

# **China's legal timber verification system**

**China Timber and Wood Products  
Distribution Association (CTWPDA)**

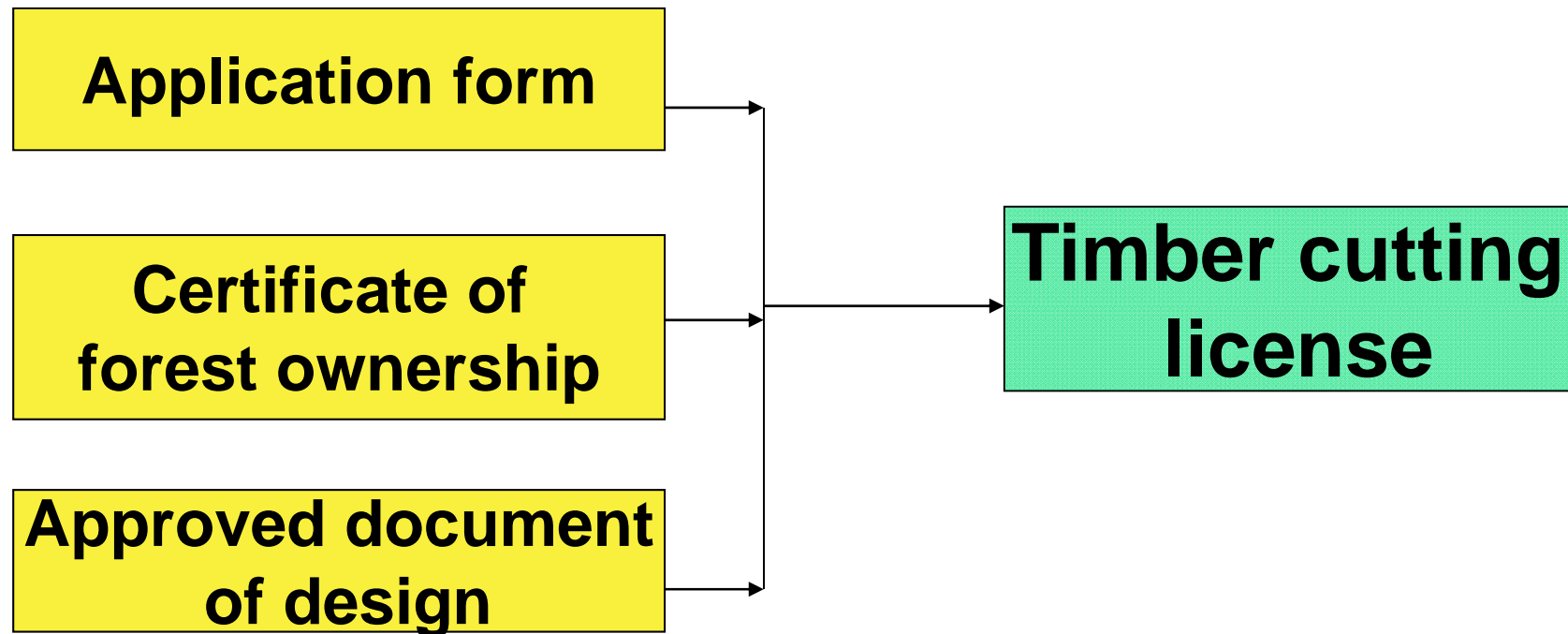
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# 1. Domestic timber

