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## **New UK-Funded Report Says Consumers in US, Europe Hold Key To Transforming Chinese Attitude Toward Use of Illegal Timber**

LONDON (9 May 2007)—Responding to concern that China’s massive appetite for raw timber is contributing to tropical forest destruction worldwide, a report prepared for UK Department of Environment, Food and Rural Affairs (Defra) asserts that the situation is ripe for buyers in Europe and the United States to encourage Chinese firms to find sustainable sources of tropical wood.

“If European and US companies and consumers increase their demand for legally certified wood products, it will inspire a change in companies’ wood purchasing practices in China,” said Scott Poynton, TFT’s executive director of the Geneva-based Tropical Forest Trust (TFT) ([www.tropicalforesttrust.com](http://www.tropicalforesttrust.com)). “If using legally-certified wood is viewed as advantageous in the market, it will be widely imitated in China. The challenge is on the technical side, helping Chinese companies that want to be part of the solution figure out how to implement transparent and sustainable wood control systems.”

“Already TFT’s report has encouraged a major UK buyer, purchasing from a Chinese mill, to double their order for legally produced plywood,” said Andy Roby, UK Timber Trade Federation. “In turn, the mill is now working hard to source wood from legal or sustainably managed forests in Southeast Asia. While only one example, it illustrates the business benefit of sourcing legal timber.”

TFT currently works in China assisting factories to identify where their wood purchases come from and to develop systems that will eliminate illegal wood from their supply chains. By working directly within factories, TFT helps implement practical solutions towards reducing the international trade of illegal wood, working throughout the supply chain from buyer to forest, via the processor in China.

Drawing on their experience in China, TFT recently completed an analysis of China’s timber supply chain for Defra which paints a complicated picture of a surging Chinese wood products industry that now consumes 70 percent of hardwood exports from Southeast Asia and is aggressively seeking supplies from environmentally sensitive regions of Central Africa.

The report, entitled *China Wood Product Supply Chain Analysis: Helping Chinese Wood Producers Achieve Market Demands for Legal and Sustainable Timber*, points out that in

the last ten years China has gone from being a net importer of wood products to become the world's leading exporter of furniture, plywood and wood flooring. This shift has fueled an unprecedented demand for raw timber from Southeast Asia, the Russian Far East and Central Africa that is widely seen as accelerating illegal and destructive logging.

TFT, a group that helps large retailers worldwide purchase wood products derived from legal, sustainable sources, notes that there are opportunities to prevent China's seemingly "insatiable" need for timber from encouraging rampant deforestation.

Poynton noted that TFT's report for Defra in particular and the group's work in China in general differs from past efforts in this area in that the focus is not on assigning blame. Rather, he said the goal is to develop a much deeper understanding of the contemporary Chinese wood products industry and its supply networks and use this knowledge to seek market-based solutions rather than forest destruction.

TFT has opened an office in Beijing and will soon expand to Shanghai in an effort to ensure that China's growing role in Africa and other tropical regions supports rather than undermines the move to fight illegal logging. Its report for Defra is part of a broader effort that involves partnerships with the UK Timber Trade Federation, the Global Environment Institute, the European Union's Timber Trade Action Plan (TTAP) and TFT member companies to develop timber purchasing projects jointly with Chinese manufacturers and their US and European customers.

The TFT report, however, cautions that the difficulty of verifying the source and legality of logs flowing into China from abroad should not be underestimated. It notes that the boom-time conditions in China's wood products industry have spawned an "opaque" supply network in which timber passes through many "hands" and "supply cartels" as it moves from forests in places like Indonesia and Burma to factories in China. Meanwhile, the report notes, manufacturers in China are so busy trying to stay abreast of intense domestic and international competition they may lack the time and resources to focus on where their supplies are coming from.

However, TFT observes that "markets are changing" as major buyers of Chinese wood products, such as big retailers like Home Depot in the United States and B&Q in Europe, are now "looking to establish legality and sustainability in their supply chains." Also, by working with groups like TFT, the report notes Chinese manufacturers are showing an interest in assuming more control over their supply chains.

Ultimately, the key, according to TFT, is to pair market incentives with technical assistance: China's overseas customers need to reward companies that secure raw materials from sustainable sources while also helping them develop "direct linkages" with suppliers abroad so as to verify the legitimacy of timber operations.

"We are seeing an awareness emerging among both Chinese exporters and their major buyers that this issue must be addressed," Poynton said. "The status quo is politically and environmentally unsustainable, especially given the emergence of trade restrictions in

Europe and the U.S., which will demand imported raw materials to be verified as legal. The important thing is to find the right mix of tools and incentives to support and encourage the Chinese industry to deal with the problems in their timber supply chains.”

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#### **About the Tropical Forest Trust**

Established in 1999, the TFT is a nonprofit international charity seeking to transform the international trade in tropical timber and timber products into a force for forest conservation. TFT provides comprehensive information about the origin of all tropical wood in member wood products. TFT's Wood Control Systems track wood from the felling operation from the forest, to the factory and through every key stage of manufacture. Technologies like [TracElite](#) assure real-time monitoring and trace-back of the full supply chain of wood from the stump to the showroom. TFT also helps the forests improve their management and achieve FSC ([Forest Stewardship Council](#)) certification.

TFT members are based in Europe, North America, South East Asia, and New Zealand. They include more than 40 multi-national retail giants and small 'high street' retailers committed to purchasing only legally harvested timber. TFT is supported by membership fees and grants from foundations and individual donations. It has forged partnerships with governments, timber companies, and international organizations to expand the world's holdings of FSC-certified forests. For further information, visit: [www.tropicalforesttrust.com](http://www.tropicalforesttrust.com).