



The 2009 Symposium on the Promotion of  
Wood and Wood Products with Verified Legality (goho-wood)

## REPORT

Thursday, 10 December 2009

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**Organizer: Japan Federation of Wood Industry Associations**  
(Council for Tackling Illegal Logging and Promotion of Goho-wood)  
**Support: Forestry Agency (Ministry of Agriculture, Forestry and Fisheries)**



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## Opening Address from Organizer

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December 10, 2009



Thank you for coming despite such early hours for the 2009 Symposium on the Promotion of Wood and Wood Products with Verified Legality. Our keynote speaker, Dato' Dr. B.C.Y. Freezailah, has also made time for this event in his demanding calendar and traveled a long way, for which we are very grateful.

It has been four years since Japan's wood industry launched serious efforts against international illegal logging, and this is our 4th symposium with international participants. In the first three symposia, the main focus was on sharing Japan's domestic efforts with parties from abroad, with a view towards smoothing the way for certified wood into the Japanese market, thereby becoming a part of the solution

in the exporting nations' struggle against the problem of illegal logging. At the roundtable meeting with GLOBE International members prior to last year's G8 Summit, we were honored to be told that Japan's efforts were those for goho-wood (legal wood) everywhere.

The focus of today's symposium is on how to share these efforts with Japanese consumers, and communicate the importance of anti-illegal logging measures in protecting the global environment, and the significance of using wood and wood products with verified legality, with as many of these consumers as possible.

The first session of this Symposium will honor the individuals who have worked to supply and popularize the Japanese wood and wood products with verified legality. I would like to extend our heartfelt congratulations to all those being honored today. The Keynote Address in the second session will be given by Dr. Freezailah, the former Executive Director of the International Tropical Timber Organization. The lecture entitled "International Measures Against Illegal Logging and Goho-Wood Activities Conducted by Japan" is a perfect match for the intent of this Symposium. The third session consists of panel discussions in two parts. Part 1 focuses on wood products in exporting countries and the goho-wood supply network, and part 2 will examine the issues and prospects toward the promotion of the use of goho-wood in the Japanese market.

There is a lot of content to cover, but we are excited by the prospect of adding to your understanding of our goho-wood efforts over the last four years, and of taking another great step towards promulgation of wood and wood products with verified legality.

Thank you again for being here today. With your enthusiastic participation, I feel certain that this Symposium will be a success.

Hideo Namiki  
President of Japan Federation of Wood Industry Associations

## Congratulatory address from Director-General of Forestry Agency

Date: Friday, December 10, 2009 Venue: Mokuzai Kaikan, Shinkiba, Tokyo, Japan  
(Tokyo Lumber Wholesalers' Association)

I would like to offer my heartfelt congratulations on this grand occasion that marks the start of the Symposium on the Promotion of Wood and Wood Products with Verified Legality. First, I would like to express my sincere appreciation to all of you here today for your unyielding, extraordinary understanding and support of forestry administration. Please allow me to take a moment to thank and welcome Dato' Dr. B. C. Y. Freezailah, former Executive Director of the International Tropical Timber Organisation (ITTO), Mr. Alexander Nikolaevich Sidorenko, Chairman of the Association Dalexportles, Mr. Michael Snow, Executive Director of the American Hardwood Export Council (AHEC) and Mr. Zhu Guangqian, Chairman of the China Timber Distribution Association in particular, for traveling all the way to Japan to take part in the Symposium.



Toshiyuki Akagi, Director of Wood Products Trade Office, Forestry Agency read a message for Director-General of the Forestry Agency

As we gather here today, COP15 (the 15th Conference of the Parties to the United Nations Framework Convention on Climate Change) is being held in Copenhagen, Denmark. How to respond to ongoing deforestation in developing nations in the context of climate change is one of the important topics of the conference.

In particular, illegal logging is one of the direct causes of deforestation and forest degradation. At the same time, it damages the forest ecosystem and is considered to be a major obstacle to biodiversity and sustainable forest management. It is an issue that the world community should resolve together to conserve the global environment.

Moreover, the presence of illegally sourced timber which is often unfairly priced, undermines forestry and timber industries of importing countries including the North America., Europe and Japan.

Against this backdrop, the Japanese government introduced a legal action that only wood and wood products with verified legality and sustainability (goho) will be considered for government procurement based on the idea that illegally sourced timber should not be used. The organizer of this Symposium, Japan Federation of Wood Industry Associations, has played a major role in organizing a system of goho wood supply, with almost 7,500 timber-related entities having joined the system by the end of March this year to allow for the stable supply of goho wood. This move has produced measurable results. We are currently working to encourage the population at large, such as private-sector businesses and ordinary consumers, to use goho wood.

I would like to take this opportunity to ask all related parties for even greater cooperation in tackling the problem of illegal logging.

In closing, I hope that this symposium will spark a breakthrough in anti-illegal logging efforts, and wish you much success and good health in the future. Thank you.

Taisuke Shimada  
Director General of Forestry Agency,  
Ministry of Agriculture, Forestry and Fisheries

## Outline

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### (1) Objectives

Since 2006 Japanese industries have made efforts to provide wood and wood products verified as legal and sustainable (hereinafter "Goho-wood"); now nearly 130 related organizations of forestry and timber industries in Japan have network with over 7000 member companies to supply Goho-wood.

Although these actions by the suppliers are accepted by the National Government procurement bodies, there is a lot of room to promote Goho-wood in the private market which is relatively larger than the public one.

For the next step, it is necessary to propagate Goho-wood and Goho-wood supply system and their products, especially to the private housing and furniture industries as well as local government organizations which comprise main wood products market in Japan.

With this background, a symposium on promotion of Goho-wood will be held on 10 December 2009, in conjunction with the 11th Eco-Products 2009 - Eco Style Fair (Eco-Products 2009) in Tokyo.

(2) Date: Thursday, 10 December 2009 (10:00-17:00)

(3) Venue: 7th Hall, Mokuzai Kaikan (Timber Hall, Tokyo Lumber Wholesalers' Association)  
Shinkiba Koto-ku Tokyo

(4) Organizer: Japan Federation of Wood Industry Associations  
(Council for Tackling Illegal Logging and Promotion of Goho-wood)  
Support : Forestry Agency (Ministry of Agriculture, Forestry and Fisheries)

### (5) Contents of Main Program

10:00-10:10 Opening Address from Organizer and Director General of Forestry Agency

10:10-10:50 The First Session: Presentation of Domestic Activities  
Outline of Goho-wood Supply System and  
Overview of the screening; presentation of certificates of merit  
Presentation of case examples in various places

11:00-12:00 The Second Session: Keynote Address  
Dato' Dr B.C.Y. Freezailah,  
former Executive-Director of the International Tropical Timber Organization  
(International measures against illegal logging and goho wood activities conducted by Japan)

13:15-17:00 The Third Session: Panel Discussion  
Issues and prospects for the further development of goho-wood/  
sustainable wood and wood products

Part 1:  
Wood products in exporting countries and the goho wood supply network  
Representative of exporting countries, overseas academic expert, industries

Part 2:  
Issues and prospects toward the promotion of the use of goho wood in the Japanese market  
Representative of certification organizations, certification entities, academic experts, and users

### (6) Participants

Around 150 participants including accepted applicants from general public

# Goho wood Supply in Japan

## “Goho-wood” Japan’s measures against illegal logging

我が国は、1998年の英国でのサミットにおいて、世界の森林に関する行動計画である「G8森林行動プログラム」（違法伐採対策を含む）について合意し、また、2000年のG8九州・沖縄サミット以来、「違法に伐採された木材は使用しない」という基本的考え方に基づいて、違法伐採対策の重要性を一貫して主張してきたところです。

こうした中、違法伐採対策として、木材輸出国における木材追跡技術の開発、衛星データを用いた森林の把握技術の開発、関係諸国との情報交換、国際熱帯木材機関が実施する違法伐採プロジェクトに対する支援等を行ってきました。

さらに、2005年（平成17年）7月に英国で開催されたG8サミットの結果を踏まえ、新たな違法伐採対策として、「[グリーン購入法](#)」により、合法性・持続可能性が証明された木材を政府調達の対象とする措置を2006年（平成18年）4月に導入しました。



In 1998, at the Birmingham Summit in England, Japan endorsed the G8 Action Program on Forests, which is an action plan that concerns forests of the world (concerning, among other things, measures against illegal logging), and since the Kyushu-Okinawa Summit in 2000, Japan has constantly advocated the importance of measures against illegal logging, based on the principle that 'illegally harvested timber should not be used.'

In the meantime, Japan has worked to develop technologies for timber tracing in timber-exporting countries and for checking the state of forests using satellite data, exchanged information with related countries, and supported projects against illegal logging implemented by the International Tropical Timber Organization (ITTO) in order to address the issue of illegal logging.

Moreover, based on the discussions at [the G8 summit at Gleneagles in UK in July, 2005](#), the Japanese Government introduced, as a new action against illegal logging, measures to ensure that [it procures wood with verified legality and sustainability under the Green Purchasing Law in April, 2006](#).

## Procurement Policy of Government and ‘Guideline’

政府は、[グリーン購入法](#)により、政府調達の対象とする木材・木材製品について、合法性、持続可能性が証明されたものとする措置を2006年4月から導入しました。対象となるのは、木質材料が原料として使用されている、紙類、文具類、オフィス家具等、ベッドフレーム、公共工事資材（製材、集成材、合板、単板積層材、フローリング等）の5分野の木材・木材製品です。

これらの木材・木材製品の合法性、持続可能性については、各事業者において自主的に証明し、説明責任を果たしていただくこととなります。林野庁では、木材・木材製品の供給者が合法性、持続可能性の証明に取り組むに当たって留意すべき事項等を「[木材・木材製品の合法性、持続可能性の証明のためのガイドライン（日本語、英語）](#)」として公表しており、この中で3つの証明方法を例示しております。



[The Japanese Government determined the inclusion of wood and wood products verified as being legally and sustainably produced \(Goho-wood\) in the list of designated procurement items](#) based on the Law Concerning the Promotion of the Procurement of Eco-Friendly Goods and Services by the State and Other Entities (Law No. 100 of 2000) (the Green Purchasing Law), [starting from April 2006](#). The following five categories of wood and wood products are among the designated procurement items under the Basic Policy on Promoting Green Purchasing:

- ① Paper (Example: form papers, printing papers, etc.)
- ② Stationery (Example: business envelopes, notebooks, etc.)
- ③ Office furniture (Examples: chairs, desks, shelves, etc.)
- ④ Interior fixtures and bedding (Example: bed frames)
- ⑤ Public works material (Example: lumber, glued laminated timber, plywood, laminated veneer lumber, flooring, etc.)

Individual companies must voluntarily certify the legality and sustainability of wood and wood products and are expected to be held responsible for the above. The Forestry Agency indicates examples of 3 methods of verification of the legality and sustainability of wood and wood products in the ['Guideline for Verification on Legality and Sustainability of Wood and Wood Products \(Japanese, English\).'](#)



## Verification methods indicated in the ‘Guideline’

木材・木材製品の合法性等の証明については、林野庁が作成した「ガイドライン」に次の3つの方法があげられています。

In the ‘Guideline’ which was made by Forestry Agency, examples of methods of verification on legality and sustainability of wood and wood products are three methods as follows.

### 1. 森林認証を活用する方法

#### 1. Forest certification system and chain of custody system

森林認証 (SGEC、FSC、PEFC等) の認証マークにより証明する方法です。

This is a method that utilizes certification seals under forest certification systems and chain of custody systems (such as SGEC, FSC, and PEFC certification).



SGEC: Sustainable Green Ecosystem Council (持続可能な緑の生態系協議会)



FSC: Forest Stewardship Council (森林管理協議会)



PEFC: Programme for the Endorsement of Forest Certification Schemes (PEFC 森林認証プログラム)

### 2. 業界団体の認定を受けた事業者が証明する方法

#### 2. Verification method by company under the authorization of association

各業界団体が自主的な行動規範を作成した上で、個別の事業者を認定し、認定を受けた事業者が「合法性等証明書」を次の段階の業者に渡すことにより、証明の連鎖を形成する方法です。

This is a method, in which respective associations in the wood industry, after developing their voluntary code of conduct, certify individual companies and the above certified companies (authorized as Goho-wood suppliers) give a “certificate of legality and sustainability” to the company at the next level to form a chain of verification on legality and sustainability.

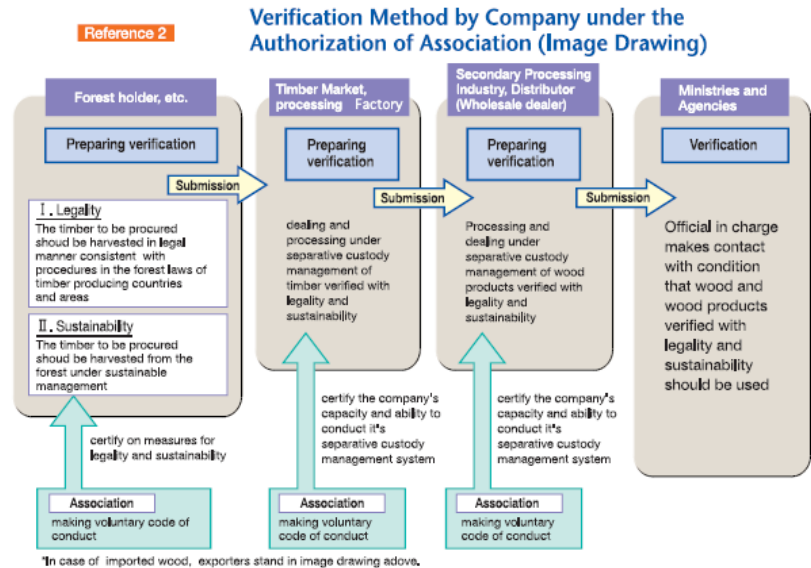
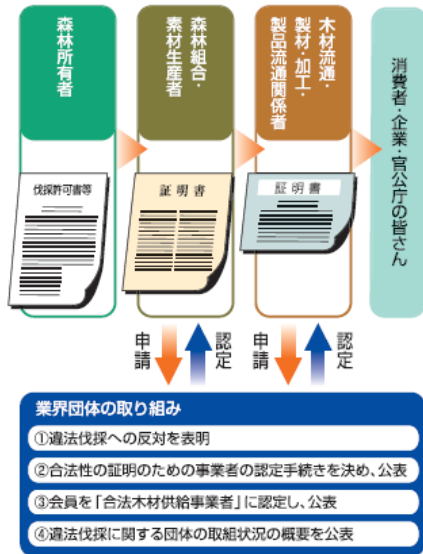
### 3. 事業者独自の取り組みによる方法

#### 3. Verification method by original measure of each company

個別の事業者が独自に伐採から入荷に至るまでの流通経路等を把握した上で証明する方法です。なお、2の業界団体認定の証明方法と同等レベルの信頼性が確保されるよう取り組む必要があります。

Companies such as those of a large scale, not adopting methods 1 or 2, verify legality and sustainability via their original measures under comprehension of the distribution process from harvesting to delivery. Please note that it is necessary to work to ensure a similar level of reliability as that of the verification method by company under the authorization of association as described in 2 above.

## Verification Method by Company under the Authorization of Association



\*In case of imported wood, exporters stand in image drawing above.



**The First Session**  
**Presentation of Certificates of Merit**



## Overview of the Screening

Comment by Dr. Shin Nagata  
Professor of Graduate School of Agricultural and Life Sciences, the University of Tokyo  
Member of the Council for Tackling Illegal Logging and Promotion of Goho-wood  
Chairperson of Goho-wood Promotion Award Selection Committee

These certificates of merit were started last year in order to further energize the supply network of nearly 7,500 certified domestic organizations for the legality of their wood and wood products, and develop the certification system. The certificates honor business operators and organizations that either have significant achievements in the supply of goho-wood or the development of the certification system, or aggressively promoted the use of goho-wood as well as the significance of using them.

The selection of honorees was made by the Selection Committee on November 16, following the establishment of the same committee within the Council for Tackling Illegal Logging and Promotion of Goho-wood.

The certificates of merit are given in three different categories, but we made our selections in two based on the nominations received. As a result, in terms of goho-wood suppliers, 11 business operators were selected in the Goho-Wood Supplier category, and one organization in the Goho-Wood Certification Organization category.

We looked at the following in making our selection:

In the Supplier category, the nominees were examined for first, the actual record of supplying goho-wood; second, activities that motivate their suppliers to go *goho*, such as a policy of requesting *goho* certification to the raw material suppliers; and third, a record of educating the consumers through events, official Web site use and other channels.

In the Certification Organization category, the nominees were examined for first, whether they educated its members through training sessions and one-on-one instruction, as well as for information disclosure; second, for the certification status of its members; and third, for active cooperation with events, and a record of educating the consumers.