- **Domestic timber management is mainly reflected in timber cutting license, timber transportation license and timber processing license, the so-called “3 licenses” system.**
- **Article 32, Forest Law:** “Anyone who intends to cut down forest trees must apply for a cutting license and the cutting must be carried out pursuant to the provisions of the license; but exceptions should be made for rural inhabitants who intend to cut down scattered trees belonging to themselves and growing on plots of land allocated to them or around their houses.” “**For cutting** down forest trees by state-owned forestry enterprises and institutions, government agencies, army units, schools, etc., the cutting license should be issued by the competent forestry department at county level or above where they are located pursuant to relevant provisions upon examination and verification.” “**For cutting** down forest trees along railway and highway and those in cities and towns, cutting license should be issued by the competent department concerned upon examination.” “**Cutting licenses** for cutting down forest trees owned by rural collective economic organizations should be issued by the competent department at the county level upon examination.” “**Cutting licenses** required for rural inhabitants to cut down forest trees on hills allocated for their private use and those of the collective woods contracted out to individuals should be issued by the competent forestry department at the county level or the people’s government at the township or town level authorized by it.”

# Domestic timber: cutting license



- **Timber cutting license is designed by the National People's Congress, and implemented by the State Forestry Administration.**

# Domestic timber: cutting license

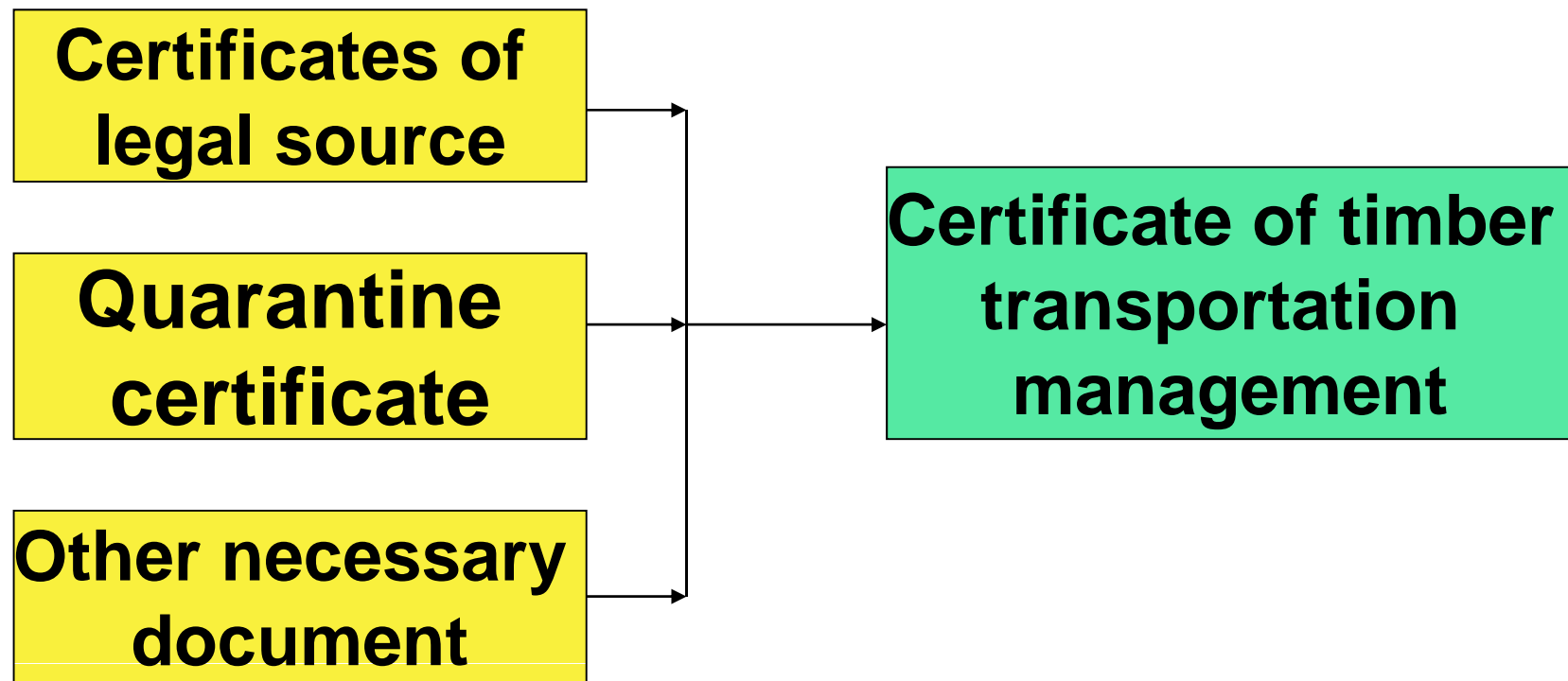
- Regulations on cutting quota: Annual quotas for cutting down forests and forest trees owned the state should be worked out, taking a state enterprise, institution, farm, factory or mine as a unit; for the forests and forest trees owned by the collective and those individually owned, annual quota should be worked out by taking the county as a unit;
- These quotas should then be aggregated and adjusted by the competent forestry departments of provinces, autonomous regions, or municipalities and examined by the government at the corresponding level, before they are submitted to the State Council for approval.

