



**CHATHAM HOUSE**

**Summary –**

**Illegal Logging and Related Trade:  
2008 Assessment of the Global Response  
(Pilot study)**

Energy, Environment and Development Programme

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**The full study of which this paper is a summary, together with supporting documents, are available at:  
[www.illegal-logging.info/indicators](http://www.illegal-logging.info/indicators)**

## Introduction

Illegal logging and its related trade has for some years been recognised by international decision-makers as one of the world's most pressing environmental problems. In many timber-producing countries the majority of trees are illegally cut, resulting in significant losses of assets and revenues and devastating damage to the forests upon which hundreds of millions of the world's poorest people depend. As one of the principal drivers of deforestation and forest degradation worldwide, illegal logging is also a major contributor to global warming. More than ten years have now passed since the G8 leaders recognised the problem in 1998, and committed to act. During that time, large amounts of time and money have been spent trying to tackle the problem.

To see if all this effort has been worthwhile, over the last two years Chatham House has developed a methodology for assessing the effectiveness of the global response to illegal logging and associated trade. In addition to seeking to measure the ultimate end goal – changes in the extent of illegal logging and the volume of illegal wood in trade – this methodology also examines earlier phases of the response, including building awareness and political will, voluntary actions by the private sector, and the development and implementation of new policies and regulations by governments. Recognising the importance of demand as a driver, the methodology also looks beyond the borders of the countries directly affected, measuring the response in countries which consume illegal wood products or process the timber for re-export.

The indicators have been grouped under four major headings – awareness/attention, government policy development and implementation, private sector policy development and implementation, and levels of illegal logging and associated trade.

To support the assessment, Chatham House has developed and piloted two new tools. The first is a survey of experts, which includes questions related to the nature and scale of and trends in illegal logging, and also seeks to garner information on the responses of government and the private sector. The survey was targeted at 30–40 relevant experts in each producer country, with a range of respondents from government, the private sector, NGOs, academia and the donor community. In addition to the main producer country survey, a smaller survey aimed only at the private sector was developed for use in processing countries. The second new tool is a framework of 'ideal' policies, laws and regulations for tackling the problem against which producer, consumer and processing country governments can be assessed. These tools were developed with the assistance of an advisory group of international experts.

To test the methodology, the indicators were piloted in five countries: two 'producers' of illegal timber (Cameroon and Indonesia), one 'processor' of such timber (Vietnam) and two 'consumer' countries (the UK and US). Local partners were contracted to assist with the collection of data in Cameroon, Indonesia and Vietnam. The pilot assessment sought to gauge the state of the response at the end of 2008, though some indicators could only be judged for earlier time periods. Though the assessment was meant principally to provide a baseline, the pilot also sought, where possible, to measure changes in the response over time. A short summary of the results is given below.

Based on the lessons learned from the pilot, Chatham House will now adjust the methodology and apply it to a broader range of countries. In the longer term, Chatham House hopes to carry out regular reassessments every two years. By demonstrating value, such assessments should serve to bolster financial and political support for efforts to tackle illegal logging, and help target and shape future efforts.

## Summary and conclusions

Almost all the indicators showed improvements across the pilot countries, as the table below shows.

**Table: Trends in indicators during 2008**

	Producer		Process	Consumer	
	Indonesia	Cameroon	Vietnam	UK	USA
<b>Awareness</b>					
NGO reports - number increased	▼	↔	▲	▼	▼
Volume & nature of newspaper coverage - increasing	▲	▲	▲	▼	▼
<b>Government Policy Development &amp; Implementation</b>					
Ideal policy list - no. of policies in place improving				▲	▲
Enforcement & revenue capture data - indicate improvement	▲	▲			
Forest governance aid - increasing				▲▲	▲
Expert perceptions of government response - improving	▲	▲			
<b>Private Sector Policy Development &amp; Implementation</b>					
Certification & verification schemes - take-up increasing	▲	▲	▲	▲	▲
Price premiums & trade volumes for cert/verif timber increasing	▲	▲	▲	▲	▲
Diversion to less sensitive mkts decreasing	▲	▼			
Expert perceptions of progress by private sector - improving	▲	▲	▲		
<b>Actual Levels of Illegal Logging &amp; Associated Trade</b>					
Imbalance between legal supply & demand falling	▲▲	▲▲			
Illegal logging in sample national parks falling	▲	↔			
Trade data discrepancies falling	▲	▲	▲	▼	▲
Import-source assessment of illegally-sourced imps reducing			▼	▲	▼
Expert perceptions of scale of illegal logging & trade improving	▲	▲	▲		