The committee scored each nominee on these points, and selected the recipients of the Certificate of Appreciation by the Director General of the Forestry Agency, Certificate of Merit by the Chairman of Japan Federation of Wood Industry Associations and Certificate of Merit by the President of the Council for Tackling Illegal Logging and Promotion of Goho-wood.

From the fact that there were fewer nominations than last year, we can see that even with nearly 7,500 operators to choose from, the criteria for nomination are quite high. This means that every nominee this year is operating at a standard that has been recognized by its peers as outstanding. It is also proof that this activity has an excellent level of transparency. From a selection standpoint, however, we can honestly say that it would have been exciting to receive more nominations. But, that is something to look forward to next year.

Today's honorees have been nominated from a large pool, then met the above selection criteria with flying colors.



# List of Honorees, Presentation of Certificates of Merit

## 1. Goho-Wood Supplier Category – Goho-Wood Suppliers

Of the certified goho-wood suppliers, those that actively supply wood and wood products with verified legality as well as aggressively make efforts to promote their use to material suppliers (upstream) and consumers (downstream)

### (1) Certificate of Appreciation by the Director General of the Forestry Agency (2 business operators/organizations)

Name	Representative	Location	Business category	Certification organization
Kutsuzawa Seizaisho Co., Ltd	Kazuhide Kutsuzawa, President	Odate City, Akita Pref.	Lumber, wood chip	Akita Prefecture Federation of Wood Industry Cooperative Associations
Shizuoka Prefecture Federation of Forest-owners Cooperatives	Junichi Shinmura, Representative Director and Chairperson	Shizuoka City, Shizuoka Pref.	Material distribution	National Federation of Forest Owners' Co-operative Associations



Presenter :  
Toshiyuki Akagi, Director of Wood Products Trade Office, Forestry Agency



Kutsuzawa Seizaisho Co., Ltd



Shizuoka Prefecture Federation of Forest-owners Cooperatives

(2) Certificate of Merit by the President of Japan Federation of Wood Industry Associations  
(3 business operators)

Name	Representative	Location	Business category	Certification organization
Sato Wood Industrial Incorporated Co., Ltd.	Norihide Sato, President	Mombetsu City, Hokkaido	Log, lumber, wood chip, glued laminated timber	Hokkaido Federation of Wood Industry Cooperative Associations
Yoshida Corporation	Yoshihiro Yoshida, President	Tomakomai City, Hokkaido	Lumber	Hokkaido Federation of Wood Industry Cooperative Associations
Izumi Ringyo, Ltd.	Etsuo Izumi, President	Sumita-cho, Kesen-gun, Iwate Pref.	Log	North Japan Wood Material Distribution Cooperative



Presenter:  
Hideo Namiki, President of Japan Federation of Wood Industry Associations



Yoshida Corporation (Representative of honorees)

(3) Certificate of Merit by the President of the Council for Tackling Illegal Logging and Promotion of Goho-wood (6 business operators/organizations)

Name	Representative	Location	Business category	Certification organization
Asou Lumber Co., Ltd.	Yasuhiro Asou, President	Asahikawa City, Hokkaido	Log, lumber, wood chip	Hokkaido Federation of Wood Industry Cooperative Associations
Fuso Ringyo Co., Ltd.	Nobuyuki Kitabata, President	Kitami City, Hokkaido	Log, lumber, wood chip	Hokkaido Federation of Wood Industry Cooperative Associations
Mombetsu Forest Processing Industry Cooperative Association	Masaaki Tomioka, Representative Director	Mombetsu City, Hokkaido	Lumber, wood chip	Hokkaido Federation of Wood Industry Cooperative Associations
Hokushin Wood Production Center Cooperative Association	Kisaburo Ushiyama, Representative Director	Nagano City	Log	Nagano Prefectural Federation of Lumber Cooperatives
Nakamura Tsukiita, Ltd.	Takahiro Nakamura, President	Okawa City, Fukuoka Pref.	Natural wood decorative plywood	Japan Federation of Natural Wood Decorative Plywood and Veneer Industry Cooperative Associations
Sasaki Norin, Ltd.	Hajime Sasaki, President	Otsuchi City, Iwate Pref.	Log	North Japan Wood Material Distribution Cooperative



Presenter:  
Motoaki Ohkuma, Chairperson of the Council for Tackling Illegal Logging and Promotion of Goho-wood,



Sasaki Norin, Ltd. (Representative of honorees)



## 2. Goho-Wood Certification Organization Category – Certification Organizations of Goho-Wood Suppliers

As regards certification organizations of goho-wood suppliers, those that actively make efforts to educate their members and promote the use of wood and wood products with verified legality to them

### (1) Certificate of Merit by the President of the Council for Tackling Illegal Logging and Promotion of Goho-wood (1 organization)

Name	Representative	Location	Business category
Chiba-no-ki Certification Center	Shigeru Odaka, Chairperson	Togane City, Chiba Pref.	General timber organization



## Case Report



Toshikazu Kutsuzawa Managing Director, Kutsuzawa Seizaisho



Nakahara Yasuhisa, National Federation of Forest Owners' Co-operative Associations



**The Second Session**  
**Keynote Address**



## Keynote Address

### 【Brief Introduction of the Lecturer】

#### Dato' Dr. B.C.Y. FREEZAILAH

Freezailah studied at Edinburgh University where he obtained a First Class Honours degree in Forestry (1963) and a PhD in Ecology (1974). His service in the Forestry Department of Peninsular Malaysia included several senior appointments as Deputy Chief Research Officer of the Forest Research Institute; Director of Forestry in the States of Kelantan and Pahang and Deputy Director-General of Forestry.

In 1986, Freezailah was appointed the founding Executive Director of the International Tropical Timber Organisation (ITTO) based in Japan, to promote the conservation, management and sustainable development of the world's tropical forests. Freezailah served the ITTO for 13 years and contributed to its establishment and development into a respected world body. Amongst others, the ITTO under his leadership, pioneered the development of Criteria and Indicators for the sustainable management of tropical forests which provided the basis for forest certification. He was also instrumental in the establishment of transboundary conservation areas between neighbouring ITTO member countries.

Freezailah returned to Malaysia in 1999 and was appointed Chairman of another new organization, the Malaysian Timber Certification Council (MTCC), which was established to plan and implement certification of Malaysia's biodiversity-rich forests to ensure their sustainable Management. The Malaysian scheme has now been endorsed by the Programme for the Endorsement of Forest Certification schemes (PEFC).

Freezailah is currently also Advisor to the Ministry of Plantation Industries and Commodities on negotiations with the European Union (EU) to conclude a Voluntary Partnership Agreement to assure that only legal timber from Malaysia may enter markets in the EU member states.

Freezailah has authored many papers and addressed numerous national and international conferences. He is also active in various initiatives on forests, conservation, environment, sustainable management and related issues.

In appreciation of his distinguished career, Freezailah had been conferred with several awards including Datoships from the States of Kedah and Sarawak. In 2005, His Majesty the Emperor of Japan awarded him the Order of the Rising Sun, Gold Rays with Neck Ribbon.



## **International Measures Against Illegal Logging and Goho-Wood Promotion in Japan<sup>1</sup>**

The kind invitation by the sponsor of this Symposium, the Japan Federation of Wood Industry Associations with the support of the Forestry Agency of the Ministry of Agriculture, Forestry and Fisheries of Japan, is both special and significant to me, professionally and personally. It is significant because it amply demonstrates, Japan's serious commitment to address global forestry problems as a major importer and consumer of forest resources, through international cooperation and assistance. This Symposium is special to me personally because it is an opportunity for me to meet some very good friends who have helped me and indeed contributed, to the growth and development of the International Tropical Timber Organisation (ITTO) into a respected world body to promote trade of sustainably produced timber from tropical forests. During my thirteen-year tenure, as the founding Executive Director of the ITTO, I received support from the City of Yokohama and many officials from the Forestry Agency, the Ministry of Foreign Affairs and the Ministry of the Environment in addition to the Japan Lumber Importers' Association and the Japan Plywood Manufacturers' Association. The sustained support by the people and the Government of Japan to the ITTO and other initiatives for the sustainable management of tropical forests, can only be described as outstanding and exemplary. And today we meet again to discuss certain aspects of the global forest crisis and how Japan may contribute to promoting trade of Goho-wood or legal timber. I must therefore once again congratulate the Japan Federation of Wood Industry Associations for organising this very important Symposium.

In my address today, I shall discuss briefly the global forest situation and trade, focusing on sustainable forest management and illegal logging and related trade to put into perspective certain major international measures and initiatives to combat illegal logging and malpractices. I shall then make some conclusions on how Goho-wood as a concept and scheme may be promoted to tackle illegal logging and trade in illegal wood products. In doing so, we must also be mindful that the measures implemented must not disrupt or even kill the trade in tropical timber which is vitally needed to contribute to sustainable forest management. Let me also hasten to add that I am making this address in my own personal capacity but drawing upon my knowledge and experience as Chairman of the Malaysian Timber Certification Council (MTCC) and Advisor to the Ministry of Plantation Industries and Commodities, Malaysia in the on-going negotiations which Malaysia is undertaking with the European Union (EU) to conclude a Voluntary Partnership Agreement (VPA) to ensure the legality of timber products exported from Malaysia to the EU member states. In the preparation of my address my thirteen-year experience serving the ITTO provides valuable information on international cooperation for tropical countries in which Japan continues to be the most substantial donor country.

Due to ignorance, indifference, the greed of a few and the desperation of the many, the world's forest area has shrunk from some six billion hectares during the pre-industrial era, to an estimated present area of 3.6 billion hectares, more or less equally distributed between tropical and non-tropical forests. The tropical forest situation is however most worrisome. Tropical deforestation continues at about 11 – 13 million hectares annually. According to an ITTO report only about 100 million hectares of tropical forests are covered under management plans. About 330 million hectares of forests in the world have been certified as being under sustainable management out of which tropical forests account for only 6 percent. Thus the journey to achieve sustainable management and certification of tropical forests will be most difficult needing enhanced level of understanding, commitment and cooperation at all levels and by all timber exporting and importing countries.

A major factor that undermines sustainable management of forests is illegal logging which has become very rampant. Globally, the World Bank estimated that USD 10 billion in assets and revenues are lost annually due to illegal logging on public lands. Losses in the form of government

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<sup>1</sup> Keynote Address presented at the 2009 Symposium on Promotion of Wood and Wood Products with Verified Legality (Draft) Promotion of Goho-wood Project in Japan, Tokyo, 10<sup>th</sup> December 2009.

taxes and royalties amounted to USD 5 billion. Another study estimated that 25 percent of globally traded hardwood lumber was of suspicious or illegal origin. A report published by WWF in 2008 found that 16 – 19 per cent of timber imported into the EU was illegal with Russia and Indonesia exporting 10.4 million m<sup>3</sup> and 4.2 million m<sup>3</sup> of such timber. Malaysia was also reported to export about 0.28 million m<sup>3</sup> of illegal timber.

Whilst there is no agreed definition of illegal timber, it is generally accepted that such timber is harvested, transported, processed, bought or sold in violation of national laws. Illegal logging may be directly related to:

- Harvesting without permit
- Harvesting in excess of specified limit
- Avoidance of payment of statutory charges
- Harvesting in totally protected areas, water catchment areas etc, which is prohibited or restricted.
- Violation of international agreements such as export bans as in CITES.
- Unlicensed forest conversion of public and private lands.

Two groups maybe identified as being behind the rampant illegal logging; one group is 'need-based' whilst the other is 'greed-based'. The 'need-based' forest crime is driven by poverty and involves small-scale operations by poor communities to meet their basic daily needs. 'Greed-based' malpractices involve the armed forces and law enforcement agencies, corrupt officials and dishonest persons operating forest concessions, wood-based processing mills etc. Apart from the direct financial losses to governments of exporting countries, illegal logging operations are indiscriminate and therefore most destructive to the ecosystem with adverse impacts on the environment, loss of bio-diversity, pollution of rivers and water systems. Such destructive logging also contributes to global warming, an issue which is high on the international agenda. Indeed, as we meet here in Tokyo today a major World Summit is being held in Copenhagen to discuss how we may address the problem of global warming due to the emission of green-house gases.

The problem of tropical forests and how they may be managed sustainably and certified, is high on the international agenda. Indeed, the whole world is brainstorming on how to save tropical forests. Such problems are also on the agenda of the G-8 countries, thanks to the initiative of Japan. But progress in the sustainable management of tropical forests has been extremely slow and insignificant in spite of the concerted efforts by all of us. Nevertheless it is not mission impossible as about 21.2 million hectares of tropical forests have been certified which is six percent of the total forests area certified. Sustainable forest management needs knowledge, skills, strong institutions and resources both financial and human. All these essentials are in short supply in many tropical countries. The complexity of the tropical forest ecosystem and poverty in tropical countries further compound, the difficulties in achieving more rapid progress in the sustainable management and certification of tropical forests. A major factor which undermines sustainable management is illegal logging which we are here gathered to discuss and seek preventive measures.

Undoubtedly, sustainable forest management and certification must remain our ultimate objective, but in view of the problems being confronted, it is a very ambitious goal for tropical countries. Prudence will therefore dictate that we adopt a phased approach; initially, develop and ensure the implementation of measures to assure legality after which we may focus on measures to achieve sustainability. Therefore, if sustainable forest management and certification is a long and difficult journey, legality is a defining milestone on such a journey. It is within this context that Japan's Goho-wood initiative, and the EU's Voluntary Partnership Agreement and the US Lacey Act and other initiatives should be viewed. All these measures focus on legality of timber from somewhat different approaches. All of them have merit and I wish to review them briefly so that their strengths may be considered to make progress in the evolving process of forest management and enforcement to achieve legality on the path of achieving sustainable forest management.

The US Lacey Act is a well-established tool to combat trafficking in illegal wildlife, fish and plants and it has now been amended to provide a tool to assist the US and other countries to tackle illegal logging. This Act makes it unlawful to import, export, transport, sell, receive, acquire or purchase in interstate or foreign commerce any plants or products made from plants that have been harvested in violation of a domestic or foreign law. The Lacey Act thus extends the reach of foreign laws and regulations by making it a violation of United States laws to trade in such products. The Plant Import Permit under this Law requires basic information about the timber consignment including scientific name of the plant, value, quantity and the name of the country in which the timber is harvested. It is noteworthy that the Lacey Act does not establish standards or require certification or information on legality or chain of custody. Penalties for violation under the Lacey Act include seizure of the product, monetary penalties, fines and potential imprisonment. An important feature of this Act is that the burden of proof of illegality is with the US Government or in other words it is the authorities of the United States Government which have to prove in the court of law that the timber imported or traded is illegal. This law in effect will compel timber importers to satisfy themselves that they are dealing with legal timber in the context of the legal framework of the exporting country. Without solid evidence, importers will shun suspicious timber. This is expected to contribute to a reduction in illegal logging in timber exporting countries.

Another major initiative to address illegal logging and related trade is the EU Action Plan which was adopted in 2003. Central to this Action Plan is the Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA) which the EU is negotiating with various timber exporting countries. The VPA will be supported by a Due Diligence Regulation which is in the process of being enacted. When it enters into force, the Due Diligence Regulation will compel timber importers in the EU member states to seek evidence from suppliers that they are trading in legal timber. In addition some EU member states implement Public Procurement Policy demanding sustainable and/or legal timber for government projects. Both these demand-side measures, FLEGT VPA-licensed timber and Public Procurement Policy in EU member states, are expected to squeeze out illegal timber exported into the EU and thereby curb malpractices in the timber and forestry sectors in exporting countries in the context of their relevant legal framework.

As I have some knowledge about the negotiations between Malaysia and the EU to conclude a FLEGT VPA, let me share with all of you the more important features of VPAs which I believe have much merit. Negotiations commenced at the end of 2006 after informal discussions during which certain understanding and agreement in principle had been reached. These include:

- It is understood that although the Agreement is voluntary, once it is concluded it will become obligatory and only timber which has been verified through an agreed system, called Timber Legality Assurance System (TLAS) may enter the EU countries.
- The definition of legal timber is based on Malaysia's relevant laws and legislation in the forestry and timber sectors. The EU does not seek for Malaysia to enact new laws or amend existing legislation.
- The system developed will be based on Malaysia's existing licensing system
- The principles to define legal timber agreed upon include Right to Harvest; Forest Operations; Statutory Charges; Other Users' Rights; Mill Operations and Trade and Customs
- The TLAS lists relevant laws under the six agreed Principles and the Procedures to demonstrate how compliance with these laws may be verified in an auditable form.
- In the development of the TLAS inputs from all stakeholder groups obtained through stakeholder consultations in a transparent and participating manner will be conducted.
- Compliance with the laws included in the TLAS to define legal timber will be monitored by a Third Party Monitor.
- Where necessary, implementation of the TLAS may be undertaken in stages.
- The EU will provide assistance for capacity building to implement the TLAS and development of more efficient procedures based on modern technology where found appropriate.
- The EU gives assurance of market benefits for Malaysia's VPA timber.