# Legal liability for illegal cutting

- **Whoever** illegally cuts down forest or trees, when less than 0.5 m<sup>3</sup> in volume, or less than 20 seedlings, will be instructed to plant 10 times the number of the illegal cut trees by the competent forestry department at county level or above , and, the timber or incomes obtained by selling illegal timber will be confiscated, and pay a fine of 3 to 5 times of timber value; **Whoever** illegally cuts down forest or trees, when larger than 0.5 m<sup>3</sup> in volume, or more than 20 seedlings, will be instructed to plant 10 times the number of the illegal cut trees by the competent forestry department at county level or above, and, the timber or incomes obtained by selling illegal timber will be confiscated, and pay a fine of 5 to 10 times of timber value; **Whoever** denudes forest or trees, when less than 2 m<sup>3</sup> or 50 seedlings, will be instructed to plant 5 times the number of the denuded trees by the competent forestry department at county, and pay a fine of 2 to 3 times of the timber denuded; **Whoever** denudes forest or trees, when larger than 2 m<sup>3</sup> or 50 seedlings, will be instructed to plant 5 times the number of the denuded trees by the competent forestry department at county, and pay a fine of 3 to 5 times of the timber denuded; **Whoever** deals with (or processes) timber in forest area without permission, the timber dealt with and incomes obtained from illegal business will be confiscated, and pay a fine of 2 times of the illegal income by the competent forestry government at county level or above .

# Domestic timber: transportation license

- Timber transportation license is designed by the State Council, and implemented by the State Forestry Administration.