*Note: indicators phrased to enable increasing trends (upward arrows) to represent improvement in all cases.*

Legend	
Rising trend - improvement - (double arrow - strong)	▲▲
Falling trend - worsening - (double arrow - strong)	▼▼
No significant change	↔
Improving / Already good	▲
Worsening / Remains poor	▼
Not relevant / not assessed	▨
Pattern inconclusive / only baseline available	▧

Of the four major areas, awareness is the only area of general concern: media coverage of illegal logging, together with the attention of NGOs, fell in a number of focus countries, partly in response to improvements in the problem and a shift towards less attention-grabbing policy development, and possibly also as a result of the growth in interest in other issues, particularly the role of forests in climate change. Though actions to tackle illegal logging now have considerable momentum, there is a risk that as the spotlight shifts, moves to deal with the problem may fail at the final hurdle.

The response of governments appeared to be improving, though many countries exhibited poor baselines, particularly Vietnam. It is to be hoped that the increased awareness of the problem shown there in the last year will help spur the government on to a greater response. The private sector also saw a positive response in almost all indicators across the pilot countries: though Cameroon saw a shift in trade towards less sensitive markets, this was very slight and did not appear to have been a response to efforts to control illegal logging.

Indicators of the levels of illegal logging and associated trade showed a marked improvement, particularly in the pilot producer countries. The apparent increase in US imports of illegally sourced timber dated from before the Lacey Act amendment prohibition took effect, which should serve to reverse this, while the negative trend recorded for the UK, based on trade data discrepancies, is perhaps unrepresentative since it relates only to a tiny proportion of overall imports.

## **Producer countries**

The evidence is mixed on the attention to the problem of illegal logging displayed in Indonesia and Cameroon – NGO reports and international media attention were definitely lower in Indonesia in 2008 than before. This was at least partly because illegal logging was so much less of a problem than a few years ago; other drivers of forest loss are now receiving increased attention. In Cameroon, media attention grew, as did the attention paid by the private sector, in response both to improvements within government and to growing interest from European firms and governments.

The policy response of the Cameroonian and Indonesian governments to illegal logging appears to have improved during 2008. Though both countries now have many key regulations in place, however, implementation is generally poor. Corruption remained a critical problem, though efforts to tackle it were seen to have improved the most in the last year.

Private sector initiatives grew rapidly in Cameroon during 2008, but levelled off in Indonesia following dramatic increases in the previous three years. The recent prohibition on illegal timber imports in the US, and the development of similar additional legislation in Europe, are key drivers, as demonstrated by more extensive action apparently being taken by large concessionaires and manufacturers exporting to sensitive markets compared to smaller companies focused on the domestic market. The FLEGT VPA licensing system may come to replace some of the voluntary actions being taken by companies, and such an expectation may be one reason for the lack of development seen in Indonesia during the year. There is little evidence that timber flows from the two producer countries had shifted to less sensitive markets in response to actions on illegal logging by 2006, though survey results in both Cameroon and Indonesia suggest that this may have changed more recently. There is some evidence that timber prices rose as a result of increased enforcement in Indonesia.

A range of indicators support the conclusion that illegal logging fell in both Indonesia and Cameroon during the last few years – in Indonesia, overall illegal logging had fallen by as much as 50 per cent, and illegal log and sawntimber exports by 90 per cent, since 2005, while in Cameroon illegal logging had fallen by around half since the beginning of the decade; the rate of improvement seems to have been rising in Cameroon, but falling in Indonesia, during 2008. The declining rate of improvement in Indonesia might be because the ‘low-hanging fruit’ have already been gathered, with attention now needing to shift to more intractable forms of illegal logging and to regions which are less well governed or more inaccessible. The data also suggests that the response was disproportionately great for some aspects of the problem, while improvements were small, or the situation worsened, for others. The greatest improvements have been seen in relation to outright unlicensed logging by large industrial concessionaires with a focus on exports. Much less improvement has occurred with regard to small-scale illegal logging for domestic markets, which has not felt the same pressure from consumer-country governments and buyers.