Formal negotiations commenced in December 2006 and to date two Senior Officials Meetings (SOM) and nine Technical Working Group (TWG) Meetings have been held in addition to several video-conferences. Malaysia established three Working Groups dealing with Legal Drafting, TLAS and Market Benefits and Capacity Building which provide inputs to a National Steering Committee to establish Malaysia's negotiating position. Major issues such as the development of the TLAS and Market Benefits were subjected to consultations to seek inputs from all stakeholders on these two major issues. Inputs and consideration of proposals by stakeholders is an important feature in the development of the TLAS and implementation of the VPA which may be summarised as follows:

*Development of TLAS*

- Five stakeholder consultations
- Briefings
- Written submissions by stakeholders
- Dialogue with Minister
- Informal meetings
- Technical evaluation of the TLAS

*During implementation of VPA*

- Governance of VPA includes seeking views and feedback from stakeholders.
- Stakeholder consultations.

It is therefore evident that there had been extensive consultations with stakeholders on the VPA. It is also envisaged that such consultations with stakeholders will continue during the implementation of the VPA.

A major issue in the negotiations of the VPA revolve around market benefits. Implementation of the VPA is expected to increase cost of production. Also, the VPA is legally binding. Thus to ensure reciprocity in terms of rights and responsibilities, Malaysia seeks assurance of market benefits from the EU including:

- Full acceptance of Malaysia's VPA timber
- No unilateral action on the part of EU member states
- Green premium
- Acceptance of certified timber
- Promotion campaigns
- Tax incentives for companies using VPA timber

In order to ensure that the market benefits are obtained, Malaysia proposes that an independent consultant will monitor the market situation on these issues. Whilst mindful of WTO regulations, it is expected that the EU Due Dilligence Regulation and Public Procurement Policy will create the necessary demand for VPA licensed timber resulting in the market benefits requested by Malaysia. It is noted that substantial progress has been made in the negotiations to conclude the VPA between Malaysia and the EU but nevertheless it is not a done deal because the TLAS needs some refinement whilst issues including market benefits need further negotiations.

Let me now focus on the perspective from the export side and I wish to use our experience in Malaysia as an example. Malaysia is a green country with almost 60 per cent of its land area covered with tropical forests which are very rich in flora and fauna being one of the twelve mega-biodiversity countries in the world. Permanent Reserved Forests and conservation areas (National Parks and Wildlife Sanctuaries) cover 16.31 million hectares or about 50 per cent of Malaysia's land area. Sustainable forest management started more than a century ago and today about one third of its Permanent Reserved Forests have been certified under the Malaysian Timber Certification Council (MTCC) with one small forest area under the Forest Stewardship Council (FSC). The Malaysian Timber Certification Scheme (MTCS) has now gained wide recognition being endorsed by the Programme for the Endorsement of Forest Certification (PEFC) earlier this year. Under these circumstances, the question may be asked why is Malaysia negotiating with the European Union to conclude the FLEGT Voluntary Partnership Agreement (VPA)? The answer is because :

- Permanent Reserved Forests are under sustainable management and therefore only timber harvested from such forest may be certified as being sustainable timber. Currently only

about one third of Malaysia's Permanent Reserved Forests have been certified whilst efforts are being undertaken to implement sustainable forest management in the rest of the Permanent Reserved Forests. It is therefore important for Malaysia to give assurance that timber harvested from Permanent Reserved Forests which have not yet been certified as being legal under the FLEGT VPA.

- Timber is also being harvested from non Permanent Reserved Forests (State Land Forests) and alienated land. These areas are being converted into other forms of land-uses and are therefore not under sustainable management but the harvested timber is legal and the Timber Legality Assurance System (TLAS) under the VPA gives that assurance to importers.

I have now discussed sustainability and legality of timber and put into perspective the US Lacey Act and the EU FLEGT Voluntary Partnership Agreement as major initiatives to give assurance of legal timber and thus combat illegal logging and illegal trade. I have also discussed the situation in Malaysia in order to give assurance that Malaysia's timber is at least legal if not sustainable as an example of the response from a timber exporting country. At this juncture let me now briefly discuss other international measures dealing with Procurement Policy, both public and private, which demands sustainable or legal timber. On procurement policy, I wish to draw upon the findings of a study undertaken by Dr. Markku Simula for the International Tropical Timber Organisation (ITTO) recently. The key objective of both public and private procurement policy is to ensure that the timber products purchased are sourced from legal sources and the laws in the exporting countries are complied with throughout the production chain. Some of these policies also go beyond legality to require timber sustainability and maybe backed by regulatory measures such as the EU Due Dilligence regulations noted earlier in my presentation. The ITTO study reported that currently a total of twelve countries are implementing public sector procurement policy for timber products. The EU is actively promoting this approach and at present six member states of the EU including Belgium, Denmark, France, Germany, the Netherland and the UK are implementing timber public procurement policy. Outside Europe, Japan together with China, Mexico, Norway, New Zealand and Switzerland also implement such a policy which is expected to spread to other countries due to the wave of green consumerism and the awareness and concern about illegal logging and illegal timber trade. Unlike other countries, the Norwegian policy is an exception and prohibits the use of tropical timber. The Minimum requirement for public procurement may be summarised as follows:

- Belgium, France, Germany and UK specify sustainability.
- Japan (Goho-wood) and New Zealand require legality whilst sustainability is preferred.
- Mexico specifies legal origin and sustainability
- The Chinese policy requires meeting the criteria of a domestic eco-labelling scheme.
- Norway's voluntary policy on public procurement prohibits the use of tropical timber in public construction.

The main objective of this Symposium is the promotion of Goho-wood in Japan about which all of us must be familiar with, but allow me to briefly note its essential features in order to put it into perspective to facilitate discussion focusing on the supply-side because in the final analysis, the system developed for implementation must result in reduction and eradication of illegal logging. As a major importer of timber, measures taken by Japan would have significant impact. Under a law for the promotion of procurement of green products or Green Purchasing Policy, the Government adopted a policy in 2006 to preferentially purchase wood and wood products which are verified as being legal and sustainable. To this end the Forestry Agency published Guidelines for verification on Legality and Sustainability. Let me also pay tribute to the Japan Federation of Wood Industry Associations for establishing a Council for Tackling Illegal Logging in May 2006 as part of the Forestry Agency's project to promote a Comprehensive Response to Illegal Logging. Three methods of verification are specified :

- Forest certification which utilises a system in which a third party institution conducts auditing of forest management to demonstrate sustainability in addition to a chain of custody throughout the production chain to the export point and end-user.
- Verification by company under authorisation of an association based on a voluntary code of conduct by the association in a transparent manner. Verification has to be made at each stage of the production chain.

- Verification by a company which does not adopt the two other methods but the same standards for legality and sustainability applicable to verification under authorisation of an association must be complied with.

A fundamental element in any verification process for wood products is the definition of legal and sustainable timber. For Goho-wood, Legality demands that the timber is harvested in a legal manner in compliance with the procedures and laws of the exporting country. Sustainability is also defined in a general way as timber harvested from a forest under sustainable management. In this policy, legality is positioned as 'Evaluation Criteria' whilst sustainability are 'Factors for Consideration'. A chain of custody is also specified. For public procurement it is the responsibility of the contractor to ensure legality and sustainability of wood products supplied for Government projects based on documentation issued by certification bodies, official documents or other documents with the same level of reliability.

After discussing some of the more relevant issues on Japan's important initiative to combat illegal logging and trade in illegal timber through the promotion of Goho-wood, let me now draw some conclusions from the perspective of an exporting country of tropical timber. Supply-side actions coupled with complementary and more pragmatic demand-side measures, will generate synergy for effectiveness to address illegal logging. Let me make the following observations for the consideration of participants at this symposium:

- Most tropical countries face enormous challenges to implement sustainable forest management. Whilst sustainability must continue to be our ultimate objective, let us focus on legality in the short and medium term. To demand sustainable timber under the present circumstances may result in an indirect boycott of tropical timber which will lead to serious unintended consequences. Without trade in tropical timber we shall lose the leverage to influence policies and practices in the forestry and timber sectors in tropical countries. It is on this basis that I feel Norway's policy to ban the use of tropical timber in public projects does more harm than good.
- Even to deliver legal timber many tropical countries will find it challenging because it will need strong institutions, well equipped and trained manpower, adequate level of surveillance and effective legal framework. All these will increase costs of production. How may this extra costs be funded? On this issue, I read a very interesting intervention by Mrs. Wakako Hironaka during the Roundtable Meeting on Goho-wood for G8 Summit held in Tokyo on 27 June 2008 when she suggested that the issue of prices for legal timber must be addressed. There must be some price differential between timber which has been verified as legal when compared to timber without such verification. At that Roundtable, Mrs. Hironaka suggested a surcharge to assist tropical countries. There may be other views and mechanisms to give better prices for legal timber. Perhaps, a price premium may be paid for verified legal timber or Goho-wood for public procurement. I consider a price premium for legal timber as crucial.
- Another issue I consider important is on the need for as much clarity as possible on the definition of legality. The minimum requirement will have to be described in detail to guide exporting countries to respond to these requirements. I think the EU FLEGT VPA is a good model in that it provides a basis and framework on the principles with clarity to provide guidance on the laws and legislation which must be included for compliance. Just to say that legal timber means timber harvested in a legal manner in compliance with the procedures and laws of the exporting country is not adequate.
- Even with a detailed description and definition of legal timber, it is necessary to undertake some bilateral discussions between importing and exporting countries individually because, procedures and laws are country-specific. What laws should be complied with to define legal timber? As an example, a lorry loaded with logs to be exported is inspected. If it is found that no evidence is available to prove that the timber is legally harvested, then the consignment can be deemed to be illegal after due investigation. On the other hand, if it is found through documentation and other means the consignment of logs in the lorry is legal but the traffic laws have been violated because the lorry is over-loaded beyond the legal limit, is the consignment of logs, to be considered as illegal? It can be argued both ways. This is why I consider the definition of legality needs to be very clear in terms of the procedures and

laws that have to be complied to avoid ambiguity and controversy. The listing of the procedures and laws that have to be complied with will have to be agreed upon by both the exporting and importing countries during bilateral consultations.

- Illegal logging is often the result of inadequate enforcement which needs strong institutions, human resources, equipment etc. In addition, better procedures may have to be developed and implemented to enhance efficiency and effectiveness of law enforcement. In some cases the system for collection of forest revenues may need to be reviewed and strengthened. Many timber exporting countries need assistance for capacity building in which training is an important element. Such assistance can be provided on a bilateral basis linking with consultations to develop the definition of legality.
- To ensure transparency in the development of the definition of legal timber, it is necessary to consider inputs from all stakeholders through consultations. As stakeholder groups often hold divergent and extreme views, their inputs must be considered in a balanced manner taking into consideration existing difficulties and constraints in order to make progress in the implementation of a system which must be accepted as an evolving process. A system which is too cumbersome and too stringent will be impractical whilst a system which is at the other extreme will lack credibility. Bilateral consultations between exporting and importing countries must appreciate the difficulties and complexity involved, and where necessary strike a compromise in order to make progress. In any case the overall system will need to be reviewed periodically during implementation and changes made to improve it from time to time based on experience gained.
- In the case of forest certification, an independent third party carries out an assessment to ensure sustainability before awarding a certificate. For the EU FLEGT Voluntary Partnership Agreement, a third party monitor will verify compliance with the relevant laws in the timber and forestry sectors. Many tropical countries will find both systems challenging without adequate assistance for capacity building and a price premium for sustainable or legal timber. May I suggest that as an interim measure, a responsible government-linked body makes a declaration of compliance with the agreed set of legislation. The role of a third party may be considered at a later stage when exporters begin to enjoy a reasonable level of market benefits such as better prices when compared to non-verified legal timber.
- Promotion of trade in Goho-wood will need the active and continuous cooperation of producer and consumer countries especially in the initial stages. To facilitate consultation and cooperation, it will be necessary for a joint body to be established on a bi-lateral basis with the participation of the timber trade and industry associations.

Tropical forests are complex ecosystems and many developing countries, burdened with socio-economic problems, find it most challenging to manage them sustainably. The Goho-wood project, focusing on timber legality is therefore a most pragmatic approach which will play a strategic and catalytic role to achieve sustainable management of tropical forests as a long-term goal. Tropical countries will need assistance for capacity building and markets must respond favourably to verified legal timber compared to non-verified timber. In my presentation I have shared with you some of my views and proposals to promote the highly commendable Goho-wood project from the perspective of tropical countries. To be successful, I believe, we need a soft approach, using the carrot, more than the stick, as a strategy. Undoubtedly, success will depend on an enhanced level of understanding and cooperation between exporting and importing countries of timber, civil society and timber trade and industry associations. As a major consumer of timber with awareness on global environmental problems, Japan and the Japanese people can become leaders in promoting tropical forestry in which the Goho-wood project can play a vital role. It is on this optimistic note that I wish to finally conclude and for your kind attention, I thank you all.

## Q&A

Q: Thank you very much. I'm Taki from the Forestry Agency. In your keynote address, you told us about the new negotiation of VPA between the EU and Malaysia. The market benefit is raised as one of the issues. So what is the difficult challenge, and what is the easy and smooth area? Also, how long does the negotiation continue before it will be concluded?



A: Thank you very much for this interesting question.

Indeed, the issue of market benefits is one of the major and difficult issues being negotiated with the EU. We started negotiations with the EU three years ago, in December 2006. We have made substantial progress, but there are two issues which are still pending for final negotiations and agreement. One of these involves the details in the timber legality assurance system because it needs further refinement, because there are certain gaps and weaknesses in the system and this we must fix to ensure the system works well, is credible and is cementable on the ground. And some of the gaps will involve a longer term measure because some issues are difficult and this will be dependent upon the EU providing us technical assistance to fix these problems, but this is more of a technical issue and we think we can solve this in the short term.

The second issue is dealing with market benefits. This is something of a serious concern to our industry groups. We can also agree the implementation will incur a higher cost, because we need to assure that all the laws are implemented 100% and this will need a higher level of rather intensive surveillance and inspection of field operations.

Now what are the market benefits? But then the market benefits are also in a way indirect because the EU also has difficulties in assuring some of the market benefits because they will be against WTO regulations. But the EU is promising us some of the market benefits we are asking because they feel it could be the indirect effect of two measures they are undertaking.

The first measure is the due diligence regulation which is now being discussed in the European Parliament. Once this due diligence regulation enters into force, the importers of timber in Europe will be compelled to satisfy themselves that they are only importing or trading in legal timber and the evidence for that is the FLEGT licensed timber. So once you license timber under the FLEGT system, then the importer can be sure it's legal timber.

Secondly, with the operation of the public procurement policy demanding at least legal timber, the two measures, the EU due diligence regulation and the public procurement policy, will sort of squeeze out the importation of illegal timber and this means they will increase the demand for legal timber and this demand is expected to result in the price differential, the price premium.

This is the most important thing we are seeking, some price differential or premium. The other things are, I think, easier to achieve, but this price differential is the most problematic, both from the legal standpoint and from the point of implementation. The EU knows this problem. But the EU, I think, will compensate us with capacity building, for example. So they will provide assistance to increase our capacity to implement the VPA.

So in general terms, these are the market benefits that we expect to get and this is how the EU hopes to deliver the market benefits. And at the same time of course we also have to strengthen the legality assurance system that we have developed. So this is basically where we are at with the European Union.

And, of course, we have to be very cautious in terms of signing this agreement, because once you sign the agreement, it is no longer voluntary. It becomes obligatory. Once you sign the agreement, you cannot export to the EU without valid FLEGT licensed timber. But countries which have not signed the agreement, they can continue exporting.

And we have a responsibility to deliver legal timber and this is a big responsibility and we want to be very sure we can comply and deliver legal timber as contained in the timber legality assurance system.

Thank you for your question.



**Third Session**  
**Panel Discussion**





## Part 1: Wood Products in Exporting Countries and the Goho-wood Supply Network

### 【Outline】

Part I session aims to share understanding of how consumer behavior in the Japanese market influences action against the global illegal logging issue by studying legal wood supply systems in the countries exporting to Japan.

To achieve this purpose, relevant organizations in export countries made presentations about 1) Their organization and a summary of wood exporting to Japan; 2) recognition of illegal logging problem; 3) Supply system and supply condition of wood and wood products with verified legality following the guidelines (Goho-wood) ; and 4) Challenges for the future and expectations for the Japanese market. Afterward, an open discussion will be held with comments accepted from the audience.