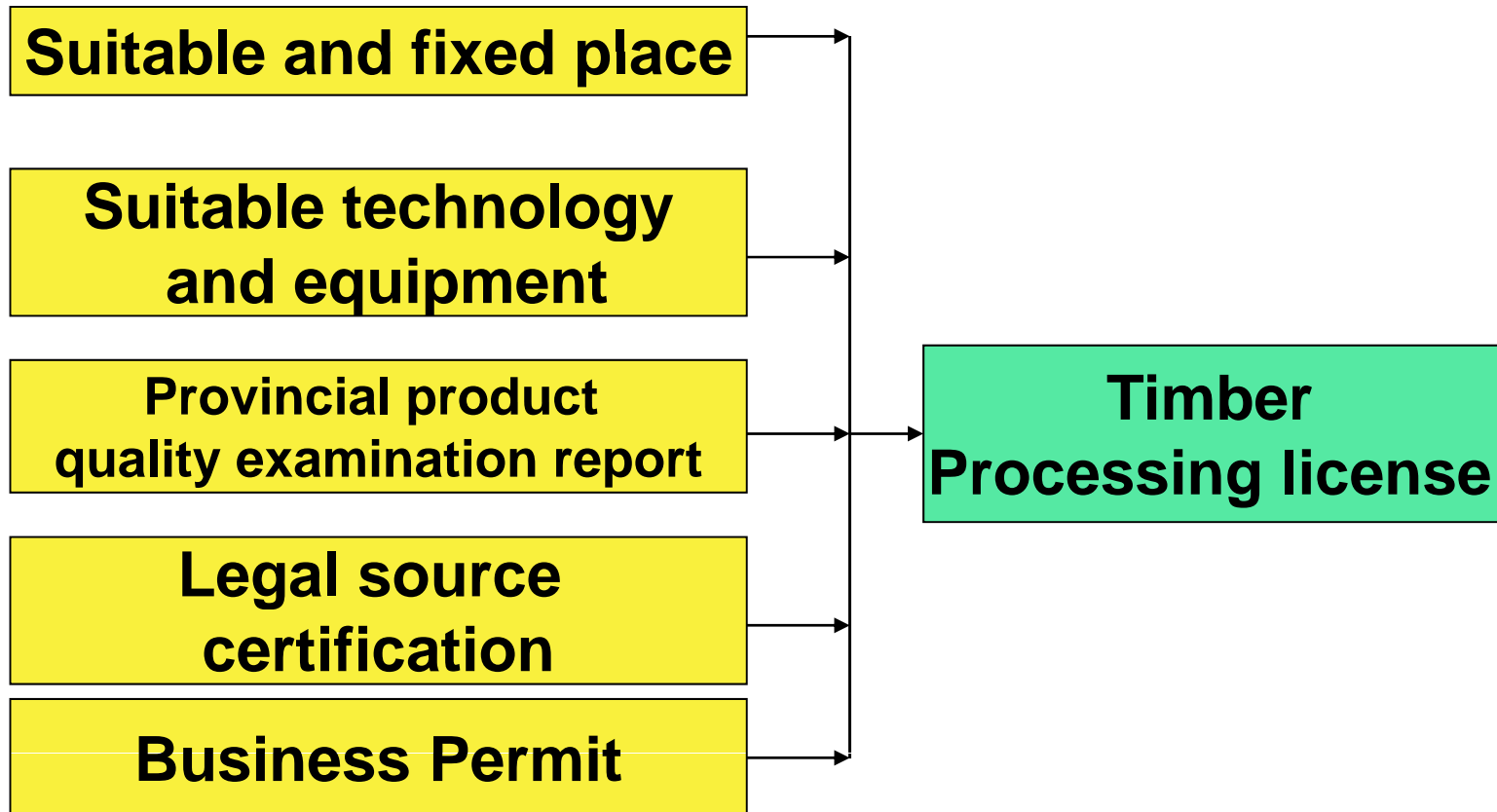


# Legal liability for transportation without license

- Timber transportation management is an important step to maintain regular order of timber transportation and to prevent illegal timber from entering distribution;
- The total quantity of timber transportation approved must not exceed the total quantity of timber sold and shipped out as designed by the local annual timber harvest plan;
- To those who transport timber without timber transportation license, their illegally transported timber will be confiscated by the competent forestry department at county level or above, and pay a fine of under 30% of the timber value;
- To those who transport timber using fake or altered timber transportation license, their illegally transported timber will be confiscated by the competent forestry department at county or above level, and pay a fine of under 10% to 50% of the timber value.

# Domestic timber: Processing license

- Timber transportation license is designed by the State Council, and implemented by the State Forestry Administration.





# China's domestic timber is legal

- It is necessary to get approved to deal with or process timber in forest areas by the competent forestry department at county level or above. Any timber dealing organizations or individuals are not allowed to purchase timber without cutting license or other legal source certificates;
- Therefore, it can be seen that in China the management by “3 licenses” can show the legality of domestic timber.

## 2. Import timber

### 1. Management of import timber in China

#### (1) Main government agencies

Concerning timber trade, Ministry of commerce and the State Forestry Administration are the main competent institutions; the General Administration of Customs is the supervision institution for imports and exports; General Administration of Quality Supervision, Inspection and Quarantine is responsible for quality supervision, inspection and quarantine. These four institutions fully cooperate, and form the management system of timber imports and exports.

