



## Questions & Answers

# On illegal logging, EU-Indonesia Voluntary Partnership Agreement and FLEGT licenses from Indonesia

On 15 November 2016, Indonesia started issuing FLEGT (Forest Law Enforcement, Governance and Trade) licences to verified legal products it exports to the EU. This means that Indonesia is now the first country in the world to export FLEGT-licensed timber to the EU. As of that date all timber products exported from Indonesia to the EU must be accompanied by a valid licence attesting to their legality. The first licensed shipments are underway from Indonesia to the UK, Belgium and the Netherlands.

### **Why is illegal logging a problem? What has Indonesia done to tackle it?**

Illegal logging creates social problems, environmental degradation and loss of economic opportunities on a massive scale. Indonesia's forests provide millions of people with jobs and subsistence products. Between 1990 and 2010, however, 24 million hectares of Indonesia's forests were destroyed and many millions more hectares were degraded. Illegal logging, driven by trade, is a major contributor to deforestation. Trade therefore has a role to play in addressing the problem. The EU buys 11%, by value, of timber products and paper exported from Indonesia. Indonesia supplies 33% of the EU's tropical timber imports by value.

Since 2001, Indonesia has made great progress in its efforts to eliminate illegal logging, including by developing and improving a national timber legality assurance system called SVLK (Sistem Verifikasi Legalitas Kayu). Between 2007 and 2011, Indonesia and the EU negotiated a Voluntary Partnership Agreement to promote trade in legal timber products and improve forest governance. In 2014 the two parties ratified the agreement. Under the VPA, Indonesia will export only verified legal timber products, which will be accompanied by FLEGT licences if exported to the EU. Indonesia began issuing FLEGT licences on 15 November 2016.

### **How important is the trade in timber products from Indonesia to the EU?**

The EU is a key market for Indonesian forest products. In 2014, the value of Indonesian timber products exported to the EU was US\$645 million, up from US\$593 million in 2013. The main timber products destined for the EU are paper, paper board, wooden furniture and plywood. Indonesia does not export unprocessed products such as logs and rough sawn timber. The main destination markets within the EU are Germany, United Kingdom, the Netherlands, Belgium, France, Spain and Italy.

## **What is the Indonesia-EU VPA?**

The Indonesia-EU Voluntary Partnership Agreement (VPA) is a legally binding trade agreement. It aims to ensure that only legal timber and timber products from Indonesia reach the EU market. In addition to promoting legal trade, the VPA addresses the causes of illegality by improving forest governance and law enforcement. A major strength of the VPA is that it looks beyond trade to consider development and environmental issues, as well as how policies affect local populations. Several other countries are implementing or negotiating VPAs with the EU. Such agreements are a key component of the EU Forest Law Enforcement, Governance and Trade Action Plan (FLEGT) of 2003.

## **Which countries have a Voluntary Partnership Agreement?**

Six countries have ratified Voluntary Partnership Agreements (VPAs) with the EU. These are Cameroon, Central African Republic, Ghana, Liberia, Indonesia and the Republic of the Congo. Indonesia is the first country to issue FLEGT licences. Nine countries are negotiating Voluntary Partnership Agreements with the EU. These are Côte d'Ivoire, the Democratic Republic of the Congo, Gabon, Guyana, Honduras, Laos, Malaysia, Thailand and Vietnam.

## **How useful is the VPA, given that a significant portion of Indonesia's timber products go to less scrupulous markets than the EU?**

Indonesia's timber legality assurance system (SVLK) and related regulations apply to all markets, not only those bound for the EU. But FLEGT alone cannot stop trade in illegal timber, especially if major markets remain less regulated. This is why, under the FLEGT Action Plan, the EU seeks to work with other major timber consumers to develop a more comprehensive framework to reduce imports of illegally harvested timber.