### 【Brief Introduction of Panelists】

#### **NAGATA Shin,**

Professor, Graduate School of Agricultural and Life Sciences, The University of Tokyo

In his present post since 1996, Mr. Nagata has also served as the chairman of Japanese Forest Economic Society and of Japanese Forest Society. He graduated University of Tokyo Master of Agriculture (in Forestry) and Yale University PhD of Economics. He started his career as the associate professor of Public Economics in Hokkaido Univ., transferred to Associate Professor of Forest Policy at the University of Tokyo before his present post. His major is forest policy focusing on the trend analysis of international trade and tropical forest and the quantitative analysis of domestic policy



#### **SIDORENKO Alexander,**

Chairman, Dalexportles (The Russian Far East Association of Timber Exporters')

Mr. Sidorenko is the Chairman of the Dalexportles Association since 2005.

He is also the permanent president of Smena Trading Co., Ltd., one of the largest timber exporting companies in the Russian Far East, founded in 1991 and became the member of Dalexportles Association in 1997. In 2007, the total volume of exported timber by Smena Trading was over 1-million m<sup>3</sup>, and participated in all-Russian Contest "The Best Exporter of Russia in 2007" in the nomination "For Promotion of Export"



**SNOW Michael,**

Executive Director, American Hardwood Export Council

Mr. Snow took the present post in 1999 based in Washington D.C., has been involved in promotion of American Hardwood globally by managing oversea offices in Europe, Mexico, Japan (Osaka), Hong Kong and China.

He graduated the School of Developing Economics in Wisconsin University, Master of International Economics University of George Washington University. He has given economic lectures in both English and Spanish.



**ZHU Guang-qian,**

Chairman, China Timber Distribution Association

Graduated from Beijing Forestry College (now Beijing Forestry University) in 1965, Mr. Zhu has been working in timber industry for over 40 years. He successively held posts in Ministry of Materials, Ministry of Civil Business, and State Bureau of Domestic Business before present post, all of which are related to production aspect.

He published a quantity of papers concerning timber in China including Research on Issues of Timber Distribution in China which is awarded the third prize of Science and Technology by Ministry of Civil Business etc.



**B.C.Y. FREEZAILAH,**

Chairman, Malaysian Timber Certification Council

Shown Before



**OHASHI Yasuhiro,**

Executive Director, Japan Lumber Importers' Association (JLIA)

Serving as Executive Director of JLIA since 2004, the main role is to be the window between JLIA Members, Government Offices and the counterpart associations in domestic/overseas. He worked at Sumitomo Corporation Lumber Department since 1970 after graduating Doshisha University. During the active service for over 34 years in Sumitomo Corporation, Tokyo, Davao, Kota Kianbalu, Sibuh and Jakarta Office, he is responsible for marketing the south-sea round logs, sawn timber and plywood. He also worked at Toyama Office for marketing of Russian logs.



## **【Outline of Presentation】**

### **Aleksandr Sidorenko**

The chairman of «Dalexportles» Association of Timber Manufactures and Exporters, Russia Far East

#### **Title:**

The verification system of legal and certified wood and wood products applied in the Association «Dalexportles», Far East of Russia, and the perspectives of the Japanese market

### **I. Brief Profile of the Presenter.**

«Dalexportles» Association (DEL):

- Foundation: 1990
- Membership: 21 companies
  - 11 major lumber companies and wood exporters at Far East of Russia
  - 5 wood transportation companies and insurance companies
- Core business - Harvest and export of logs, production and export of timber (lumber), processing and export of wood products, mainly made of needle-leaved and hard-wooded broad-leaved species.
- **Share of «Dalexportles» in export of wood products from Far East of Russia: about 50%**
- Major Export Markets - Japan, China, Republic of Korea and the European countries.

### **II. Current situation of Management of Forest and Awareness of the issue of illegal logging**

**In Russia there are two levels of forest management: federal and regional.** At federal level the forest management is carried out by the Federal Forestry Agency of the RF Ministry of Agriculture and its territorial organ of the Far Eastern Federal District, that is the Forestry Department of the Far Eastern Federal District. The control of wood industry is carried out by the Department of Wood and Light Industry of the RF Ministry of Industry and Trade.

At regional level, in particular in the Khabarovsk Territory a forest management organ is the Forest Administration of the Khabarovsk Territory and a wood industry control organ is the Light Industry Committee of the Ministry of Natural Resources of the Khabarovsk Territory.

**The fundamental forest law is the RF Forestry Code** that has come into force on January 1, 2007, as well as 70 federal subordinate legislations regulating the various aspects of forest management including the lease procedure of a forest plot, the logging rules, the forest caring rules, the rules of sanitary and fire safety and so on.

Since 2009 in the Constituent Entities of the Russian Federation a basic regulatory

document in the scope of forest management is the Forest Plan which determines the future development of a forest sector in the given region.

### **III. The supply system and the actual state of the supply of wood and wood products with verified legality (goho-wood) based on the Guideline**

In the territory of Far East of Russia there are some supervision systems of legality of logging and export of wood and wood products.

1. The state system **based on more than 30 laws and regulations which consist of a lot of subsystems of crosschecks, in some cases even cross-validations. Not less than 15 ministries and agencies have been involved in an activity, the measures for improvement of state forestry monitoring and supervision and for strengthening of administrative penalties and criminal punishments have been put into effect, the remote monitoring of illegal harvests and illegal use of forestry fund lands by aerospace monitoring methods and GIS-technologies is carried out and the voluntary forest certification system has been put into practice.**

2. Certification system of forest control and supply chains in accordance with the FSC international standards

**In whole Russia as of September 2009 in the line of FSC the forest of about 23 million hectares have been certified and 78 certificates of CoC supply chain have been issued (for comparison, in 2007 about 19 million hectares have been certified and 36 CoC certificates have been issued).**

**In Far East of Russia as of September 2009 the certified forest area is 2.5 million hectares and 5 CoC certificates have been issued (3 certificates for the Primorie Territory and 2 for the Khabarovsk Territory).**

**In the «Dalexportles» Association two (2) companies have been certified in accordance with the international standards of the Forest Stewardship Council (FM/ CoC FSC).**

3. Collective method of legality verification of harvesting and exporting of wood and wood products by the «Dalexportles» Association

**16 timber companies and wood exporters join the «Dalexportles» Association. Of them:**

**- Two (2) companies have been certified in accordance with the international standards of the Forest Stewardship Council (FSC FM/CoC).**

**- One (1) company is in the process of audit in accordance with the FSC standards.**

- **Twelve (12) companies including the above three (3) ones have the certificates of legality verification of logging and export of wood and wood products in accordance with the methods developed by the «Dalexportles» Association.**
- **Four (4) companies have not been certified.**

**The collective method of legality verification of harvesting and exporting of wood and wood products which is introduced by the «Dalexportles» Association exists since 2006.**

#### **IV. Future tasks and expectations of the Japanese market**

In the near future the Japanese wood market is expected to be fairly sluggish quantitatively, but Russia will supply the market as much as necessary, while replying to the quality and environmental request like legality and sustainability.

## **Michael Snow**

AHEC Executive Director

### **Title:**

American Hardwood Export Council (AHEC) – Responsible Procurement Policy (RPP)

### **I. Overview of the organization and the wood and wood products exported to Japan**

AHEC is an association established to report and provide technical assistance globally for the US Hardwood market with more than one hundred company members and related associations. And, as a part of the forest products export promotion program of the USDA/FAS, AHEC performs various promotions around the world. The AHEC Japan Office has been promoting American hardwoods through its eco-promotions such as the Eco-Furniture Contests and several Eco-Interior Projects since 2001.

### **II. Current situation of Forest Management and Illegal Logging Awareness**

With sustainable forest management practices in the US for hardwood forests, resources have increased every year. The Resources Planning Act (RPA) data shows that between 1953 and 2007, the volume of U.S. hardwood growing stock more than doubled from 5,210 million m<sup>3</sup> to 11,326 million m<sup>3</sup>. U.S. Forest Service forecasts indicate that further increases of 15 to 20 percent are expected in the hardwood growing stock inventory through 2030. Projections of hardwood growth and removals nationwide indicate that growth will continue to exceed removals through to 2050. All forest owners in the United States are subject to federal legislation to protect habitats for threatened species. However, more than four millions number of the owners (farmhouse) owned by an individual, around 80% of those forest. Therefore, it may be said that it is very difficult for each farmers to acquire forest certification system.

### **III. The supply system and the actual state of the supply of wood and wood products with verified legality (Goho-Wood) based on the Guideline**

AHEC carried out research by the third party about legality of American hardwoods in areas of the Eastern and the Midwest from November, 2007. The tough regulations governing other aspects of forest management on private land have been implemented by individual states. The RPA data shows that these regulations have been increasing overall. Based on a comprehensive analysis of U.S. forestry regulatory systems and practices, the third party study concludes that there can be high confidence of legal compliance in the hardwood sector and estimates that stolen timber represents less than 1% of total U.S. hardwood production. And the third party study indicates that hardwood purchased from the U.S. should be considered Low Risk in all five risk categories of the FSC Controlled Wood standard. As the above, the legality of the American hardwood (AHEC-RPP) was assured

by it. And AHEC started the program of AHEC-RPP as the guideline of The Green Procurement Law in Japan from January, 2009. In export to Japan, AHEC members who take part in this program stamp the shipping documents with a stamp to show the legality (AHEC-RPP). The member company number is engraved into the stamp. Of course the list of members participating in AHEC-RPP is submitted to Japanese Government (Forestry Agency of MAFF) and organizations concerned.

#### **IV. Future tasks and expectations of the Japanese market**

AHEC Japan Office has been developing Hang Tag Promotion since 2000, and is providing information of the good forest managements of American hardwood, the stable supply, and the legality to Japanese consumers with about forty Japanese furniture and interior materials manufacturers. And the logo mark of AHEC-RPP is mentioned in the tools (tag, flier and POP stand) of Hang Tag Promotion. On the other hand, AHEC thinks that the structure of The Green Procurement Law in Japan is extremely reasonable judging from cost performance and hopes it will develop worldwide in the future.

## Zhu Guangqian

Chairman of China Timber and Wood Products Distribution Association (CTWPDA)

### Title

Introduction to China's export of wood products and attitudes and measures taken in combating illegal logging

### I. Introduction to China Timber and Wood Products Distribution Association and China's export of wood products to Japan

China Timber and Wood Products Distribution Association (CTWPDA) was established in 1985. It is an authorized national association registered in Ministry of Civil Affairs of the People's Republic of China, with 1050 members distributed in various provinces and cities in China. It is composed of 7 specialized committees, specialized committees of timber market, flooring, wooden doors, anti-corrosion of timber, veneer, engineered wood and market credit evaluation, and center of timber-related professional skills appraisal, periodical of information for timber distribution and website.

The objectives of CTWPDA are to serve for the enterprises and consumers, i.e., to provide platforms for the exchanges and trade, such as exhibitions and fairs, to organize training, to set up standards, to provide information, to standardize market and evaluate credit for enterprises, to promote enterprises to join in activities of promising their service to let customers feeling at ease, to organize participation of exhibitions and exchanges abroad, to explore overseas resources, to report suggestions and demands of enterprises to government.

**Table 1 China's export of wood products to Japan (Jan. to Oct, 2009)**

Exports	Quantity (0000 m <sup>3</sup> )	Amount (0000 US\$)	Share in Export Quantity
Sawnwood	25.23	16548	53.90%
in which, Korean pine and scots pine	9.16		
Spruce	1.50		
Paulownia	6.60		
Veneer	0.71	1648.2	10.10%
Particle board	0.17	211.4	2.60%
Plywood	32.72	12546.25	7.20%
Wood products for Construction	4.93	13129.87	15.00%
in which, wooden doors	2.80		13.40%
Wooden furniture (0000 piece)	1581.8	45520.3	11.60%



## 1) China's timber supply, consumption, and forest resources

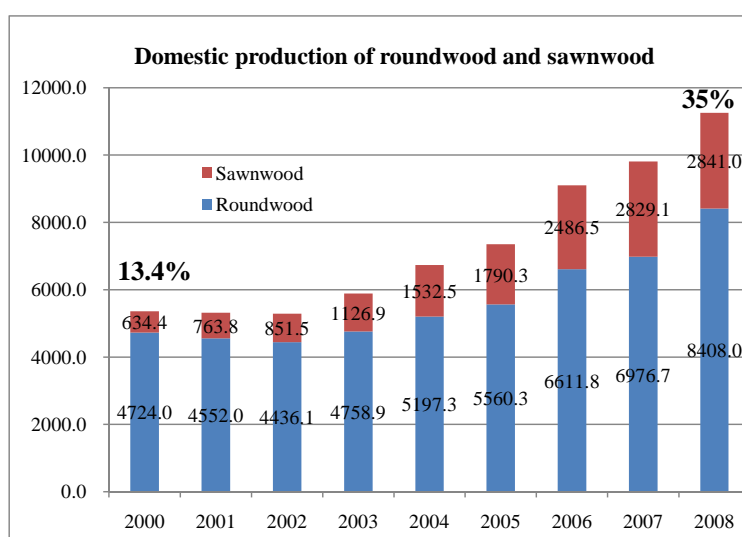
**Table 2 China's timber supply (2008)**

Supply	Quantity (0000 m <sup>3</sup> )	Share (%)
Domestic production of commercial timber	8108.3	22
Farmers' wood for private use and fuelwood	5281.6	14
Wood fiberboard and particle board	6817.3	18
Harvests beyond quota and timber in stock	1400.0	4
Import of roundwood	11558.4	31
Import of sawnwood	1009.0	3
Import of pulp and other wood products	2957.0	8

**Table 3 Timber consumption (2008)**

Consumption	Quantity (0000 m <sup>3</sup> )	Share (%)
Consumption of timber for industrial and construction uses	8287.6	22.3
Paper-making	13014.8	35.0
Furniture	4477.8	12.1
Export	5833.9	15.7
Coal mining	1042.2	2.8
Farmers' wood for private use and fuelwood	3670.7	9.9
Others	817.7	2.2

**Fig. 1 Domestic production of roundwood and sawnwood (0000 m<sup>3</sup>)**



China's forest is managed relatively strictly through certificate of harvesting and certificate of transportation, and only a small quantity of timber is from illegal logging. In 2008, production of commercial timber is 81.08 million m<sup>3</sup>, production of farmers' wood for private use and fuelwood is 52.82 million m<sup>3</sup>, while another 14.00 million m<sup>3</sup> are from harvests beyond quota.

China has established its own forest certification standards and will implement it next year. FSC and PEFC and other schemes are implemented in China, but the share is less 1%.

## **II. Situations and challenges for China's wood products export enterprises**

Compared with other industries in China, timber industry which is aiming at EU and USA markets and constrained by resources is facing the following situations and pressure.

### **III. 1) Affected by financial crisis, enterprises have the problem of low competition capacity revealed.**

Financial crisis in last year heavily affected wood products export enterprises in China. Many export enterprises stopped the production or only reached half of the production volume as usual. There were much less transactions in wholesale market, and distribution enterprises face serious pressure. Even though, in January to October, the export of wood products increased if compared with the same period last year, the problems appeared during the financial crisis have to be considered.

China now can be said a big country of production and export, but not a strong country. The following problems have appeared during the financial crisis. Firstly, the size of enterprises is small, and the level of management is low. Secondly, there is no much variability of products, low added-value, low contents of science and technology, short of competition capacity, and there is a necessity of upgrading industry. Thirdly, many enterprises do not have their own brand, distribution channels and network for their own products in international market. Therefore, enterprises have to rely on others heavily. It is necessary to solve these problems in order to increase the competition capacity in international markets.

### **2) Export enterprises have to meet stricter standards to enter international markets.**

Combating illegal logging and related trade and establishing sustainable forest ecology system have been attracting international attentions. Countries in Europe and America issued some standards and codes and increased the entrance requirement into their wood products markets.

3.2.1 The Lacey Act of USA was amended in 2008, and the difficulty and risk were increased.

According to the Lacey Act, it is unlawful to import, export, transport, sell, receive, acquire, or purchase any plant in violation of the laws of the United States, a State, or any foreign law that protects plants.

The Lacey Act Amendment was supposed to be put into force since April 1<sup>st</sup> 2009, from

primary products to more value added processed products, step by step, but later the implementation was delayed. But still, we have to be prepared for the implementation.

3.2.2 EU and Japan, as main importers of wood products, constrain illegal wood products to enter market by taking a green procurement. Firstly, EU adopted an action plan for Forest Law Enforcement, Governance and Trade (FLEGT) to combat illegal logging. Secondly, EU announced to make legislations against illegal logging for its member countries in 2008. Thirdly, countries like UK, France, Germany, Holland and Japan take forest certification of FSC, PEFC or others as a requirement to enter market. Fourthly, industry associations like Timber Trade Federation (TTF) in UK and French Timber Trade Federation (LCB) have established codes of conduct for their members, to ensure raw materials are from legal sources. B&Q, Kingfisher China, Ikea and other companies set their own responsible purchasing system to make sure that their wood products are from legal and sustainable forests.

These measures concerning trade, taken by a legislative form or voluntary actions by enterprises, require that the export from China must obtain the green permit to enter international market.