## 2. Import timber

### (2) Related law and regulations

China has a strict supervision process to timber imports. Institutions including Ministry of Commerce, China Customs and the State Forestry Administration supervise timber and wood products imports and combat illegal activities together.

Related law and regulations include:

- 1. CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora)
- 2. Foreign Trade Law
- 3. Forest Law, and its implementation regulations
- 4. Customs Law
- 5. Import and Export Commodity Inspection law, and its implementation regulations
- 6. Law of Quarantine to Passing Customs, and its detailed implementation regulations
- 7. Management Regulations on import and export goods
- 8. Regulations on the Administration of the Import and Export of Endangered Wild Animals and Plants
- 9. Regulations on Wild Plants Protection
- 10. Administration Measures On Goods Export License

## 2. Import timber

(3) An introduction to policies and regulations

1. Customs

1.1 Import tax

- Since taking an open policy, China needs to protect its ecological environment and develop its economy at a high speed, and implements a policy of forbidding illegal logging and forest denudation, and encouraging timber imports. Imports of timber usually can be divided into two categories: roundwood and sawnwood. Now, zero tariff for roundwood and sawnwood. Quota management system for roundwood was abolished. Value-added tax rate for roundwood is 13%, for sawnwood it is 17%.

# 2. Import timber

## 1.2 Customs procedures

- When importing timber, it is necessary to submit following 7 documents to Customs:
- (1) **CONTRACT**(signed by two sides, provided by trade company);
- (2) **INVOICE**(issued by seller side, provided by trade company);
- (3) **B/L**(issued by shipment side, provided by trade company);
- (4) **PACKING LIST**(issued by consignor, provided by trade company);
- (5) **CERTIFICATE OF ORIGIN**, (issued by related department of the government at origin country, provided by trade company);
- (6) **Certificates of endangered species** (issued by endangered species department, provided by Customs clearance company);
- (7) **Inspection certification** (issued by inspection and quarantine agencies, provided by Customs clearance company).

# 3. Ideas on the verification of legal import timber

## (1) Definition

- Legal timber: Firstly, it is necessary to abide by forestry related regulations in each country, sourced from legal cutting, and forest management is undertaken in accordance with related domestic law. It should include the followings:

**legal cutting concession**, in accordance with regulations concerning forest management, environment, labor and welfare, health and safety, tax and copy rights, international treaties, such as CITES. As for the definition of legal timber, it should be made clear in the agreement by two signing countries. And it is also necessary to set up a list of regulations that should be abided by, which can be an important part of verification system for timber legality.

## 3. Ideas on the verification of legal import timber

- “Signing countries” implies those countries which sign the framework agreement for timber legality verification system;
- Timber legality verification system: For some concrete timber or wood product, suppliers should promise the legality of the source of the timber used. For imported products, certificates showing legality issued by “signing countries” can be used to verify its legality; or, it can be verified by certificates issued by internationally recognized forest certification schemes. As for import timber from countries other than “signing countries”, it is necessary to provide certificates to show timber legality or forest certificates.

# 3. Ideas on the verification of legal import timber

## (2) Basic principles

- 1. Respect every country's sovereign rights. A country is a social synthesis unit which is independent and inviolable. All the international regulations must take a full consideration of sovereign rights;
- 2. Abide by China's law and regulations, as the timber legality certificates are issued under the current framework of law and regulations;
- 3. Abide by WTO regulations and related international agreements, which is a measurement to enforce forest resources to develop sustainably and to protect ecological environment;
- 4. Benefit to developing countries, enforce the role of government.



### **3. Ideas on the verification of legal import timber**

- Timber export country should provide timber legality verification document: Through the negotiations between signing countries, the competent forestry department verify the legality of timber source to ensure that the timber is produced and exported legally, and issue unified legal document.

**Thank You !**