ECONOMIC VALUE OF FOREST SECTOR:
USD 22.5 billion
1.1% of the GDP in 2017
9th highest ranking exporter of EUTR products in 2015 by weight and value

LAND AREA: 835.8 million hectares
FORESTED AREA: 493.5 million hectares
59% of total land area
7.8 million hectares of plantation

FOREST TYPE: 41.1% primary
57.4% naturally regenerated

FOREST OWNERSHIP: 46.9% state owned
28% owned by local communities

PROTECTED AREAS: 249.5 million hectares
42% of forests found in Protected Areas

VPA STATUS: No VPA currently

ANNUAL DEFORESTATION RATE:
4.37 million hectares of tree cover loss in natural forest in 2017
3.2 million hectares from 2013-2017
694.7 thousand hectares deforested in the Legal Amazon region in 2017
Largest net loss of forest area globally, 2010-2015

CERTIFIED FORESTS:
FSC certification: 6.7 million hectares (2018)
PEFC certification: 3.1 million hectares (2017)
FSC & PEFC certification: 2.5 million hectares (2016)

CHAIN OF CUSTODY CERTIFICATION:
FSC certification: 1031 CoC certificates (2018)
PEFC certification: 50 CoC certificates (2017)

MAIN TIMBER SPECIES IN TRADE:

Natural forests: Garapa (Apuleia leioarpa), sande (Brosimum utile), Spanish cedar (Cedrela odorata), freijo (Cordia goeldiana), garupa (Dinizia excelsa), tonka bean (Dipterix odorata), cambara (Erisma uncinatum), cupiuba (Goupiia glabra), Brazilian cherry (Hymenaea courbaril), macarunduba (Manilkara huberi), itauba (Mezilaurus itauba), Parkia spp., ipe (Handroanthus serratifolia), pink ipe (Handroanthus impetiginosus)

Plantation: Acacia spp., Eucalyptus spp., rubberwood (Hevea brasiliensis), Pinus spp., Brazilian fern tree (Schizolobium amazonicum), teak (Tectona spp.)

CITES-LISTED TIMBER SPECIES:

RANKINGS IN GLOBAL FREEDOM AND STABILITY INDICES:

<table>
<thead>
<tr>
<th>Rule of law index</th>
<th>Corruption perceptions index</th>
<th>Fragile states index</th>
<th>Freedom in the world index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd quarter 52/113 in 2017</td>
<td>3rd quarter (score: 37) 96/180 in 2017</td>
<td>2nd quarter 106/178 in 2018 (Inverse scoring system)</td>
<td>2nd quarter 23/83 in 2018</td>
</tr>
</tbody>
</table>

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LEGAL TRADE FLOWS

In 2015, Brazil exported EUTR-regulated products (timber and timber products to which the EUTR applies) to 168 countries and territories, totalling 10.3 thousand million USD, of which 26% was exported to the EU-28 (Figure 1a); the EU-28 also imported 33% by weight. Exports mainly consisted of wood pulp products (HS47*) by both weight and value, accounting for over 50% of exports by each measure (Figures 1b and 1c). Paper products (HS48) also represented a high proportion of exports. Brazil imported relatively little timber; the majority of its roundwood and sawn wood production was consumed domestically (Table 1). The majority of EUTR products imported into the EU from Brazil in 2015 were imported by Italy and Germany, followed by the Netherlands and the United Kingdom (Figures 2 and 3).

Figure 1: a) Main global markets for EUTR products from Brazil in 2015 in USD; b) main EUTR products by HS code exported from Brazil according to value in USD in 2015; and c) main EUTR products by HS code exported from Brazil by weight (kg) in 2015.

Table 1: Production and trade flows of wood products in Brazil in 2014.