### **3) Many countries are stricter to export of timber from natural forests.**

As more and more international efforts are made to fight illegal logging, either African timber producer countries or coniferous timber exporting Russia, are limiting exports of timber from natural forests, and the quantity will decline year by year. This will cause China to decrease its timber import, and enterprises by using imported raw materials will be constrained.

Therefore, China's wood products enterprises not only have to increase their competition capacity, but also have to face a series of regulations by Europe and America on entering their markets, and issues of how to escape from the risk of trade and obtain green permit to international markets.

## **IV. How China's wood products enterprises grasp the opportunity to develop under the challenges of global climate change**

The existence and development of mankind are affected by climate change. How to deal with climate change implies a global challenge, and also an opportunity for the development of forest industry. Forest industry includes primary industry, secondary industry, and tertiary-industry; it has wide scope, long chain of industry, and is an important part of industry chain to develop economically, environmentally friendly, and sustainably. Forest industry plays an important role in establishing resources-saving and environmentally friendly society and dealing with global climate change. To research the development of forest industry, it is necessary to link it with sustainable development.

Concerning this, Chairman Hu Jintao proposed 4 points in UN climate summit recently. To fulfill one's own responsibility is the core; win-win result is the objective; mutual

development is basic; capital and technology is key. Chairman Hu also proposed detailed measures. This speech not only stated the standpoints of Chinese government, but also pointed out the direction of development of timber industry and fighting illegal logging for our country.

Based on the present situations and measures taken by international society in dealing with climate change, we think that we should tackle the following two issues.

**1) Set up corporate social responsibility (CSR) and responsible purchasing system, in order to obtain basic qualification to enter international market for enterprises.**

Enterprises should be encouraged to promise to the society that they not import, use and sell “illegal timber and wood products” when confirmation is possible.

Enterprises should make efforts in showing that their raw materials are from a legal source by trying every possibility under their own conditions. Enterprises can choose FSC, PEFC, or China’s own forest certification scheme to certify the chain of custody (CoC). Those enterprises without being able to get certification also need to establish internal traceability system for legal timber source and responsible purchasing system. Import enterprises should add contents of legal timber source in their contract by requiring suppliers’ promise to make sure that the timber they provide comply with local regulations, and fill in proper names of imported timber species, including English and Latin names, value, quantity, origin of production, etc. In this way, importers in China can provide related information to export enterprises which use imported timber and make export enterprises meet the information requirement to enter international market.

**2) Emphasis should be put on scrimber, engineered wood, laminated bamboo lumber and others that have high technology contents and are friendly to environment, and structure of industry be adjusted, in order to increase the capacity of competition for Chinese wood products to enter international market.**

To tackle climate change, it is necessary to take measures not only to impose restrictions, but it is more important to develop new environmentally friendly products, in order to meet the needs of economic development and life of mankind. That is, not only “stop up”, but also “dredge”. The first is to develop scrimber to substitute hardwood and wood of precious tree species; the second is to promote structural engineered wood in construction to substitute some of the uses of steel and cement which consumes more energy in the process of their production, and this also helps to decrease pollution; the third is to develop laminated bamboo lumber to substitute timber.

These measures have the following significance. Firstly, these measures help to accelerate structural adjustment of wood products. Scrimber, engineered wood, and laminated bamboo lumber are deeply processed, with more contents of technology, high added-value, and wide scope of usages. Aiding to develop these products helps to adjust the structure of forest industry, upgrade wood products enterprises.

Secondly, these measures are helpful to meet the market demand and decrease the trade risk. The above stated products are all from fast-growing plantation forests, or lumber of small size. This will increase the utility of lumber of small size or inferior lumber, and get good economic benefit. Besides, by using timber from fast-growing tree species, there is less risk for exporting products to other markets. The market needs can be met while the consumption of hardwood and wood of precious tree species can be decreased.

Thirdly, these measures are good to decrease the consumption of energy in construction. Constructions of cement structure and of steel structure consume energy as much as 2.2 and 1.5 times of that in construction of timber structure, respectively. During the production, steel and cement also consume much more energy than timber does. If set the consumption of energy for unit timber production as 1, then 5 for cement and 191 for steel. Therefore, using timber instead of cement, steel and soil brick, can decrease energy consumption in the process of production of building materials and also in construction, effectively decrease the emission of carbon dioxide.

Fourthly, these measures will help farmers to plant trees actively, and develop forest industry. Now China has become a country with largest plantation forest area. Developing scrimber and engineered wood open a new field for using timber from plantation forest. If helps farmers to plant trees actively, agriculture increase efficiency, farmers increase their income, and finally, more fast-growing forest can be obtained, ecological environment improved.

Therefore, emphasis should be placed on reasonable making use of timber, developing scrimber, laminated bamboo lumber and other environmentally friendly products, promoting construction of timber structure, accelerating sustainable uses of renewable resources, and make this as one of the future development strategies.

## **V. CTWPDA's attitude towards and measures taken on combating illegal logging**

In recent years, attitude of Chinese government towards illegal logging is resolute. China Timber and Wood Products Distribution Association (CTWPDA) and member enterprises also take positive attitude and practical measures. What we are doing include the following.

(1) To fully make use of publications and website of CTWPDA to promote sustainable forestry development and the importance of international legal timber trade, help enterprises to set up consciousness of environment protection.

(2) To strengthen industry being self-restrained. Appeal to member enterprises not import, use and sell "illegal timber and wood products" when confirmation is possible. When evaluating credit situations for enterprises, whether enterprises are certified by CoC or not, whether responsible purchasing system is established or not, and how much contributions to environment protection, are considered.

(3) To organize enterprises to plant trees and to donate to China Green Foundation once a year.

(4) To strengthen the cooperation with international environment protection organizations

and associations. To introduce international forest certification schemes to enterprises and to promote the development of CoC certification by way of holding seminars, providing training and consulting services. After Lacey Act was amended, we held meetings with related USA associations and invited officials from US Department of Justice to give introductions and exchanged over mutual concerns with enterprises in China.

(5) To submit suggestions to Chinese government in decision-making on combating illegal logging, and report voices of enterprises.

(6) To exchange information actively and cooperate with associations such as those from USA, Malaysia, Japan, and ITTO. In October 2009, CTWPDA signed cooperation agreement with TFT. By setting up cooperation relationships for mutual benefit, exchanges and sharing will be strengthened in the fields of consistent objectives. The signing of the agreement made CTWPDA a partner in the second stage of TTAP project (the Timber Trade Action Plan), and set up a partner relationship with TFT.

(7) To develop and promote scrimber, laminated bamboo lumber and engineered wood to substitute hardwood and timber from precious tree species.

(9) To provide actively professional training on timber inspection to timber inspectors for enterprises and inspection agencies in harbors.

There is no border for climate change. No country can do by itself. A principle of holding common views but recognizing differences is necessary when making decisions in dealing with climate change and combating illegal logging and related trade. China is still a developing country. In the international division of labor, China is in the position of processing. The size of timber industry is small, and it is especially true for distribution enterprises, mainly self-employed business. There are not many large and strong enterprises. There is little consciousness of social responsibility among enterprises. The work emphasis of CTWPDA from now on are: 1) to enhance the consciousness of social responsibility in enterprises; 2) to help enterprises to set up responsible purchasing system; 3) to undertake researches on inspection measures of source legality of export wood products in China; 4) to promote and spread forest certification, CoC certification, in China. We hope we could get much support from government, enterprises, research institutes, international organizations, and foreign timber industry associations. We would also like to continue to strengthen our cooperation with international organizations and agencies, and make greater efforts together on the sustainable development of forest industry and trade and the protection of mankind life environment.

**B.C.Y. Freezailah,**

Former Executive Director of the International Tropical Timber Organisation (ITTO) and currently Chairman of the Malaysian Timber Certification Council (MTCC)

**Title**

“Challenges and Prospects for Further Advancement of Wood Verified as Legal and Sustainable (Goho-wood)

I. The area of tropical forests sustainably managed and certified is relatively small when compared to temperate and boreal forests. This indicates the complexity of tropical forests and countries and the challenges faced by many developing tropical countries. Therefore global initiatives to promote legal timber, such as Japan’s Goho-wood, EU FLEGT Voluntary Partnership Agreement and the US Lacey Act are most pragmatic in the pursuit of the long-term objective to certify tropical forests for sustainability.

II. Malaysia is a major exporter of tropical timber and timber products which amounted to about RM 23 billion in 2008 of which Japan accounted for 20 percent mainly in the form of plywood (64 percent), furniture (13 percent), logs (7 percent) and sawntimber (5 percent). Japan and Malaysia therefore play important and strategic roles from the demand and supply sides to promote Goho-wood. It must be stressed that international trade in tropical timber is vitally needed in order to provide the leverage to influence policies and practices to promote the production of timber that meets the requirements of Goho-wood. Without such trade we would lose a strategic means to promote the supply of Goho-wood.

III. Malaysia’s timber supply is sourced from three legal categories of land:

- Permanent Reserved Forests (PRF)
- State Land Forest (SLF)
- Alienated Land (AL)

PRF and SLF are public owned whilst AL is under private ownership. PRF are sustainably managed whilst SLF and AL are not and are being converted into other forms of land-uses. Currently, about 33 percent of PRF (4.43 million hectares) have been certified as being sustainably managed under the Malaysian Timber Certification Scheme which has been endorsed by PEFC. Thus, timber sourced from Malaysia’s certified forests with Chain-of-Custody Certification is sustainable timber and has no difficulties in meeting the requirements for Goho-wood.

IV. Efforts are underway to implement sustainable management and certification of the rest of PRF. Nevertheless, harvesting and other procedures are being implemented in these uncertified PRF, SLF, AL to assure their legality to meet Goho-wood's legality requirements.

V. The whole world is brain-storming on the implementation of incentives in both exporting and importing countries, to promote trade of legal tropical timber to contribute to the long-term objectives of achieving sustainable management of tropical forest. These include public procurement policies of Japan by the Japan Federation of Wood Industry Association for Goho-wood. In an extreme action, Norway announced a ban on the use of tropical timber for government projects. Legislation is in force (US) or being enacted (EU) to deter the importation of illegal timber even though with somewhat different approaches elsewhere.

In view of the tropical forest situation, challenges faced by developing countries, the measures being promoted by major importing countries and the market situation, how may the commendable objectives of Goho-wood to combat illegal logging and related illegal trade, be further promoted? I wish to share some personal views at this Symposium.

- Whilst sustainable wood must continue to be our objective, pragmatism, would indicate that Goho-wood should focus on legal timber in the short-term.
- Goho-wood is a new initiative. Timber legality is based on the laws of the exporting country and thus country specific and implementation details must be worked out. Teething problems maybe expected. This calls for the establishment of a bi-lateral consultative forum between Japan and Malaysia with the participation of the timber trade. The Expert Group under the Japan-Malaysia Economic Partnership Agreement can be an appropriate forum for such a consultative process.
- For the promotion of Goho-wood, there needs to be more clarity on the definition of legal timber including the listing of all the relevant laws that must be complied with including the procedures that must be implemented to demonstrate compliance. In this context, the principles and criteria to define legality under the EU FLEGT Voluntary Partnership Agreement, merit consideration for Goho-wood.
- Implementation of Goho-wood requirements from the supply side, being a new initiative should be promoted through a 'soft approach'. At the same time credibility is important to blunt any allegations of malpractices. Perhaps, the licensing authorities should include additional documentation or statement to give assurance of the legality of the timber consignment exported under the license issued.
- In spite of the availability of certified timber in Malaysia, many exporters and manufactures are not keen to take CoC Certification, because a premium for



such timber is either very small or non-existent to justify their efforts and extra costs involved. Such market benefits are also needed due to the extra cost to implement SFM and certification. We need to consult on how to address this issue. Perhaps, incentives could be part of the public procurement policy.

- In the context of the discussion to elaborate the definition of legal timber, technical assistance for capacity building should also be considered to strengthen implementation and where necessary develop new methods and procedures based on recent advances in technology for better efficiency, and cost-effectiveness.

Vi. Goho-wood is a commendable initiative to combat illegal logging to promote trade in legal timber to contribute to the long-term objective of achieving SFM and forest certification. Whilst we need to assure timber legality in a credible manner, it is necessary for the procedures and arrangements formulated to be pragmatic, and implementable taking into account costs and market benefits so that the trade in tropical timber is not disrupted or curtailed. With the support of all stakeholders and consumers, we must all unite and work together to ensure success of Goho-wood in the important Japan market.

## Proceedings of the Panel Discussion Part I

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### **Shin Nagata:**

Thank you very much. We heard from the presentation of different positions and different countries, how the exporting countries contribute to global environment and addressing the illegal logging issue through the approach of forest certification and legality verification system and they are also informing it in respective countries.

Lastly, Dr. Freezailah suggested some valuable ideas such as that legality and sustainability should be defined more clearly and the way verified wood receives economical incentives to improve the system. These agendas also have been discussed in Japan. In March 2009, the Council for Tackling Illegal Logging and Promotion of Goho-wood submitted the suggestion to the Minister of the Forest Agency. Especially, I think, incentive is a critical issue in Japan. The current movement in Japan will be discussed in the second part of the panel discussion.

Now, I'd like to invite Mr. Ohashi, Director of Japan Lumber Importers Association to please make a comment including the information of other production countries."

### **Yasuhiro Ohashi;**

First of all, thank you for all panelists for making a lot of effort to supply the wood stably which meets our demands. Also, I'd like to appreciate you for reporting and commenting about the legality verified wood and Goho-wood supply today.

I was supposed to listen to your reports from the floor as this panel discussion is regarding the exporting countries. However, Dr. Fujiwara from JFWIA said he prepared the place for me on the stage and asked me to give some comment all of a sudden. So I'm here on the stage without any preparation. Hence, I can not take sufficient reaction for the keynotes by Dr. Freezailah and presentations by other panelists as I did not know the contents of the report in advance. I am afraid, but I would like to share my thoughts briefly.

The Japan Lumber Importers Association and the members established the action plan toward illegal logging following the guideline of the Forestry Agency over the last few year to ensure the Goho-wood supply. In this process, we often request the exporting countries to understand and to cooperate with the measure in Japan. As a result, Dalexportles, AHEC and QWEB established their own voluntary legality verification system based on the industry association's accreditation system. I appreciate and respect their supports. I heard the reason why these associations made such an original method was that it is difficult to gain the forest certification and/or CoC certification, or it is just as a step-wise approach toward full certification in the future. Thus, as the result of understanding and support from exporting countries toward the Japanese illegal logging measurement, the percentage of legal wood imported is gradually increasing in Japan. For example, as already reported from panelists, the volume of legality verified wood exported from the companies accredited by association in the foreign countries. Also, there are some production countries that have the traceability system covering harvest to export, such as Indonesia and Malaysia. As Dr. Freezailah suggested, we should have opportunity to discuss and if there is any better method, we would like to join it. Anyway, we categorize the wood as Goho-wood upon the verification of its original exporting country's system to verify the legality and the documentation to prove it. This is also one of the background that legality verified wood is increasing now.

On the other hand, as for coniferous wood products mostly imported from North America and European countries, I recognize those region are mostly consisted of the logging companies, manufacturers and exporters that have forest certification/ CoC certification. However, we don't identify the product as certified on our summary data because the product does not have any claim of certification or other way of legality verification on each shipped unit and that is not accepted according to the Forest Agency's guideline. I regret

to inform, but the legality verified wood from those regions is now hardly reaching about 1%. I suppose, the major reason is that the Japanese market has not demanded the legality verified wood yet. And vice versa, the export countries cannot gather momentum to export the legality verified wood actively because the buyers including Japan do not demand it. This is also a critical reason. Speaking frankly, I would like the exporters with forest certification/ CoC certification to trade their products with claims of certification or legality verification positively and do not blow the chance to utilize the certification.

In the past, the wood industry in Japan, including our association, had taken a long time to verify and review the method of verification of legality following the Forestry Agency's guideline. But from now, it is the right timing to go the next step making more effort to diffuse the legal wood as well as monitoring the credibility of the system. Our Association is on the same policy.

We are going to require the legal verification from overseas more positively than ever. We would like the exporters to claim the certification or verification voluntarily, regardless of the buyers' demand of legal wood. There is the longstanding problem of existence of incentives. But we can save it as the pleasure to come. In the meantime, we would like to prepare the legality verification first. Upon the achievement of it, I think we will have fundamentals to spread the legal wood in Japan strongly.

Lastly, little products from China bare the legal claim yet. I hope the legality verification is going to be considered in China as well, to increase the verified wood export and I am looking forward to it. China imports a large number of woods from all over the world. I think it is quite a challenge to verify the legality each by each. However, if China, what we call "the world's factory, the world's market", addresses purchasing and supplying Goho-wood positively, I believe that it makes highly positive effect on Japanese Goho-wood approach.

