sized enterprises. We would not like to see NGOs like EIA influence the public opinions with one-sided stories and

influence the Chinese government into introducing policies or regulations that would hinder the healthy development of Chinese timber and wood product industry. Given that the legality of Chinese domestically produced timber has been widely acknowledged by the international community, we believe that, China's combat against illegal logging and associated trade should focus on helping timber importers to understand timber producer countries' laws and regulations, so as to improve their capacity in avoiding illegal timber import, as well as gradually guiding the market demand to legal and sustainable timber through public green procurement policy and industry code of conduct.

In 2011, CTWPDA established the Timber Importers & Exporters Sub-committee. This new branch organization will dedicate to enhancing information collection and dissemination on timber trade, bridging communication between timber traders and policy makers, assisting the government in formulating industry policies that promote the healthy development of the industry. The sub-committee also aims to enhance the participation of Chinese timber traders at international forums and decision making processes. We look forward to strengthening collaboration with international organizations and NGOs and working together toward sustainable international timber trade and utilization of world's forest resources.

China Timber & Wood Products Distribution Association

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The CTWPDA is a national first class industry association in timber trade approved by the Chinese government, with more than 3,000 members. Our members include timber and wood products producers, distributors, wholesalers and retailers, as well as many other forestry organizations, professionals, and other individuals all active in a wide range of wood products industries. We have been the voice of the Chinese forestry industry for more than 20 years, as an authorized and registered association with the Chinese Ministry of Civil Affairs.

Contact Person: Gao Ya

Tel: +86 (0)10 6839 2992

Fax: +86 (0)10 6839 2652

Email: ya.gao25@gmail.com