<table>
<thead>
<tr>
<th></th>
<th>Production (x 1000 m³)</th>
<th>Imports (x 1000 m³)</th>
<th>Domestic consumption (x 1000 m³)</th>
<th>Exports (x 1000 m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logs (industrial roundwood)</td>
<td>161 852</td>
<td>30</td>
<td>161 678</td>
<td>205</td>
</tr>
<tr>
<td>Sawnwood</td>
<td>25 510</td>
<td>40</td>
<td>24 342</td>
<td>1208</td>
</tr>
<tr>
<td>Veneer</td>
<td>550</td>
<td>8</td>
<td>484</td>
<td>74</td>
</tr>
<tr>
<td>Plywood</td>
<td>2564</td>
<td>3</td>
<td>108</td>
<td>1796</td>
</tr>
</tbody>
</table>

*Key to HS codes: 4401 = fuel wood; 4407 = sawn wood; 4409 = continuously shaped wood; 4412 = plywood and veneered panels; 47 = wood pulp; 48 = paper and paper products
KEY RISKS FOR ILLEGALITY

<table>
<thead>
<tr>
<th>COMPLIANCE WITH LEGISLATION:</th>
<th>BRIBERY INCIDENCE:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil has a series of legislative acts concerning the exportation of timber (see below), but the enforcement of this legislation at state level has been inconsistent(^21).</td>
<td>11.7% of firms experiencing at least one bribe payment request in 2009(^22).</td>
</tr>
<tr>
<td></td>
<td>Based on data collected on behalf of the World Bank across a range of sectors.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ILLEGAL HARVESTING OF SPECIFIC TREE SPECIES:</th>
<th>PREVALENCE OF ILLEGAL HARVESTING OF TIMBER:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ipe (Handroanthus spp.)(^23), especially pink ipe (H. impetiginosus) and yellow ipe (H. serratifolius) [reported as Tabebuia impetiginosa, Tabebuia serratifolia(^24)], big-leaf mahogany (Swietenia macrophylla)(^25).</td>
<td>Pará State and Mato Grosso State were reported to have a 54-78% rate of illegal logging 2007-2012(^26).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RESTRICTIONS ON TIMBER TRADE</th>
<th>COMPLEXITY OF THE SUPPLY CHAIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil banned export of logs in 1969 (with the exception of logs from plantations) and has a moratorium on Swietenia macrophylla exports(^27); logging of S. macrophylla is only permitted as part of sustainable forest management(^28). Logging of brazil nut trees (Bertholletia excelsa) and Hevea spp. is prohibited in natural, primary or regenerated forests(^29). Management of species listed a “Vulnerable” in Brazil’s “List of plant species threatened with extinction” should consider criteria laid out in Regulatory Instruction 1 of 12 Feb. 2013(^30). No EU(^31) or UN(^32) sanctions on timber exports or imports.</td>
<td>There are two source types of timber from Brazil – natural forests and plantations – the rules for the management of natural forests are more stringent, and the risks to legality of native wood are greater(^33). Plantation forest sourced timber make up the majority of Brazil’s exports(^34); 90% of plantations are owned by corporations(^35). Brazil may act as a conduit for timber illegally harvested elsewhere, e.g. timber from West Africa exported to the EU via Brazil, where minor processing occurs to allow re-export as product originating in Brazil. This trade also occurs in reverse(^36).</td>
</tr>
</tbody>
</table>

Illegal trade

Brazil has a recent history of global media attention and conservation concern over the high rate of forest loss, with 18% of the Brazilian Amazon lost since a peak in deforestation in the 1980s and 1990s\(^21\). While in the late 20\(^{th}\) century this was mainly attributed to illegal logging\(^21\), more effective enforcement brought a reduction in illegal logging in the period 2000-2010. Since 2010, illegal logging in natural forest has seen a resurgence, whilst on plantations it has remained low\(^21\). Despite this increase in illegal logging, in 2013 the main driver of forest loss was considered to be land conversion for pasture and agriculture\(^21,37\). The legal timber trade is reported to be insufficient to meet demands, meaning harvest is supplemented by the illegal trade\(^21\).

During 2000-2010, Brazil made progress on regulating the illegal trade in timber through a strong legislative framework and increased efforts to combat the illegal trade through enforcement\(^21\); both of these have been attributed to the effective implementation of the Forest Code between 2004 and 2012. In combination, legislation and enforcement were reported to have brought a significant reduction in illegal logging practices\(^21\). For example, between 2001 and 2004, the Brazilian Institute of the Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis, IBAMA) increased the number of fines issued annually by 180%\(^38\).