Therefore, I would like to ask again Mr. Zhu and everyone here today to focus on supplying the legality verified wood. I am afraid it was go-nowhere comment but that is all from me now.

### **Shin Nagata;**

Thank you very much. Everyone just has had their turn. Mr. Freezailah mentioned about the approach in the Western countries, and we have shared how each country addresses the illegal logging issue on the aspect of wood supply system so far basically. Now, I would like to ask comment from Mr. Snow about the Western or other market trends regarding the illegal logging issue and the wood procurement or its comparison between those areas and Japan.

### **Michael Snow;**

I think it is a difficult question to answer because there are a wide variety of responses in many different countries. From my point of view, I think what I am most disappointed by and most frustrated by that we're seeing in many countries in the West, particularly Northern Europe, the UK, Holland, but also in the US, and green building, is that quite often we're seeing systems that are developed that are not being based in the science, they are based on who is sitting around the table when they decide a system. And I can give you a concrete example of that: LEED green building system in the US. Science is not the part of the equation. There is no benefit for using wood under the LEED system unless it is FSC certified. So you don't get any of the benefit of wood as the carbon store, the benefits of wood as the low energy consumer, the benefits of wood for being recyclable. You get the same point being recyclable for steel without taking into consideration all the other impacts.

So I think, for me, the most frustrating thing is that we're seeing policies being developed by politicians, not scientists, with influence by people in environmental groups, for example, they have a very specific agenda. I think the science exists. Life cycle analysis science is advanced. It exists.

So I'd like to see more emphasis on the real environmental impact of policies. What is the

real impact on the environment? Quite frankly, right now we're not seeing it in many cases."

**Shin Nagata;**

Thank you very much. Mr. Snow suggested that it is very important that provision needs to be based on the science. Now I think it this is a little bit different point of view, but I would like to hear from Mr. Zhu about the reaction at the recent seminar regarding Japanese legality verification held in Guangzhou.

**Zhu Guangqian;**

On 19 November, our association and Japan Zenmokuren together held the joint seminar in Guangzhou, China. This is the first seminar of this topic in China. In China, the consciousness of the legal wood is not high comparing with that in Japan. In this seminar, the Japanese side introduced the way of trading the legal timber. That was very helpful for Chinese enterprises. Now in China, it is really difficult to find the labeled legal timber. It is not easy to find. And in China, now we can say that most of the timber harvested is legal and sustainable; you can say that. The problem is how to label the products in the market.

Just a few minutes ago, Mr Ohashi said that the exporter enterprises should actively and voluntarily provide the timbers with certification. It is a good idea, but I think that the issue is that communally, if the Japanese side asks for certification from China, all Chinese exporters, of course, we will do that if you demand that and help us to provide the more timber with certification. It is the both side problem.

Of course, it is good if Chinese exporters provide timber with certification, but if you don't ask, the export enterprises don't do that. For example, just a few minutes ago, export of sawn timber from China to Japan was introduced. Actually, those are mainly Korean pine and Scotch pine. They are processed in China but originally round wood from Russia. In the case if Japanese side needs the certification, and we have to ask Russia to provide the certification, if you do not ask, we do not ask Russian side either.

I think that Japan's green procurement policy is very good. So now I'm considering that we should suggest the Chinese government to make the similar policy. Thank you very much.

**Shin Nagata;**

Thank you very much. It was the opinion that demand-side and supply-side have to consider from both side. In the presentation of Mr. Sidorenko, he assumed that Japanese market will be in low from a quantitative standpoint in the future. I would like to ask you what you want to see in the Japanese market including the environmental aspect.

**Alexander Sidorenko;**

Thank you very much, Dr. Nagata for a very good question. I would like to answer this question from two standpoints as the chairman of association and a business man. I am afraid whether I could properly understand all the presentations today, but I am concerned that building companies in Japan do not always prefer low price over quality of material. That means, under the current economic crisis, I assume that there is the possibility of the existence of companies which cannot afford the certified wood and/or legal wood due to the financial reason unfortunately.

Now I can draw out 2 conclusions; as Mr. Zhu just mentioned, we have to enroot the system to require the legality verification. It is gratifying that we are discussing this issue together today and I hope that the legal wood becomes more recognized widely, and I would like to collect effort for it. In that context, Japan had fulfilled a leadership role in Asia Pacific area and I have a strong expectation that Japan will lead other countries as the leader of Asia on this issue in the future as well.

The second, the problem is the cost difference of legal wood and non legal wood as Mr. Snow mentioned. I think we have no other choice but anticipating the number of companies which bear the additional cost for legal wood. As for countermeasure, significantly decreasing the price of non-legal wood could be one of the approaches. It is the serious problem of Russia that there is some cases resorting to illegal means to dodge or save taxes. To avoid this situation, I would like to make the trend not to buy the least expensive products, though thinking about the client of house building, it is natural that they want to have good quality homes as cheap as possible.

As I said before, this symposium is the much-awaited opportunity to work together. I would like to show dedication to human happiness and environmental conservation by getting over the economic crisis we are experiencing now, by increasing much more legal wood which is environmentally sound. Thank you very much.”

**Shin Nagata;**

Thank you. Mr. Ohashi, do you have any comment in this context?

**Yasuhiro Ohashi;**

Today, all of us attending this symposium have a hard time from the situation of less house building and less wood demand in Japan. I think Mr. Sidorenko also has a hard time in Russia, such as the increase of import tax of automobile and export tax of wood. All of us are in a tough situation but I would like to get through this by exchanging information and discussion.

As Mr. Zhu and Mr. Sidorenko mentioned, Japan should require the legality more before requesting the export with legal claim on a voluntary basis. That’s always been the plan for our Association. Hence, we will continue to request it and hope the exporters will meet our needs. Unfortunately, the current market trend is depressed and trading of wood is extremely slow. However, I believe we will leave the recession certainly and spring will come. Despite this recession, the government and industries in Japan all focus on the economic rebound. This includes the reconstruction of the wood industry. As a Japanese, I would like to support the industrial restoration of Japanese domestic wood, however, I cannot do it too much because I don’t want to lose my Association and my job there. Hence, I would like the system that ensures the well-balanced coexistence of domestic wood and imported wood considering each advantage and disadvantage.

I just assume that there will be the difference at least by the presence of legality claim for the same quality and same price products. I am afraid but it is difficult for a while to add incentive for the legality. But I hope that the day will come when Goho-wood is to be chosen always. For this, I think the imported wood needs the legality verification at least to win the domestic wood. Therefore, to achieve the coexistence of both Japanese domestic wood and overseas imported wood, at least imported wood should have the claim of legality otherwise it will be difficult to use sometime in the future. Please take well notice on that, and we will greatly appreciate your further support from now on.

**Shin Nagata;**

Thank you. It is getting close to the termination time of the session. Lastly, I would like to ask Dr. Freezailah to give a comment as a whole.

**B.C.Y. Freezailah;**

Thank you for giving me another opportunity to make some remarks.

I must confess that I'm getting rather concerned about the future of tropical forests and tropical forestry, and my concern is more directed toward the natural tropical forests, as distinct and as different from forest plantations in tropical countries, because the natural tropical forest is so rich in biodiversity. It needs a special sort of focus and consideration.

Now many of you may recall that in the late 70's there was a great deal of controversy about harvesting of tropical forests and there were calls for boycott of tropical timber. This fizzled out after some time because it was realized that killing the trade in tropical timber will not solve the problem of tropical forestry. It'll make it worse.

But I think the cycle is now being repeated.

There's now growing pressure on tropical countries to sustainably manage their forests, to conserve their forests and to earn their forest certification. If this pressure continues, my concern and worry is that it may be in effect like an indirect boycott of tropical timber. It will have the same effect as in the late 70's and this will have serious unintended consequences. I think it is very important that all measures should contribute to the tropical timber trade, but a tropical timber trade which is more structured, which is more in line of taking shape and moving us toward legality and sustainability.

Now let me also share with you another thought which I have about the sustainable management of the natural tropical forests. The tropical rain forest is very rich in species, but the commercial timber productivity is very low. We are talking only about 1 or 2 cubic meters per hectare per annum. Although the biomass is very productive, very high, but out of the biomass only a few cubic meters are of commercial timber importance, yet the biomass from the other tree species must be protected for purposes of biodiversity. And we know that 10 hectares of forests in Kalimantan, for example, will have the same number of species as from the entire North American continent, which have to be protected.

If we have a forest plantation in tropical countries, we can get a productivity maybe of at least 20 cubic meters per hectare per annum. In Brazil, the forest plantations there are producing about 40 cubic meters per hectare per annum. And under experimental conditions, they have demonstrated they can even push the production to 80. And compare this with the commercial timber productivity of natural tropical forests. So I think we must always bear this in mind when we think about prices and costs of sustainable management of natural tropical forests.

The issue of costs and need for incentives has been stressed and I don't need to mention this anymore. But I feel that we are in partnership in terms of promoting trade in legal timber. The exporting country must take concrete measures. The importing country also must take concrete measures. We must more trust each other so that we can meet somewhere.

I do feel that for the promotion of Goho-wood, Japan can be a bit more assertive and ask for a little bit more formal certification, maybe not as much as what is required under the EU Voluntary Partnership Agreement, but I think it must go a little bit more in that direction. That's why I suggested that maybe the licensing authorities in developing countries for the export of tropical timber should make a formal declaration that they are complying with the legislation of the law in their countries, and in order to avoid difficulties and controversy, those laws must be listed.

This will avoid difficulties, and for this purpose there must be some formal forum, some consultation between exporting and importing countries, between Japan and Malaysia for example, to make a listing of all the laws which must be followed. Maybe at the first stage we do not list all the laws, certainly some laws and after due implementation, when we have gained experience and confidence, and when certain market benefits are seen, then we can strengthen that. We can include more laws in this vision. But there is inertia to get something started. Getting started I think will be a major breakthrough for us to make a great deal of progress.

When asking for laws and regulations to be implemented by the exporting country, especially for developing tropical countries, we must always bear in mind the costs involved; not only the costs involved, the trained manpower needed to implement forest management. I mean I'll draw an analogy between the Kyoto Protocol and sustainable forest management. For example, in the Kyoto Protocol, we are not asking for a complete reduction of CO<sub>2</sub> emissions. We are doing it by stages. Similarly, in the sustainable management of natural tropical forest, we can also do by stages.

We must also not forget there is a clear and positive correlation between environmental

care and protection and GDP of a country. The richer a country is, the more it can have in terms of financial resources to take care and protect the environment, including sustainable forest management and also the skills and knowledge and trained manpower needed. So I think we must always bear this in mind when we talk about what we should do in terms of requirements for legality. That's why I did mention in my statement earlier there needs to be formal discussion between Japan and Malaysia to make a listing of the laws that must be implemented and also the dialogue to develop procedures so that this thing can happen in a smooth and efficient manner.

So these are some of the thoughts I have. We have a long way to go. I think progress will be very slow and in small steps. But any step in that direction I think means progress, and progress is what we are looking for. Thank you Mr. Chairman.”

**Shin Nagata;**

Thank you. It was quite a wide-ranging discussion including some suggestions and we have almost run out of time. So I don't have time to summarize but I would like to give just one idea. In fact, I studied economics in the United States, so I have something on my mind for the cost curve in the presentation of Mr. Snow.

Mr. Snow suggested increasing the cost of illegal wood by adding the risk of illegality, though I think there is another way to resolve this problem. In that figure, there was only the supply curve but no demand curve. My idea is that we can make another solution by effort to increase the demand of legal wood and decrease the demand of illegal wood. It is very important to save the cost as possible. In Japan, we achieved it by the accreditation system by industry association.

As for the further promotion of this system and as for the definition of the legality, as Dr. Freezailah suggested, I think it is very important to base it on dialogue with each country to find the solution for this. I think everyone wants to give more remarks but we are almost running out of time, but Mr. Snow, would you like to make the final comment?

**Michael Snow;**

Thank you. I worry about time but I just want to make one point that I think it is important.

This type of symposium with all of us in the wood industry being together, I think it is extremely important because too often we look at Russian wood as the competition, domestic wood - import wood competition, China wood competition. No. The competition is not other wood. If we look at this beautiful room that we are in, this beautiful floor, beautiful ceiling, but you are sitting on the steel chairs at plastic desks. Our competition is not each other. If we all work together to increase the demand curve for wood, for the sustainability for its environmental credentials, all of us in this room will be better off.

Thank you.

**Shin Nagata;**

Thank you very much.





## Part 2: Issues and Prospects toward the Promotion of the Use of Goho-wood in the Japanese Market

### 【Outline】

The issue proposed by Part 1 is that procurement activity in the Japanese market has an important impact on other nations' efforts against illegal logging. In the context of this proposal, parties from the demand and supply sides as well as administrators will discuss the issues and the “issues and prospects for the further development of goho wood/sustainable wood and wood products,” specifically the following points: 1) system development for expanding and stabilizing procurement, 2) supply-side efforts such as public relations, 3) supplier trustworthiness, and 4) collaboration between the demand side and supply side.



### 【Brief Introduction of Panelists】

#### Hiroaki Kakizawa

Professor, Graduate School of Agriculture at Hokkaido University

Hiroaki Kakizawa, after assuming the position of a research associate and then an associate professor of the Faculty of Agriculture, is currently Professor at the Graduate School of Agriculture, Hokkaido University. He received his master's degree in Agriculture in 1984, from Hokkaido University. He specializes in forest policy, and has studied the creation of mechanisms for sustainable forest management, and Russian forest management and policies. His major published works include "Ecosystem Management" and "Russia: *Shinrin Taikoku no Naijitsu* (The Reality of a Forest Giant)." His interest in the problem of illegal logging was sparked by his study of Russian forest policies.



#### Toshiyuki Akagi

Director of Wood Products Trade Office, Forestry Agency

Toshiyuki Akagi has been with the Forestry Agency since 1982. He served with the Embassy of Japan in Malaysia, Hidaka District Forestry Office in Hokkaido and the Forest Bureau of Kochi Prefecture before being appointed the Director of the Wood Products Trade Office in April 2008. In his previous post, he was involved in drafting forest carbon sink strategy and other initiatives in his capacity as the Forestry Agency's contact person for anti-global warming measures. In his current position, he has total oversight of trade issues such as WTO negotiations and economic partnership agreements, as well as domestic and international efforts related to fighting illegal logging. On the latter front, he is currently working on the promotion of goho-wood certification system and on strengthening cooperation with timber-producing countries.



### **Yuji Abe**

General Manager, Environmental Policy Department, Okamura Corporation

Yuji Abe joined Okamura Corporation in 1978, and managed chair and table production, procurement, material and delivery in its manufacturing department for approximately two decades. He then took charge of the procurement of basic materials and purchase planning with the purchasing department for eight years. Since 2006, he has been the General Manager of the Environmental Solutions Department (currently the Environmental Policy Department), as well as a member of Japan Office Institutional Furniture Association's (JOIFA) environmental working group and a board member of the Green Purchasing Network.



### **Satoshi Nakagawa**

Director of Distribution Department, Wooden Home Builders Association of Japan (Mokujukyo)

Toshi Nakagawa joined Matsushita Electric Works (currently Panasonic) in 1975, and worked on research and product development for housing and facility components and residential construction process with the Corporate R&D Center. In 1995, on the launch of Matsuhita Electric Works Techno-Structure Co., Ltd., he was named a company director. Techno-structure construction is a wood-frame construction method that uses compound beams of lightweight steel and wood, and is applied to approximately 4000 homes annually; Nakagawa instituted mandatory precision structural calculation for each project. Since 2006, he has been Director of Materials and Distribution Department at Mokujukyo Association, and has been working to promote domestically-sourced timber and serving as a member of the Home History Committee.



### **Azumi Kawabe**

General Manager, Wood Materials Department, Strategic Resource Management Division, Oji Paper Co., Ltd.

Born in Shizuoka Prefecture, Azumi Kawabe has been with Oji Paper Co., Ltd. since 1982, after graduating from Forest Studies Department, Faculty of Agriculture, the University of Tokyo. He has worked at Oji's domestic plants, and also at its overseas offices in Seattle, Atlanta and Vancouver, before being appointed to his current post in 2007.



### **Toshikazu Kutsuzawa**

Managing Director, Kutsuzawa Seizaisho

Born in Akita Prefecture in 1969, Toshikazu Kutsuzawa completed the first part of a doctoral course in engineering (architecture) at Graduate School of Tohoku Institute of Technology. He joined Nice Corporation in 1996, then Kutsuzawa Seizaisho in 2003, and became Managing Director in 2007. At Nice, he was with the Sagami-hara Office's Sales Section before working for five years at the Tokyo Metropolitan Area Precut Section (traditional, metalware, 2x4, panel). He also served as an in-house as well as visiting instructor on precuts, lumber and interior fittings. At Kutsuzawa Seizaisho, he incorporates the needs he learned of further down the supply chain while working with proposals from up the same chain. Kutsuzawa serves as a board member of the Akita Wood Technology Transfer Foundation, and is a member of the Akita Prefectural Government's Prefectural Timber Trade Expansion Council.



