

Research Paper

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Trade in Illegal Timber The Response in Japan

A Chatham House Assessment

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Summary

The Japanese government has continued to engage on the issue of illegal logging and related trade, but its approach remains focused on ‘soft’, voluntary measures rather than establishing legally binding requirements. It has been actively promoting the country’s legality verification system, known as the *goho*-wood system, and this is helping to raise awareness of the issue of illegal logging in Japan. However, the system is not only voluntary but has serious design weaknesses which limit its ability to eliminate illegal products from Japan’s market.

While the number of companies registered as *goho*-wood suppliers has increased, this may be occurring at the expense of sustainability certification, which is more demanding and expensive. The number of companies in Japan with FSC chain-of-custody certification remains low.

Japan’s imports of timber-sector products at high risk of illegality are estimated to have declined significantly since the start of the century, though levelling off since 2010, while imports of high-risk paper-sector products are estimated to have gradually increased over this period. Levels of high-risk imports remain significantly above those of the other consumer countries reviewed. These are currently estimated to comprise 12 per cent and seven per cent of total timber- and paper-sector products respectively.

It is recommended that the government develop further legislation to control imports of illegal products, including a requirement for risk assessment and mitigation as well as third-party monitoring. Such legislation would also help support the government’s policy to promote the domestic timber industry. Until such legislation is passed, Japanese industry should implement more robust risk assessment and mitigation procedures.

Introduction

Illegal logging is a global problem that is both a result of and a contributing factor to poor forest governance. It undermines efforts to manage forests sustainably and equitably, resulting in deforestation, social conflict and the loss of government revenues. This is not just an issue for forest-rich countries; countries that import and consume wood-based products¹ from countries with high levels of illegal logging contribute to the problem if they import products without ensuring that they are legally sourced.

Chatham House has been engaged in research since 2006 to assess illegality in the forest sector and the response by governments and the private sector to the problem. The aim of its work has been to monitor levels of illegal logging and the related trade and so enable an assessment of the effectiveness of efforts to tackle the problem in producer, consumer and processing countries.

A methodology has been developed for this assessment based on a number of indicators. For consumer countries, those indicators are derived from an examination of the national policy and legal framework and its implementation; analysis of enforcement data; reviews of international and domestic media coverage; analysis of data on trade between exporter and importer countries; and analysis of data on voluntary verification and certification by timber companies. This approach, drawing on a variety of data sources, provides the most rigorous means of assessing illicit practices, any estimate of which is inevitably challenging. Further details can be found in Annex 2 of this assessment.

Twelve countries were assessed in 2008–09 (the findings published in 2010²) and another six in 2013–14³ (published in 2014⁴). In addition, Chatham House undertook a reassessment of the original 12 countries in 2013–14.

This assessment presents the latest findings for Japan, which are compared with the situation as reported in 2010. The analysis, undertaken in April 2014, is based on data collected in 2013. Trade statistics and media data were compiled up to the end of 2013 and 2012, respectively, and the policy assessment was made on the basis of the situation as of December 2013, but some more recent developments have been noted as well.

¹ The following terminology has been used in this report: wood-based products – encompasses all timber-sector and paper-sector products; timber-sector products – includes logs, sawnwood, plywood, veneer, mouldings, joinery and furniture; paper-sector products – includes wood chips, pulp and paper.

² Lawson, S. and MacFaul, L. (2010), *Illegal Logging and Related Trade: Indicators of the Global Response*. London: Chatham House.

³ The countries assessed in 2008–09 were: Brazil, Cameroon, Ghana, Indonesia and Malaysia (producers); China and Vietnam (processing countries); and France, Japan, the Netherlands, the UK and the US (consumers). Those assessed in 2013 were: the Democratic Republic of the Congo, the Republic of Congo, Lao PDR and Papua New Guinea (producers); India and Korea (consumers); and Thailand (processing country).