Contrary to the overall trend, corruption amongst forestry officials, police and judiciary in producer countries may be worsening. It is possible that this could itself be a response to efforts to control

illegal logging: as outright anarchic illegal logging is brought under control through increased enforcement, companies are increasingly motivated to circumvent this, legalising timber or avoiding penalties by corrupt means, while opportunities for officials involved in licensing or enforcement to provide such services simultaneously expand.

Though improvements in Cameroon and Indonesia have been dramatic, illegal logging remained a major problem in both countries. In Indonesia, best estimates suggest that between 40 and 55 per cent of production was still illegal in some form, while in Cameroon the figure was between 30 and 40 percent. Though both countries had many necessary policies and regulations in place, there remained considerable room for improvement, both in terms of written regulations and in the implementation of those already on the books.

Actions by consumer country governments and companies have been key in driving improvements in producer countries, as have the activities of NGOs. In Cameroon, the involvement of an independent monitor has been critical, while in Indonesia there are some suggestions that a general improvement in governance has been important. If improvements are to be maintained and expanded, it is vital that these key drivers remain in place.

## **Processing countries**

Attention to the problem of imports and re-exports of illegally sourced timber in Vietnam has been low in recent years, but grew in 2008 as a result of NGO campaigning and the impact of the US Lacey Act amendment. The government response remained poor, however, showing no obvious improvement. It is possible that this will change as a result of increased attention to the problem. The private sector's response in Vietnam has remained ahead of the government's, however, and consumer country government and private sector activities under development continued to drive increased efforts by Vietnamese companies to clean up supply chains, as did the NGO exposés seen during the year. These same exposés showed how far there still is to go, however, and an apparent shift towards less sensitive markets by Vietnamese wood product exporters poses a risk.

The lack of reliable information on the volume of illegally sourced timber entering Vietnam makes it difficult to draw firm conclusions. There is some evidence that imports of illegally sourced timber from Indonesia (both declared and misdeclared as Malaysian) fell in the last few years as enforcement in Indonesia against log smuggling increased. But Indonesian products represent only a small portion of Vietnam's timber imports. Cambodia, Lao, China and Myanmar are much more important sources of timber, with imports from the latter two increasing particularly quickly. Though the proportion of illegal timber in Chinese wood exports may have been pushed down slightly by a reduction in throughput of illegal Indonesian wood, on the whole there is little reason to believe that the proportion of illegal logging in these source countries fell. Though the increasing efforts being made by Vietnamese importers and manufacturers (documented in the private sector section of the full paper) may be lowering the percentage of illegal wood in the relevant trade flows, it is unlikely that this was sufficient to counteract the overall growth of imports: Vietnamese imports and re-exports of illegally-sourced timber almost certainly grew during the year.

## Consumer countries

Attention to the problem of illegal logging and associated trade grew dramatically in recent years in both the US and UK, but began to fall for the first time in 2008. This is partly a result of improvements in producer countries, and partly a result of a decline in NGO campaigning. Both the UK and US are now actively engaged in developing policies to tackle imports of illegally sourced wood, shifting the attention of stakeholders to debates on the technicalities of such measures – which are of less interest to the general media than the stories on the dramatic nature, scale and growth of the problem which were more common in the past. These countries are now at a later phase of response, having moved from building awareness and political will to designing and implementing policy solutions. Though there is now considerable momentum in both countries behind these efforts, it is important that attention is maintained if the efforts of the past ten years are to reach fruition and have a lasting impact.

While the UK had until recently more relevant policies and procedures in place, and had been a leader on the issue of illegal logging and associated trade for some years, the Lacey Act amendment prohibiting import of illegally-sourced wood enacted in 2008 saw the US take a great step forward. The implementation of equivalent laws and systems in the UK is now being taken forward through the EU, though progress in this area during 2008 was slow.

The growth of private sector voluntary initiatives accelerated in both countries in 2008, boosted by the approach of new laws to control imports of illegally sourced wood. There is little evidence available with which to judge the growth of price premiums for independently legality-verified and sustainability-certified wood, but these may expand in future in response to the Lacey Act amendment and the additional legislation being considered for the EU.