Pará state is the greatest exporter of timber in the Brazilian Amazon, with 78% of the area logged over an 11 month period between 2011 and 2012 done so illegally\(^26\); a subsequent study of logging in Pará 2015-2016 found that 31% of management plans audited had inconsistencies, such as overestimation of species of high commercial value\(^39\). Since 2010, poor coordination, insufficient resources for enforcement, and susceptibility to fraud and laundering have all been emphasised as indicative of a downturn in the outlook for Brazilian timber\(^23,21\). This decline has in part been attributed to a change in government, which reduced the priority of policing the illegal timber trade and struggled to foster coordination between departments and agencies\(^21\).

In particular, shortcomings in implementing the Action Plan for the Prevention and Control of Deforestation in the Amazon (PPCDAm), a plan drawn up in 2004 following a comprehensive review of the illegal timber trade, have been highlighted as symptomatic of the difficulties faced in inter-ministerial coordination\(^21\). The ability to regulate and monitor illegal trade has also been weakened through limited capacity and an apparent reluctance to develop bilateral agreements with consumers of illegal timber at the international level\(^21\).
A number of other issues have been highlighted as problematic in the context of the illegal timber trade and harvest in Brazil. There have been failures in payment of fines for environmental crime, with only 5% of fines imposed by the relevant authorities paid; failures to act on evidence from satellite analyses of forest degradation; problems implementing a management system for administrative information in relation to the timber trade; and a lack of clarity on appropriate tax arrangements. It has also been alleged that some timber plantations have been sited on illegally obtained land.

In a 2017 risk assessment of timber legality in Brazil, NEPCon identified key risks relating to the legal rights to harvest, including: illegitimate property allocation; disputes over land inhabited by traditional communities; lack of, or low adherence to, approved management plans; and risk that forestry licenses are obtained illegally due to corruption and lack of law enforcement. Other key risks related to tax evasion, illegal logging in protected areas, and incorrect specification of species, quantity and quality of wood products from natural forests (e.g. changing species, type of material or volume) due to a dysfunctional DOF system. Since 2014, Greenpeace has launched a series of investigations into illegal logging in the Brazilian Amazon (states of Pará, Mato Grosso and Rondonia), highlighting the inadequacy of official documentation as a guarantee of the legal origin of Amazon timber, its sustainability or that harvesting has respected the legal rights of third parties. Violent conflicts over land have been reported to be a frequent occurrence in rural communities of the Brazilian Amazon, driven by illegal loggers and land grabbers. Greenpeace noted the spatial congruence between deforestation and the location of violent crimes in the Amazon region.

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Brazil has also been implicated in the laundering of illegal timber through complex trade routes. For instance, illegal teak from Peru and West Africa may be imported into the EU via Brazil, giving the impression of alternate origin. It has also been suggested that this particular trade route operates in reverse, with illegal timber harvested in Brazil sent via Africa.

Brazil’s forestry management and legislation
The Forest Code forms the legislative basis for the enforcement of illegal timber trade activities in Brazil. Although suggested as partly responsible for progress in the early 2000s, more recently enforcement of the Forest Code has been described as “weak” in part due to inconsistencies at the federal and state levels. IBAMA was responsible for enforcing the Forest Code until 2006, when authority was devolved to state environmental agencies; however, the agreements which implemented this devolution have been described as inconsistent with regards to procedures, transparency and institutional capacity, causing inconsistencies in implementation between states.

A system of checks and balances is implemented in Brazil, providing government accountability in the context of timber trade and its associated legislation. The Public Prosecution Office, individuals and public groups, and civil-society organisations can all challenge the government on its record of upholding timber trade legislation. Whilst there is no independent organisation for monitoring the forestry industry in Brazil, civil-society has been described as “active”, with numerous NGOs playing a role in monitoring the sector. Despite these legal technicalities and efforts, mounting a legal challenge in practice has been described as “difficult”, owing to problems in accessing the legal system for members of the public. Moreover, in cases where challenges are mounted, the public reportedly has little trust in the effectiveness of these mechanisms.
In 2006, IBAMA introduced an electronic traceability system for timber, introducing the “Declarations of Forest Origin” (DOF) document, which contains information about timber origin, species, type of product, quantity, value and transportation route. Implementation was subsequently devolved to state level, with different systems used in different states; Pará and Mato Grosso currently use SISFLORA, modelled on the DOF system. All systems are intended to allow consignments in transit to be checked against declarations made by forest producers and sawmills; however, capacity limitations mean inspections often do not occur during transit. Combined with computer hacking, falsifications, and tampering, there has been a “loss of confidence” in the DOF system. IBAMA recently reduced the maximum utilisation limit for log conversions in the DOF, in an effort to prevent the generation of false wood credits in the system.