⁴ Lawson, S. (2014), *Illegal Logging in Papua New Guinea*; Lawson, S. (2014), *Illegal Logging in the Republic of Congo*; Lawson, S. (2014), *Illegal Logging in the Democratic Republic of Congo*; Lawson, S. (2014), *Illegal Wood Import and Re-export: The Scale of the Problem and the Response in Thailand, South Korea and India*. London: Chatham House.

Background

Japan is a major consumer of wood-based products, after China, the EU and the US. It imported around 70 million m³ of wood-based products in 2013.⁵ In all categories of product, Japan's imports have been decreasing in recent years; but in 2010 the country was still the largest importer of wood chips and plywood in the world, the second-largest importer of logs and the third-largest importer of lumber.⁶ Logs account for around 10 per cent of Japan's imports of wood-based products and wood chips and pulp (in roundwood equivalent [RWE] volume) for 57 per cent.⁷ The main source countries are the US, Canada, China, Malaysia, Indonesia and Russia.

Some historical context will help explain Japan's heavy reliance on imported wood-based products.⁸ After the depletion of Japan's forest resources during the Second World War, extensive replanting was carried out. As the country waited for those trees to mature, the liberalization of log imports and the growing value of the Japanese currency led to the development of domestic timber industries that relied heavily on imported timber. In the mid-1990s, imports accounted for approximately 80 per cent of timber consumption in Japan.

There are extensive areas of forests in Japan, which comprise 70 per cent of land area.⁹ Of the total forest coverage, plantations account for around 40 per cent and these are maturing. Against this background, the government is aiming to increase the domestic supply of timber to 50 per cent of total consumption by 2020¹⁰ and has issued a series of measures to promote the domestic forest industry. However, Japanese forestry faces many challenges. For example, much of the forest grows on steep hills, which makes it more costly to harvest and therefore less competitive in terms of price.¹¹

The 2010 Chatham House study estimated that per capita consumption of potentially illegal wood-based products in Japan exceeded that of the five other 'consumer' countries assessed in the current study. It estimated that approximately nine per cent of all wood-based products imported into Japan in 2008 was at high risk of illegality.¹² Moreover, Japan scored lowest with regard to its legislative measures taken to tackle the problem of illegal logging.¹³ At the time of the 2010 study, Japan had no formal regulation on controlling imports of illegal wood-based products, which, for consumer countries, is one of the most effective means of tackling the problem of illegal logging. Since then, the government has implemented various measures, albeit soft ones. But there has been no significant progress on developing formal legislation to eliminate illegal wood-based products from its market, as has been done in the US, EU and Australia.

⁵ UN Comtrade data analysed by James Hewitt for Chatham House.

⁶ Ekstrom, H., 'Japan's Imports of Manufactured Wood Products to Skyrocket due to Post-Tsunami Rebuilding', written for Wood Resources International and published by Business Insider (2011) – see <http://www.businessinsider.com/japanns-imports-of-manufactured-wood-products-to-skyrocket-due-to-post-tsunami-rebuilding-2011-3>.

⁷ Japanese Forestry Agency, '(2013) Forest and Forestry White Paper' p. 168 – see <http://www.rinya.maff.go.jp/j/kikaku/hakusyo/24hakusyo/pdf/19hon6-1.pdf> (in Japanese).

⁸ See, for example, Japan Forest Owners Association (2010), 'Proposal for the Future Forest Management and Forestry Management – see <http://www.rinkeikyo.jp/no3-12.html> (in Japanese).

⁹ The total area covered is 25,100,000 ha – see <http://www.rinya.maff.go.jp/j/keikaku/genkyou/h24/1.html>. Around 60 per cent of forests are privately owned, 30 per cent are national forests and 10 per cent are public forests owned by local governments.

¹⁰ Japanese Forestry Agency (2013), p. 170.

¹¹ Other challenges include the aging population of those employed in the industry, difficulties in developing comprehensive forest management plans for privately owned forests (which, as noted above, account for around 60 per cent of all forests) and the limited number of tree species in production forests.

¹² Lawson and MacFaul (2010), p. 106.

¹³ *Ibid.*, p. xix.