While financial assistance by both the UK and US to producer countries to tackle the problem at source was significant, and UK assistance grew considerably in 2008, the amount of illegally sourced wood entering these countries either remained roughly static or grew in recent years. Though indicators for earlier stages of the response – awareness, political will, policy development and private sector concern – showed strong progress by consuming countries it remains too early for this to have fed through to a significant reduction in illegal timber flows. The greatest impediment in this regard has been the delay in consuming countries in implementing legislation to prohibit the import and sale of illegally sourced wood.

Though the percentage of illegal wood in trade flows from some countries (such as Indonesia) has declined due to reductions in illegal logging at source, and voluntary efforts by the private sector have also had an effect, many other producer countries have not shown such reductions; and in any case these positive impacts have been offset by the overall growth in imports as a result of general economic expansion. Another factor has been the shift towards imports of processed products from processing countries such as China and Vietnam, rather than of raw timber direct from producer countries.

The most recent estimates suggest that the US imported around 10 million cubic metres roundwood equivalent of illegally sourced wood products, and the UK around 3 million cubic metres, in 2008. More sophisticated and standardised methods for estimating these imports are needed in future, to ensure that changes in illegal logging rates at source and policy developments in the importing countries are reflected in the analysis. It is to be hoped that developments such as the FLEGT voluntary partnership agreements (VPAs) and ‘due diligence’ regulation and the US Lacey Act

amendment will see a dramatic reduction in imports of stolen wood, and the figures included here will act as a baseline against which future improvements can be measured.

The global recession currently under way may provide a useful ‘breathing space’ in which efforts to reduce the proportion of illegal timber in trade flows can outrun overall growth, resulting in a genuine reduction of illegal timber in trade.

## **Impacts so far on end goals**

### **Environmental effects**

Using estimates of illegal logging over the last few years derived from wood balance modelling and other methods described above, it is possible to estimate the amount of forest which has been saved from destruction or degradation as a result of the reduction in illegal logging found to have occurred in the two focus producer countries in recent years.

If illegal logging had continued at the rate and scale seen in 2000, then during the five years 2001–06 around 160 million cubic metres more timber would have been illegally cut in Indonesia than was actually harvested. Based on average selective logging rates, this represents around 7.8 million hectares of forest which have been saved from being seriously degraded or destroyed, slightly more forest than is estimated by the FAO as lost each year worldwide,<sup>1</sup> and more than half the size of England. A similar analysis produces a figure of approximately 0.2 million hectares for Cameroon. As much as 1.6 billion tonnes of CO<sub>2</sub>e emissions may have been avoided in Indonesia and Cameroon between 2001 and 2006 as a result of efforts to reduce illegal logging – 4 per cent of current annual global human-induced carbon emissions.<sup>2</sup>

Care should of course be taken with these estimates. Aside from the potential problems with the reliability of the estimates of illegal logging on which this analysis is based, it is by no means certain that forest which is saved from being logged illegally will be saved from being logged or cleared legally instead.

### **Social effects**

Using the same methods as above, it is also possible to estimate the potential benefits which have accrued to focus producer countries in terms of revenues as a result of successful domestic and international efforts to tackle the problem. The roughly 160 million cubic metres of logs which have not been illegally harvested in Indonesia during the last five years as a result of falls in levels of illegal logging since 2000 could potentially bring in around \$4 billion in revenues, assuming they are all legally and sustainably harvested in ensuing years.<sup>3</sup>

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<sup>1</sup> FAO, *State of the World's Forests 2009*, estimates a net loss of 7.3 million hectares of forest per annum worldwide during 2000–05.

<sup>2</sup> Global human-induced climate change emissions in 2005 = 41 billion tonnes CO<sub>2</sub>e (see [http://ec.europa.eu/dgs/jrc/index.cfm?id=1410&obj\\_id=7810&dt\\_code=NWS&lang=en](http://ec.europa.eu/dgs/jrc/index.cfm?id=1410&obj_id=7810&dt_code=NWS&lang=en)).

<sup>3</sup> Based on a total royalty figure of \$25 per cubic metre, calculated from government figures quoted in ‘Royalties planned in Indonesia’, *Timber Trades Journal*, 23 July 2005.