



3rd HIGH LEVEL MARKET DIALOGUE – 2013
THE NEW ERA OF INDONESIAN LEGAL TIMBER PRODUCTS
TO MEET GLOBAL MARKETS
AUSTRALIA – CHINA – EUROPE – JAPAN – USA



August 21st, 2013 – The Sultan Hotel, Senayan, Jakarta, INDONESIA

Organized by the Indonesian Exporters Association (GPEI) in collaboration with PT. Mutu Hijau Indonesia (PT. MHI)

TERMS OF REFERENCE

Background

In the last decade the Indonesian forestry sector and timber industry have struggled to overcome illegal logging, with its associated cost to the industry and to the economy, as well as to the environment and the people living in and around the forest. Also timber products manufactured from illegally sourced timber undermine the competitive position of the country's timber sector in international markets, and contribute to depress timber prices worldwide (Senaca Creek, 2004).

Yet Indonesia has also led tropical timber producing countries in its political commitment, international agreements, enforcement on the ground and development of practical instruments to eliminate illegal timber from Indonesia. This has resulted in reports of a significant drop in levels of illegal logging in Indonesia (Chatham House, 2010).

More recently international markets have started to introduce legislation to prohibit illegal timber imports to the US, the EU and now Australia combining with voluntary measures such as purchasing policies and certification. The US Lacey Act has been on the statute books since May 2008 and is building up a series of cases; the most recent of which (Gibson Guitars, August 2012) indicates the challenges ahead for buyers, and therefore their suppliers such as producers in Indonesia. The EU legislation came into effect on the 3rd March 2013 and is having a similar effect on buyers with importers moving away from high-risk suppliers (ITTO MIS, 1-15th March 2013).

Breaking news this year is the finalization of Australian Illegal Logging Prohibition Act at the end of 2012, for which brand new guidance has just been published (31st May 2013). Whilst it is already an offence to import illegal timber, due diligence measures will be required by all importers from 30th November 2014. Other consuming countries in the region are actively considering what measures they should take in the light of these developments and as part of their G8, APEC and Bali Declaration commitments.

In anticipation of these market changes the Indonesian government has developed a multi-stakeholder Timber Legality Assurance System known as the SVLK that now covers nearly half of the country's Production Forests and 650 companies. Together with new trade legislation signed in October 2012, the SVLK will ensure only verified legal timber is exported from Indonesia. The SVLK and the associated V-Legal licensing system have been designed in accordance with international standards of legality verification and should provide assurance to importers of Indonesian forest products who are nervous of their exposure to risk under the new market legislation or simply want to ensure they do not trade in illegal timber. Witnessed by the EU Ambassador to Indonesia, 17 companies began to use V-Legal documents (FLEGT License) on timber consignments during a shipment test under the SVLK to 6 countries in Europe.

The EU is one of the main export destinations for timber products from Indonesia and partly in response to calls from Indonesia it developed the EU Timber Regulation which contains specific recognition of timber produced under timber trade deals with producer countries known as Voluntary Partnership Agreement (VPA). Indonesia and the EU concluded the technical content of such an agreement in May 2011, and when it comes into force (hopefully later in 2013), there will be specific recognition of the SVLK as "zero risk" under the EUTR.

Although Indonesia and the EU have just carried out a VPA shipment test, it is now apparent that the EUTR has come into force before the VPA is fully operational. Indonesia and the EU therefore need to "mind the gap" and ensure that Indonesia's efforts to reduce the risk of illegal timber going to Europe are fully appreciated by importers. In addition, there is still work to ensure that small and medium-sized enterprises understand and properly implement the SVLK as well as local government.



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Thus, although there has been much progress to report, there are still a number of **key questions** for the industry, and hence the overall justification for this 3rd High Level Market Dialogue. The key questions are:

1. How will the due diligence requirements of the Australian Illegal Logging Prohibition Act and the EU Timber Regulation work in practice?
2. How will Indonesia SVLK timber be “rated” by importers from Australia, China, the EU, Japan and the US?
3. What are the implications for the Indonesian industry and policy-makers?
4. How can Indonesia capitalize on the growth opportunities emerging from all this hard work, especially for small and medium-sized enterprises and with respect to green buildings and climate change?