Some attempts to assess traceability and risks exist, for example Timber Flow, an online platform to allow tracing of wood production and transport through Brazilian organisations involved in the timber sector, using DOF information.

Brazilian national law (Article 35 of law 12.651, May 2012) requires the establishment of a system to control the origin of wood, charcoal and other forestry products and by-products in order to improve traceability from harvesting to transport, storage, processing and export. As part of the implementation of this law, Brazil launched SINAFLOR (National System for Controlling the Origin of Forest Products) in March 2017; national states are required to integrate SINAFLOR with their current systems by January 2018. Under this provision, DOF will also be fully merged with SINAFLOR. IBAMA also makes lists of environmental infractions and embargoed areas available online for public access.

### RELEVANT LEGISLATION AND POLICY

For further details on Brazil’s legislation relevant to EUTR, see the Brazil country page on FAOLEX and NEPCon (2017) ‘Timber legality risk assessment’.

- **Law 12.651 Brazil’s Forest Code** (2012)
- **Decree No. 98.897 establishing provisions on the reserves for timber extraction** (1990)
- **Order SEMA No. 428 establishing specific guidelines for planting register and exploitation of native species planted with non-timber purposes** (2014)
- **Decree No. 35.439 ruling on the duty of conservation and proper management of private forests established by forest products’ consumers** (1994)
- **Order No. 24 establishing auction requirements for selling seized forest products** (1994)
- **Order No. 315-P regulating forest exploitation** (1984)
- **Order No. 13-N regulating logged tree exportation system** (1993)
- **Order No. 74-N establishing tree logging plan in reforested areas** (1992)

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1 The following list may not be exhaustive and is intended as a guide only on relevant legislation.
### LEGALLY REQUIRED DOCUMENTS

See NEPCon (2017) [*Timber legality risk assessment*](#) for a further list of legally required documents.

- **Planting licenses** (forest managers and harvesting companies require licenses before planting an exotic species forest)
- **Concession contract**
- **AUTEF/AUTEX** (Authorization of Forest Exploitation)
- **Sustainable Forest Management Plan** (Plano de Manejo Florestal Sustentável - PMFS)
- **Annual Operational Plan** (Plano Operacional Anual - POA).
- **Licença de operação** (Operating Authorisation)
- **Land title documents** (when harvesting from private lands land owners must hold land title documents)
- **Deforestation authorisation** (document authorising timber harvest from converted lands on native forests)
- **Forest Voucher** (for native species from plantations)
- **DOF/Guia Florestal** (Document of Forest Origin: a computerised timber control system with information on origin, species, product type, quantity, and cargo value)
- **Alvará** (Municipal operating licence for industry)
- **Nota Fiscal de Compra/Venda do Produto** (Log bill of sales/Invoice)
- **Certidão negativa da receita federal** (Clearance Certificate for general fees and taxes of company activities)
- **For Exports:**
  - Importer registration (SISCOMEX code)
  - Import claim
  - Customs declaration
  - Purchasing contract
  - Purchasing order
  - Legal transportation permits
  - Packing list
  - Invoice

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2 The following list may not be exhaustive and is intended as a guide only on required documents.
44. Greenpeace. Imaginary trees, real destruction: how licensing fraud and illegal logging of Ipe trees are causing irreversible damage to the Amazon rainforest. (Greenpeace Brazil, 2018).
47. EIA. The laundering machine: how fraud and corruption in Peru’s concession system are destroying the future of its forests. (EIA, 2012).
49. May, P. Forest Certification in Brazil. (Yale School of Forestry and Environmental Studies, 2004).