China, which is the world's largest importer of tropical timber and also the main buyer of Indonesian timber, is developing its own legality assurance system and there are efforts to link it to FLEGT under the EU-China Bilateral Coordination Mechanism on Forest Law Enforcement and Governance (FLEG). Bilateral and trilateral exchanges (China-Indonesia-EU) on timber legality occur and/or are planned. Other markets have implemented or are designing measures to eradicate illegal timber from their imports. These markets include the United States, Australia, Japan and South Korea.

## **How does the VPA benefit Indonesia?**

The VPA will bring economic, social and environmental benefits to Indonesia. The VPA will strengthen the market position of verified-legal timber products in the EU and elsewhere. FLEGT-licensed timber will automatically meet the requirements of the EU Timber Regulation so will be exempt from any due diligence assessment process, saving time and money. This will increase EU importer confidence in Indonesian timber products and make their products more attractive compared with products without FLEGT licences.

In addition, the VPA will increase government revenues by blocking access to export and domestic markets for illegal operators who do not pay appropriate taxes and fees. The VPA will make it easier for Indonesia to manage forest resources in a sustainable way notably through better monitoring and data. The VPA will help smallholders and small or medium enterprises to gain international market access. And finally, the VPA will raise the international profile of Indonesia as it will highlight Indonesia's efforts to improve transparency and governance in one of its main economic sectors.

## **What is a FLEGT licence?**

A FLEGT licence is a document that confirms that a shipment of timber or timber products has been legally produced, in accordance with the relevant laws of the country of harvest. FLEGT-licensed timber and timber products are considered to comply with the requirements of the EU Timber Regulation (EUTR). Once a VPA country begins FLEGT licensing, only shipments of timber products - listed in the VPA's product scope- covered by a valid FLEGT Licence can be released for free circulation in the EU.

## **What products does the Indonesian FLEGT-licensing scheme cover? How do the types of products compare with the types of products covered by the EU Timber Regulation?**

Products covered by the Indonesian FLEGT licensing scheme include all those for which the EU Timber Regulation (EUTR) requires due diligence. You can check the products covered by the EUTR here: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32010R0995>

In addition to the minimum requirements of the product scope of a VPA, the Indonesian FLEGT licensing scheme also covers furniture, fuel wood, wooden tools, wooden packing material, builders' joinery and carpentry of wood, wood pulp, paper and paper products, kitchen and tableware, and other products. See the revised Annex I of the Indonesia-EU Voluntary Partnership Agreement (VPA) for details: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015D1158>

The VPA also describes products that cannot be legally exported from Indonesia, such as logs and large dimension sawn timber. These products cannot be FLEGT licensed.

Products made from rattan or bamboo (non-wooden materials), or paper made from recycled material, are excluded from the VPA and the FLEGT licensing scheme because they are not covered by the timber legality assurance system. Note, however, that products from rattan or bamboo can fall under the scope of the EUTR.

## **I am an EU timber importer. What are the benefits of importing timber and timber products covered by a FLEGT licence?**

The EU Timber Regulation (EUTR) requires that operators (i.e. any natural or legal person that places timber or timber products on the EU market) exercise due diligence when placing timber or timber products on the market, i.e. to undertake a risk management exercise so as to minimize the risk of placing illegally harvested timber, or timber products containing illegally harvested timber, on the EU market. FLEGT-licensed timber and timber products are considered to comply with the requirements of the EUTR. Therefore, if you are an operator you can place FLEGT licensed products on the market without the obligation of exercising due diligence saving relevant time and work, and making your business more efficient.

## **How will I recognise a FLEGT-licensed timber product?**

FLEGT-licensed timber products are not distinguished by a brand, logo or label that customers can recognise. This is because FLEGT licences are documents issued for each export consignment. They are not customer certificates. Once a country begins FLEGT licensing, the EU will only accept FLEGT-licensed imports from that country, for the products falling within the scope of that country's FLEGT Voluntary Partnership Agreement with the EU. Therefore, there is no need for a consumer certificate or logo. However, it is possible for consumers to ask for products that come from partner countries that issue FLEGT licences. In this way consumers can contribute to the efforts aiming at combating illegal logging and promote sustainable management of forests.