To answer these questions high-level speakers from both Indonesia and its partner trading countries will gather in Jakarta on 21st August 2013 for a series of presentations and interactive dialogue.

Specific Objectives

The primary objectives of this HLMD are to update Indonesian industry on market developments for legal timber and improve understanding of the SVLK/V-Legal, Australian Illegal Logging Prohibition Act, the EUTR and green building. It is also an opportunity to look at implementation issues and the implications on industry and look at the economic aspects of the new era of legal timber trade. There will be an opportunity for dialogue through panel discussion as well as networking in the sector.

Reasons to Participate

- Learn how the V-legal shipment test went and what exporters need to do
- Learn how the SVLK is rolling out in Indonesia and the VPA with the EU
- Understand how best to help your buyers comply with the Australian Illegal Logging Prohibition Act and the EUTR
- Explore possible new business both with buyers and producers, but also looking at establishing 100% SVLK timber industrial zones
- Understand new opportunities in wooden building
- Dialogue on policy options to improve the contribution of forest sector SME's to growth

Business leaders and policy makers will have the opportunity to discuss how the new legislation and regulations will be applied and how these will boost Indonesia's timber products export putting the Indonesian timber sector back on a growth track.

The debate is also expected to address such questions as:

1. Will the application of the EU Timber Regulation and the associated FLEGT license be sufficient to satisfy the requirements of the Lacey Act, Japan's Timber Purchasing Policy Konyuho, the Australian Illegal Logging Prohibition Act and the requirements of other markets?
2. How can collaboration between regulators in the market place be enhanced?
3. What are the plans for enforcement of the V-Legal process and documentation by the Government of Indonesia?
4. How can Indonesia and its trading partners take full advantage of the changed landscape to increase trade and cooperation?
5. What is the potential demand for Indonesian verified legal timber products in the main markets?
6. Is there an opportunity for global markets to agree on a single legality standard?

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7. What is the situation in the countries with which Indonesia timber product exporters compete and how ready are they to supply verified legal timber products to international markets?
8. Are we ready to welcome **“using wood to save forests”**?

Participants

The Third HLMD is expected to attract 200 – 250 participants. Participants will include representatives from the Indonesian government (e.g. Ministries of Trade, Forestry, Industry, Finance and Co-operatives) and Parliament Under Secretary of State for International Development of UK, a representative from Australia's Department of Agriculture, Fisheries and Forestry (DAFF) as well as the EU Trade Commissioner. Overseas speakers from Japan, China, Europe, US and Australia will also present.

In attendance will be representatives from the Indonesian Chamber of Commerce and Industry, the National Standardization Agency / National Accreditation Committee, the Indonesian Exporters Association (GPEI), Forestry Sector Associations (such as MPI, ISWA, ASMINDO, APHI, APKI, APKINDO), IUPHHK / IT Forest License Holders), primary and secondary product manufacturers (IUPHHK, Advanced IUI), timber legality verification bodies, SFM assessment bodies, academics and representatives from international agencies, community groups, timber product manufacturers national and international like, ITTO, RAFT, ETTF, Global Timber Forum, EFI FLEGT ASIA, Forest Trends, WRI, IWPA, TDA, ATIF, NGOs as well as overseas buyers.

Time and Place

Discussions will be held on **Wednesday, August 21st, 2013**, at **The Sultan Hotel**, Senayan, Jakarta, Indonesia starting at 08.00 until 17:30. **It is planned that the event will be opened by the Minister of Forestry of the Republic of Indonesia.**

The Indonesian Exporters Association (GPEI) in collaboration with PT. Mutu Hijau Indonesia (MHI), will host the event for the third time.

Co - Organizer



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