### **Kazuo Suzuki**

President, Tokai Mokuzai Sogo Shijo Corporation

Kazuo Suzuki joined Zaiso Timber Co., Ltd. in 1966, and was appointed the representative director and chairman in 2009. He was named President of Zaiso House in 1998. Currently Suzuki also serves as Vice President of Japan Federation of Wood Industry Associations, President of Aichi Federation of Wood Industry Associations and the head of the Nagoya Lumber Union.



## Proceedings of the Panel Discussion Part II

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### **Hiroaki Kakizawa;**

I'm Kakizawa from Hokkaido University. It is my pleasure to coordinate Part II panel discussion as chairman. Part II is going to focus on the issues and prospects toward the promotion of the use of Goho-wood in the Japanese market. I'd like to summarize the Part I session before we start. In Part I, we heard that each country addresses the demand trend of legal wood from buyer countries including Japan. In this situation, the incentive is extremely important to increase the legal wood supply and it is necessary to require the legality from Japan to promote the legality verification in each country. For this, first of all, I think it will be the basis that Goho-wood becomes common all around Japan and gains more recognition in the Japanese market.

We are going to discuss the demand expansion of legality verified wood with the representatives of demand side and supply side who are very actively promoting Goho-wood. Regarding the profile of panelists, please check the brochure.

Now, for the demand side, I would like to give you 10 minutes to make remarks for 3 points: the trend and recognition of Goho-wood procurement, the promotional challenges and the suggestions for better promotion.

### **Yuji Abe;**

I'm Abe from Okamura Corporation. We are an office furniture industry, not like big industries such as home construction or pulp and paper, our industry is consisted of companies big and small. Even the big company gains 200 billion yen annually; hence, it is not that big. In the case of office furniture, it is subject to control by the Green Purchase Act (GPA) and we have about 20% of demand from public offices and quasi-organizations.

Our industry faces a big challenge when 20% of customers demand and/or stipulation by GPA, we have to totally adjust products to the regulations. Therefore, most of our products meets the GPA and carries the environmental indicator.

In addition to the public office, there are customers from business enterprises and relatively less as general consumers. Our industry handles products like the tables and chairs you are using here now, but as for wood material, we mostly use MDF and particle board. Other materials we use are steel, plastic and fiber. We distribute such products as GPA conforming items. We do not declare the legality of wood for customers on every and each sale but we recognize that the products sold with GPA claim obviously indicate that it used legal wood. We are working as the supplier of Goho-wood, and also we are working as the demander to purchase and use the Goho-wood for our products. We are using the industry association's accreditation system from both aspects as supplier and demander.

As Mr. Nagata said in Part I, I recognize that we use wood at the same time we always take social risks. I think the recent demand of wood legality is a big proposition for us, though it is not very feasible for such small scale industry to verify all material up to the source of origin. Even just my company uses thousands of parts and dozens of species. It is very difficult to check all materials varied in size from small to large, but I want to start from where feasible. However, I can say it is practically impossible. So I think the industrial association accreditation system is very important to implement the use of Goho-wood. That's why it is important to improve the credibility of this system.

As for the promotional challenges, as I said we have something depending on the system, so it would be better if the system ensures the stable supply volume, ease of verification and ease of operation. As the position of supplying the products, we have to understand the system properly and maintain it. Hence, we have to check the procedures to verify the legality and how we manage the annual renewal. Also, if there is room to improve the system itself, we need to address it. That is the challenges of our industry.

Not as the representative of industry, but as our company, we have already started the

verification of legality of some part of the material. We are working to check on species based on the CITES list. In recent years, we have faced the scandal of “eco disguise”. We are carefully implementing the method to maintain and audit the forest certification system under the ISO system to prevent the system’s deterioration.

Recently, my company launched the wood use policy. We do not use that much wood, but as a demander, we have to ensure our responsibility by showing the basic attitude toward society. Also, I hope it will trigger the wood product development in the future. That is all from the furniture industry. Thank you very much.

**Hiroaki Kakizawa;**

Thank you. And next, I’d like to ask Mr. Kawabe to make your remarks.

**Azumi Kawabe;**

I’m Kawabe from Oji Paper Co. Ltd. I was introduced today as the representative of paper industry, but I would like to talk as a representative of Oji Paper and share with you what is going on in my company. But I think you can regard that other major paper companies also implement a similar approach and have similar thoughts.

Oji Paper purchases chip mostly following the original verification approach by individual company. We established a rule and procurement policy for wood material for input. The domestic chip material can be roughly divided into the chip from round wood and chip from wood waste at mill. As for the round wood chip, it is all traceable. Therefore, we can say that the chip which is purchased by the paper companies is all legal wood.

In the case of the paper industry, as you may know already, because there was the external perspective that we are exhausting forest resources for quite a long time, we started to address the legality verification system and traceability system earlier than the government launched. To improve the credibility, now we have a double or treble legality checking system by conducting the audit by Japan Paper Association, and the third-party committee, and part of suppliers use the FSC or PEFC certified wood at their sites. As for domestic chip, there is not the certification system which can link through like CoC. We verify the legality by utilizing the industry association accreditation system. As I checked our supply again, I found out that almost 90% of the round wood chip suppliers have accreditation by industry association. I feel that the legality verification is broadly spread now.

As for the promotional challenges, I recognize at least major paper companies verify the legality commonly as I explained now. However, I also have to say that the volume of chip from waste at lumber mill is superior to the volume of round wood chip. The waste wood chip is exempt from the verification scope because it utilizes the waste wood. I think it is an adequate concept but the social trend demands a higher level, and recently there is the flow to require the verification of legality and sustainability on reclaimed waste wood. I’m sure in the future that the domestic lumber mills need to verify the legality and sustainability for round wood material. And quite frankly, I am concerned whether they can make that much response.

As for suggestion of system promotion, as I already told, there is the flow to require the detailed verification of legality and sustainability, but I feel it is quite difficult especially for small enterprises. I think it is almost impossible for small lumber mills which use the imported wood to go and check all the way to the source of origin. I don’t have any idea for concrete method of verification including the sustainability. Therefore, I think we need to approach the extended interpretation of the source of origin of imported wood under the industry association accreditation system to increase utility and spread the use and recognition of whole system.

**Hiroaki Kakizawa;**

Thank you. I’d like to ask Mr. Nakagawa to make your remarks.

**Satoshi Nakagawa;**

I'm Nakagawa from Wooden Home Builders Association of Japan. Just now, I was introduced as we make aggressive effort to promote the legality, but the truth is that our industry has weak awareness of the legality at present. Of course, the major companies such as Sumitomo Forestry and Sekisui are addressing quite positively on it, though, as for the legality, we do not reach the level that we can proudly state that we work concretely and positively.

Today, I'm afraid it is not exactly about the legality, but just for information I brought the draft survey related to use of domestic material that we just have conducted recently. Our association has about 400 member companies in total. We issued questionnaires to 331 member companies which supply wooden frame houses and collected the responses from 160 companies. Please keep in mind that this survey focuses on the use of domestic wood, not limited to legal wood. I would like to share the trend outline we can tell from the draft result of this survey.

As you know, the construction frame material includes various parts such as posts and beams. As for the stand column and continuous column, more than half of the total volume is material harvested in Japan. Previously, the percentage of domestic material of those parts was smaller. This is because of the huge improvement of drying technology at the lumber mills, the supplier's effort. Also, it is because of the less cost of dried cedar and larch. On the other hand, about 90% of the plate parts are imported wood. Moreover, it loses ground to laminated wood. The used amount of each part is less than 4m<sup>3</sup> for stand column. The plate is used more than any other parts in the whole construction frame of house and now most of these parts are imported laminated wood. It would be good if I can show you the data to suggest the situation of legality but there is none.

As for the legality, most of our industry depends on the suppliers' effort such as traders, merchants and pre-cut factories.

When respondents were asked why they use the domestic wood, the largest number of companies answered the broadened recognition of local production for local consumption and the good image are the background for it. I assume that domestic wood has a good image because it has less risk of illegality.

As for our challenges, we cannot help but emphasizing the performance and cost of the material rather than the legality in this stagnant economy.

As for the promotion, under the current situation, the system we have at present is the best, but from the point of view as the demander, I want to see some statement on product. For example, as for domestic wood, I want to see the production area at least. Especially, the regulation standard of construction frame is getting stricter. Also, the Housing Quality Assurance Act is now in effect. Now we hardly use the material that is unidentified or uncontrolled. The legality is important, but what we really need to check is the strength of the material.

Why is the laminated wood increasing for plate? This is because JAS requires labeling the strength and species for laminated wood. It matches the trend emphasizing the performance of material. Therefore, I think if the posts and beam carry the description of performance and legality, the demand will increase. If the product has the clear claim of the legality, it becomes easier to use and easier to take advantage as marketing tool appealing to the end-users. I understand that it is quite a challenge, but I think any kind of on-product claim should be established.

**Hiroaki Kakizawa;**

Thank you. Now we just have heard the current situation and future challenges as well as some point of controversy from three representative of demander side and let me summarize the points.

First, the Green Purchase Act fulfills an important role to distribute the legal wood in the office furniture industry. Second, the industry association accreditation system undertakes a big role to ensure the legal wood. From the demander side, GPA and the accreditation

system perform quite important roles to implement the Goho-wood. Also, the demander side makes voluntary efforts, such as establishing its own wood procurement policy.

As for the challenges of the accreditation system, there was suggestion that the important thing is ensuring the credibility, ease to verify, ease to maintain and how to utilize the system.

As for promotion, it is important to prepare the on-product claim including the legality, strength and species to expand the demand.

There was the controversial point regarding the reclaimed waste wood and we need some countermeasure for this issue as well.

That's it from the demand side. Based on that, now we would like to discuss what responses should be taken by the supplier side. I would like Mr. Akagi, Forestry Agency, to talk about what the government worked on for 3 years since the GPA started, and also the comments regarding the context we just heard from the demander side.

### **Toshiyuki Akagi;**

I'm Akagi from the Forestry Agency. I would like to speak on what we did as the government sector and what we will do based on the suggestions from demanders.

As was discussed in the Part I session, I think it is fundamental to increase wood demand. If we do not have the demand itself, the system we made will not be expanded as Mr. Snow said as well. First of all, we have to increase the demand. The Forestry Agency has the policy concentrating on the demand expansion of wood for public buildings as well as residential houses. There are difficult rules, such as the Building Standards Act, but we are making a lot of efforts to overcome those difficulties. I think we have to utilize wood and then we have to use the wood verified for its legality and sustainability.

As the result of our various efforts, the number of accreditation industry associations reached 136 organizations. Most of them are the wood related associations. The number of companies accredited is now 7,410. Under this business depression, the record decreased a little, but was 7,410 at the end of March 2009. Seeing the items of supplied legal wood, log production covers 65%, processed wood 41%, imported veneer etc. 83%.

As for the national and prefectural governments, it is not mandatory to purchase the legal wood at the prefecture level following the GPA, though each prefecture defined their procurement policy based on the GPA. All 47 prefectures in Japan decided to use legal wood when applicable. There is some point that should be observed but the prefecture government has established the system like this.

Goho-wood was launched in 2006 and until now 3 and half years have passed. Last year, the Council for Tackling Illegal Logging and Promotion of Goho-wood had discussion for a year, and submitted the output as suggestions to us. Let me share the suggested agenda from the Council; 1) the definition of legality especially for the imported wood verification; 2) measures to improve the credibility of verification method; 3) reduction of cost, working to develop the method with less cost; 4) promotion for demanders, promotion of the use or incentives; 5) measure for ensuring stable supply.

Based on these and the suggestion from panelists now, I think we have 3 main challenges we are facing now;

- 1) All-out effort by the government bodies;
- 2) Promotion for consumers. Not many people know the Goho-wood. We have to make adequate supply of information to consumers;
- 3) Improvement of system credibility. At the same time with promotional effort, we have to ensure the concrete credibility of the system.

First, as for the all-out effort by the government bodies, central government should collect the legality evidence as required by the law. The Forestry Agency implements it 100% perfectly but when we see the other ministries, they are not always achieving 100% of their procurement. We want to work together with the Ministry of Environment to ensure implementation. The local public bodies also have the policy, so we want to support them to ensure the implementation of the policy. On the other hand, we must seek the support

to use the legal wood only when they use the wood under assistance of industry by the government.

In particular, the Ministry of Agriculture, Forestry and Fisheries' wood use promotion plan is put out as a news release today on December 10, 2009. This plan aims to take the initiative by Ministry of Agriculture, Forestry and Fisheries to promote the wood use for public works, facilities improvement of assistant industry and purchase of goods. It intends to use the legality verified wood and also the thinnings. Moreover, it is our mission to spread this effort from the government bodies to general consumers.

For the second issue, we are suffering over what we should do for promoting to the consumers. I'm afraid it is a very common method but I think we are going to appeal to consumers by PR activity, such as poster and mass-communications. Now 7,410 companies have the accreditation but it is mostly constructed by lumber mills and wood industries. The middleman and industry close to the end consumers are not linked yet that much.

The eco products exhibition is now held at Big Site. I would like to spread the recognition through such exhibitions including DIY Show.

Third, as for improvement of credibility, there was the suggestion of on-product claim. The Goho-wood has a recommendation mark but there is little precedent to attach the mark on the sales product. I think it is difficult but we must work for it at least. We need to discuss about it as we recognize that the claim is necessary. It is still under consideration but there are other ideas such as developing the database of accredited companies to improve the credibility or reviewing how far we can implement the third-party monitoring. As for the imported wood, we are researching to identify the distribution pathway of wood. Through these efforts, we need to improve the credibility of the system itself.

That is my remarks and the Forestry Agency will work further not to distribute the illegal logged wood in Japan. I ask for your kind understanding and cooperation."

### **Hiroaki Kakizawa;**

Thank you Mr. Akagi. In contrast, the supply system of legal wood is well developed now. There are three main issues left: how the government bodies ensure the green procurement; how to increase the consumers' recognition; and how to improve the system credibility. Also he explained what the Forest Agency addresses for those issues. Next, I would like to hear from the supplier side. In context of the demanders opinion and suggestions, please share your opinions or the efforts and future challenges. Mr. Kutsuzawa, please.

### **Toshikazu Kutsuzawa;**

I'm Kutsuzawa from Kutsuzawa Seizaisho, running the lumber mill in Akita. As the point of promotion, I sometimes have the seminar and lectures in my hometown as I've already explained in the morning, though, the end consumers reaction is normally "What is the legal wood?". When I tell them about the Goho-wood, they respond "It is nothing special" but if I explain them the background such as sustainable society, then it seems like they understand a little bit about this situation. As Mr. Akagi and Mr. Nakagawa just said, there is nothing but documentation to prove and appeal for Goho-wood. If my understanding is right, the Goho-wood mark cannot be attached on the product under the current rule. If there is the promotional mark on product that is easy to understand even by children, I feel it could be easier to explain about this system.

My company produces lumber, tub, barrel and small wooden craft by Akita cedar. One of our lumber buyers is a DIY shop and they often say that they want to sell the legal wood but we are too small a company to prepare the promotion yet. I have never been ordered for the legality for tub and barrel, but as for the small wooden craft, sometimes I have the order with specification of the legality. As for sake barrel, I sell 200-300 pieces every month to the sake cellars. As for pickle tub, used for pressed Sushi with salmon, trout or sandfish, I haven't received order specifying the legality. I think the reason is that the buyers know that cedar sake barrel and cedar pickle tub make them the most delicious.



That is how Akita cedar has the incentive for food storage container. As Mr. Nakagawa mentioned, the cost and performance superior the legality for the products trace a lot of steps during the distribution and manufacture. In this context, I think we should return to the basics and re-investigate the basic performance and advantage of wood to lead the incentive.

Lastly, the challenges. I feel the sustainability of forests is all too ignored. The wood price depression is ahead of reforestation. Principle 10 of the Forest law established the rule for reforestation but it is not mandatory. This has to be fixed under the law and we as users have to take the responsibility. It is important to recover the forest. My comment is not very definite but that is all from me now.

**Hiroaki Kakizawa;**

Thank you very much. Next, Mr. Suzuki please.

**Kazuo Suzuki;**

I run the timber market in the suburb of Nagoya. One is in Tobishima-mura, located next to harbor and the other one is in Oguchi Town; it is located in the suburb of Nagoya. From this May, I'm establishing the intermountain yard in Miniami, the very middle town of Japan. At Tobishima Market, the percentage of import wood is 40%, domestic 60%. At Oguchi Market, we handle logs and sawn lumber; the logs are 100% domestic wood, 75-80% of sawn lumber is domestic and about 20% is imported. At Minami, 100% of wood has Gifu verification. Our business is basically bidding. The wholesale dealers of logs are 80 companies, of lumber are 12. At Oguchi, the bid is opened on every Friday. On the busiest week, 20 sellers handle 5000m<sup>3</sup> to 300 buyers approximately. On average, we sell 1500-200m<sup>3</sup> to 100 buyers. The legality verified wood consisted 15% of total volume of log in 2007, 30% in 2008, becoming double. In the case of lumber, 0.5% in 2007, 5% in 2008. In 2009, I expect the increase of legal wood volume but I don't think it is increasing drastically. I assume at most 40% for log wood.

Next, about the problem we have. Like other panelists reported, there are a lot of cases that the legality claim is not attached on the shipping because it is not requested. We order the log to the loggers with the legality evidence, so the amount of legal log is increasing. However, the amount of legality verified lumber is stopped because the buyers do not request it. To break through it, we must inform the buyers. I forced my employees to add the legality claim on the transport documentation for all product which legality is assured. Wood industry Association of Aichi Prefecture also provides direction like that.

Meanwhile, JAS also has the same problem. Our JAS products are less than 20% of total solid lumber products. It did not become widespread because we did not claim JAS on the product. Most consumers do not know that the wood is a JAS product. Even my wife does not know that. Everyone think that JAS is only intended for food products. I think JAS and legal wood won't be spread unless we promote it. As Mr. Akagi said, it is important that government bodies must ensure what they require and we must make the most of an opportunity to appeal to consumers. In the meantime, I am working to spread among the lumber dealers in advance of consumers. I haven't made an appeal to the end consumers yet but I want to make some PR activity to the end consumer at the earliest opportunity.

The most difficult problem is the verification system. The yard in Minami exclusively has Gifu verification wood. Gifu is a leading prefecture because the prefectural government officers consist mainly of the promotion of Gifu verification wood with back up of the prefectural government. Aichi prefecture followed this trend this year. However, Aichi prefecture is not very supportive, so we organized the voluntary association to manage this approach. It will be more difficult in the days ahead. In fact, it costs a lot of money to trace back the origin of wood. It is also pretty difficult to maintain all documentation for 5 years. We decided on our own for Aichi verified wood, but we are going to charge 3 yen/m<sup>3</sup> for the log and 18 yen/m<sup>3</sup> for the sawn lumber. Also, I call for companies to be

engaged in the voluntary association to be the member.

Credibility and reliability is most important to maintain this system. If there is funding from other organizations or government bodies, that is even more appreciated. I would like your supports and I would like to ensure our products have entire verification of legality. Thank you.

**Hiroaki Kakizawa;**

Thank you very much. We have just got the comments from the representatives of supplier side. To improve the reliability of the verification system, it is a good idea to make the identifiable mark for the legal wood. To breakthrough the vicious loop of no request, no sales, it is important to have the educational opportunity and positive PR activity for buyers.

To advance this, we have to improve the credibility of the system constantly. And also there is a need for the comprehensive measure including the management of the forest to address the problem of low reforestation rate. Those are the summarized points from the supplier side.

As Mr. Akagi and Mr. Suzuki also made a point, one of the main issues is how we raise the awareness of the general consumers. The representatives of the demand side on the stage here are also the demander as the end consumers. In this context, what is your view to disseminate the legality verification to the general consumers? First, please Mr Abe. Could you make comments what is the important point in the case of customers other than the public sector.

**Yuji Abe;**

In the case of office furniture industry, B to B is common, our main customer limited to the enterprise and organization. So we sometimes get the inquiry and request of the legality verified or certified products from rather big companies.

Recently, some customers offices apply LEED under USGBC. Those customers demand the certified product. But I feel the customers don't have strong awareness of the wood legality as a whole. Therefore, if there are more PR activities, it will get easier to market the products. The problem we have due to the lack of awareness among the customers is that a lot of cheap products are widespread in the market. As we say "Bad money drives out good". I often find the products which are hardly acceptable, such as mail-order business. It sounds bad, but there is a possibility of the emergence of companies which don't take responsibility of its sold product. I think we have to contain such a situation so the market won't be expanded.

**Hiroaki Kakizawa;**

Thank you very much. Next, Mr. Kawabe, I suppose there are a variety of demanders you have. Could you make your comments?

**Azumi Kawabe;**

I represent the paper and pulp industry so of course, we make and sell paper products. In the case of paper, as I've already explained before, because raw material of paper draws so much attention, there are a great number of end-users and middleman who are highly aware of the environmental issues. In fact, unless legality is assured 100% for the product, it is hardly accepted in the market.

But nowadays, imported paper is rapidly increasing. Honestly, those imported products do not usually have the legal verification. And now that the Japanese yen has become stronger, users prefer cheaper imported products. Imported paper products have greater share in the market now. The domestic paper industry works hard to use only legal wood, but ultimately, we can't win the cheaper competitor without legality verification. We would have to change the consciousness of consumers.

**Hiroaki Kakizawa;**

Thank you Mr. Kawabe. Next, Mr. Nakagawa. Could you make a comment?

**Satoshi Nakagawa;**

The house built by members of our association targets the end-users; general consumers mainly. It is a different market from the government procurement. Therefore we don't yet have very strong awareness of the system among the users.

The home eco point system was announced the day before yesterday. Wooden house is favored under this system. The consumers can get 300,000 credit points when they buy a wooden house featuring next-generation energy-saving facilities and high insulation. It is too late to say now but, if such system will be launched again in the future, not only requiring "wooden" but also it should require the legality or certification for the wood material used for the house to increase the interests by home builders.

I don't think the procedure of the legality verification takes a lot of trouble. So I hope the Forestry Agency and the Ministry of Land, Infrastructure, Transport and Tourism work in that direction, then we can expect the expansion of the Goho-wood."

**Hiroaki Kakizawa;**

Thank you. As mentioned before, to make the system better, we can work more on the PR activity and raise the awareness of end-users. Also we can gradually expand the linkage with other systems and we can develop the systematic incentive or nurture support. I think it is related to the keynote address and Part I discussion. That is it when taken together the comments.

Regarding the home building, Mr. Nakao, the representative of Domestic Certified Wood Promotion Council, attends here today. In light of comments given from the panelists so far, please make comments regarding promoting of the certified wood.

**Nakao;**

Thank you for appointing me. I'm Nakao and I'm the founder of Domestic Certified Wood Promotion Council. I am the expert of SGEC as well and I am working to promote the forest certification by enlightening the members mutually. SGEC, Sustainable Green Ecosystem Council, aims at sustainable forest management, not only focusing on the operation, such as pruning, considering the development of downstream production. We have big company members such as Oji Paper, Nippon Paper and Mitsui and about 20 construction companies throughout Japan. Those members build 300 houses at a maximum annually which use domestic wood exclusively. Now already 6 years passed since we have started to promote the domestic wood use. In 2003, SGEC was established and Oji and Nippon obtained the certification. I have run this council just by myself but I have had very good response so far. For 6 years, 500 certified houses have been ordered and built by the member companies. I would like to increase it more.

The public declaration by Democratic Party of Japan states the promotion of forest certification. Now it is not just a policy made by ministry. It is a national commitment and we must do something about the forest issue. Including the issue of 25% reduction goal of carbon emission, if we promote it with full force and expand it all over Japan, I believe we will make big progress in the days ahead.

In recent years, the Ministry of Land, Infrastructure, Transport and Tourism is performing a lot for wooden construction industry more than the Farm Ministry. Also the Cabinet Office is learning together with us, so I would like to seek for progress of Japanese forestry as well as the verification system. I'm almost reaching the average lifetime but I'll work hard. I'd like you to join me, join our association. Thank you.

**Hiroaki Kakizawa;**

Thank you. We have been talking about the legality but also it is obvious that

certification is important and to get the general public more interested in the management of Japanese forest and global forest. I think it is important to widespread it among the general public. I would like to call some comment from the floor regarding the discussion until now such as promotion of the Goho-wood. Anyone, please?

**Kazuo Suzuki;**

Let me give my opinion and request to Mr. Kawabe.

He said, the problem is that reclaimed waste wood chip has less legality. In that case, I think the legal wood will more easily widespread when you only buy chip with price premium from the lumber mill which only processes the legal wood. I think the board industry also has the same problem. I would appreciate your consideration of my opinion.

**Azumi Kawabe;**

It is quite difficult request you raised. First, our basic background is that we are now using raw material only with the legal verification other than reclaimed waste wood chip, and if the law is amended to require the legality verification for reclaimed waste wood, then we cannot use unidentifiable material. In short, if the lumber mill inputs the unidentifiable non-legal wood, paper cannot verify the legality either. We have such a strict perspective and there is the possibility that we need to prepare some kind of support such as the price premium along with the situation change. We must consider moment to moment. When the regulation enacts and stipulates the legality, then we have to follow the law and only purchase legality verified wood.

**Hiroaki Kakizawa;**

Is there anyone on the floor who wants to give comments about the promotion expansion? Excuse me for appointing suddenly Mr. Okazaki, as representative of the environment NGO. Could you make comments, please?

**Okazaki;**

Thank you for nominating me. I'm Okazaki from the international environment NGO FoE Japan. Anyway, we have worked for the Goho-wood promotion for a decade, and initially it was a countermeasure against illegal logging. So we used the illegal logging as the main keyword but as our focus changed, we launched the Fairwood Campaign which sounds similar with Goho-wood. "Fair" is for environment of course, and also for society. We call the wood as "Fairwood" which considers both environment and social impact. It is our coined word.

As we are an international environment NGO, we target the imported wood especially from tropical forest and Far East Russia. Including the wood imported from China by triangular trade, our campaign is calling on the legality and sustainability of forest. Recently, the name has changed to Fairwood Partners, and it is operated by the voluntary organization jointly managed by FoE Japan and Global Environmental Forum.

We got the large booth at Eco Products Exhibition and we exhibit the construction material with forest certification such as floor, wall and furniture. All products exhibited are certified by the forest certification scheme. The government and JFWIA work toward industry level but we are such a small organization, we focus the promotion on individual companies and general consumers by networking of Fairwood Partners. Specifically, we support the major home builder to make the wood procurement policy in their environment report. On the other hand, we collaborate with rather small furniture and interior manufacturers which are closer to the end consumers, to promote the certified furniture. We work in the very small niche market, so I don't expect spreading wide, but I would like to progress this activity.

**Hiroaki Kakizawa;**

Thank you very much. It is important for the environment conservation group to

promote the legal wood from the perspective of environment conservation. Also CSR activity is now enhanced by companies. Setting in those opportunities, they are working with certain companies to promote Goho-wood. From his comment, we understand that coordination or collaboration between different parties is expanding.

Is there any other comment or view from the floor?

Based upon the comments so far, would Mr. Kutsuzawa, Mr. Suzuki, the representative of supplier side, like to make a final comment on future initiative, need and challenge?

**Toshikazu Kutsuzawa;**

Well, actually our company doesn't do anything good enough to be praised but I appreciate this opportunity today that I can review what I have done with your cooperation. As I said, our company makes the sake barrel and sells them to cellars across the country. I think we can expand the demand of wood indirectly through tasty sake and tasty pickles. I would like you to look into your daily life. Thank you.

**Kazuo Suzuki;**

I've just talked about chip before, according to the forestry white paper, from 83 million m<sup>3</sup> of total wood use in Japan, chip consists about 45%. In the case of my company, domestic wood is only 24% and imported is 55%. So many Japanese woods disappear somewhere. There are many problems such as non-commercial thinning. For us, chip is the source of revenue. I wish that the legality solves all problems and bring us money. What all we need is your cooperation. And we will continue to address the issue of legality verification. Thank you very much.

**Hiroaki Kakizawa;**

Thank you very much. We heard the comments from both demand side and supplier side. Now let me invite Mr. Akagi again. As representative of government, please make the wrap-up comment.

**Toshiyuki Akagi;**

Various perspectives and opinions were provided from the panelists. As I have already mentioned, first of all it is a given fact that we have to encourage consumption of wood. Therefore, we, the Forestry Agency, work together with the Ministry of Land, Infrastructure, Transport and Tourism, beyond the jurisdiction of ministry, because housing administration such as the Housing Quality Assurance Act is the jurisdiction of the Ministry of Land, Infrastructure, Transport and Tourism. First, we have to increase the usage of wood in houses. Now, the Forestry Agency is addressing the direction to use the wood for public buildings as much as possible even though there is a lot of sticking points by the Building Standard Act.

The most important thing is stimulating the wood demand. When I think what we can do as the government body, I think the government procurement has quite a huge traction force, even if it is small in quantitative amount. But we can be a strong driver to expand the demand if the national government, prefectural government, city, town and village, all we use wood officially. I hope the government drives the private sector by showing the practice of using wood in public place. It is not exactly closing comment but that is all.

**Hiroaki Kakizawa;**

Thank you very much. It's about time to close the Part II panel discussion. Today we heard the reports of the positive work and remarks from the representatives from the demand side and supply side. As basic of all, it is necessary to educate the beauty of wood, importance of forest conservation and to link the demand of wood to the legality. As for the system of Goho-wood supply, it completed the step of establishment; now we are on the step of utilizing in practice. It is important how we promote and improve the system, how we build the coordination system. Also it is quite important how we appeal to the

general consumers. And for the situation that the linkage between the demand side and supply side is established little by little, it is important how we connect the cooperation.

In order to strengthen the cooperation of each sector, the government has to ensure the implementation of procurement regulation and/or policy, the basic of collaboration is that each party makes effort respectively. I hope to see more expansion of Goho-wood chain with your support in the future. We discussed how we can expand the demand of Goho-wood in this session. This panel discussion is adjourned now.

Next, before we enter the generalization of the symposium, regarding to Part I session, the head of forest industry of Indonesia embassy in Tokyo attends today. I would like to invite Ms. Sri Murniningtyas to give comment to share with us her impression from this symposium.

### **Murniningtyas;**

I have been listening carefully to the presentations and, of course, the keynote lectures, from which I have benefited from.

So I'd like to take this opportunity at this time to share with you the development of Goho-wood initiative in Indonesia that I believe will be complimentary to the previous presentation. Indonesia has taken a long journey to ensure the legality of its timber and timber products. Way back in 2002, the government of Indonesia had a memorandum of understanding with the UK government, Japan and with the United States on combating illegal logging among other action plans to develop timber legality standards. With the European Union, we are also in the process of negotiation on the VPA Initiative, the T-LAS scheme.

Illegal logging has caused big loss to Indonesia - loss of revenue, deforestation, impacts on communities and others.

The government has long ago decided to put an end to illegal logging in Indonesia. So the adoption of Indonesia-Japan action plan to combat illegal logging in 2003 was one of these efforts. We value our partnership with Japan.

Following that, in 2005, Presidential instruction was issued to provide a legal protection umbrella for more coordinated efforts in combating illegal logging. The war against illegal logging took significant effect. Many predators were arrested, tried and sentenced. Supplies of illegal logs in global market declined rapidly. Yet, many more need to be done.

In this light, came timber legality verification system initiative. The initiative brings both producing and consuming countries to share responsibility in combating illegal logging and its end. The process to develop standards and legality and organizational structure in Indonesia involves all stakeholders.

The standard and organizational framework has been tried in many concessions and industries and consulted to public in many occasions, to promote the principles of governance, credibility and representativeness. The debate and expression of conflicting interests made the process not an easy one, but it was a worthy journey.

The Japan Indonesia cooperation project on timber traceability being implemented has been contributive to this process. To this end, in June 2009, the government issued a regulation concerning standards and guidelines on assessment of performance of sustainable production forest management, and verification of timber legality for license holders and in private forests. This system has become most welcome by all stakeholders, by farms, and most ensuring that Indonesian timber can meet the requirement of Goho-wood. Thank you very much.

## Conclusion (provisional translation)

The panelists and participants of the Symposium held on 10th December 2009 confirmed the following;

- 1) Under the current serious global concern on climate change and loss of biodiversity,, illegal logging and trade in illegal timber, which are closely linked to these issues, combating illegal logging and trade in illegal timber , need our urgent and concerted efforts;
- 2) Whilst demand of legality verified wood is increasing, both exporters and importers face major challenges including the definition of legality and sustainability, methodology of verification and the provision of incentive s for such wood products;
- 3) Japan's system to supply legality verified wood (Goho-wood), a strategic approach toward the long term goal of achieving the production and trade of sustainable wood, should be better-known to overseas countries. Timber exportinmg countries, in cooperation with Japan, should be urged to supply Goho-wood to the Japanese market;
- 4) The urgent challenges in Japan's Goho-wood system is to increase the demand of goho-wood by resolving above mentioned problems and establishing credibility and trust of consumers;
- 5) Enhanced level of cooperation between suppliers and consumers and development of appropriate measures such as market incentives are important to increase demand of goho-wood as well as expanding use of wood in general which is eco-friendly in nature;
- 6) Bilateral dialogue and partnership between exporters and importers are needed with regards to feasible legality standards and incentives.