Media Attention

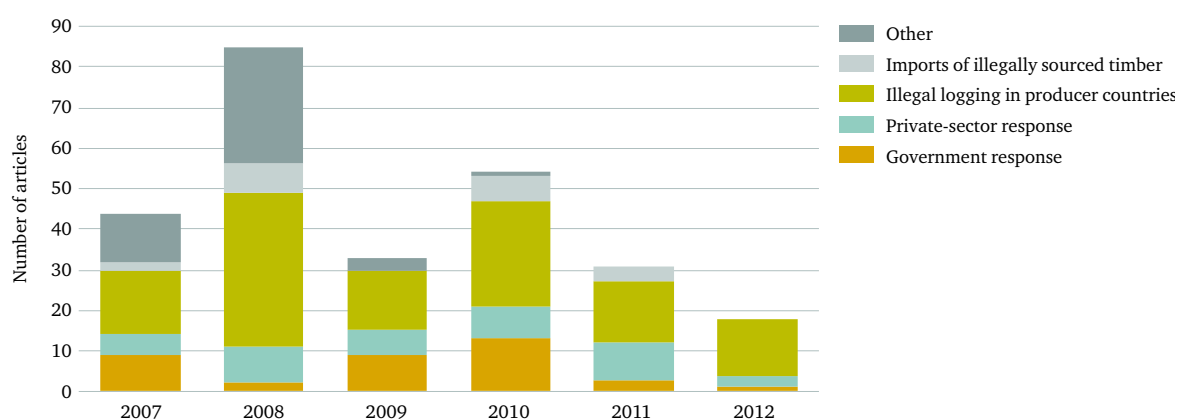
Media coverage provides an insight into levels of public awareness of illegal logging and related trade. While such awareness may not always lead to action, it is important for bringing about change and is therefore useful to monitor. An assessment of the media can also give an indication of the approaches being taken within a country to address the issue. For this current study, a total of five Japanese newspapers were reviewed.¹⁴

Figure 1 shows fluctuating media coverage of illegal logging in Japan between 2007 and 2012, with peaks in 2008 and 2010. Both these years coincided with international environmental conferences being hosted in Japan, and this is most likely the reason for the sudden increase in coverage. Media coverage then dropped to its lowest level in 2012.

Just under half of the media coverage in Japan focused on illegal logging in source countries, but this coverage did not link the problem to Japanese imports. The countries mentioned most frequently were Indonesia and Brazil. The articles referring to illegal logging in Brazil related to the Japanese government's support for satellite-imaging of the Amazon forest.

There has also been some coverage of the private-sector response to the issue of illegal logging, as well as articles dealing with forest certification as a tool to avoid illegal wood-based products and promote domestic products. The Japanese Forestry Agency's 'Guideline for Verification on Legality and Sustainability of Wood and Wood Products'¹⁵ is included in this category. Meanwhile, the proportion of articles on the government's response to illegal logging has been relatively low; these included articles on the signing of the Memorandum of Understanding between China and Japan on developing legality certification, which took place in 2011.

Figure 1: National media coverage of illegal logging, 2007–12*



* Figures are for the year from 1 October to 30 September; data for 2007 and 2008 are taken from the 2010 assessment.

¹⁴ Searches were undertaken in four Japanese-language newspapers – *Asahi Shinbun*, *Yomiuri Shinbun*, *Mainichi Shinbun* and *Sankei Shinbun* – and one English-language newspaper, *The Japan Times*.

¹⁵ See <http://goho-wood.jp/world/guideline/en.html> (in English).

Government Response

A coherent and transparent policy framework that is effectively and consistently enforced is a prerequisite for tackling illegal logging and the trade in illegal timber. This section assesses the design and effectiveness of the Japanese government's policies and regulations. The data are derived from an assessment of the policy framework that is based on a standard set of questions and scoring for the existence of policies, their design and the level of implementation. Data on enforcement are also included.

Table 1 shows the results of the assessments of the situation at the end of 2008 and at the end of 2013:¹⁶ the score given in each policy area is a percentage of the maximum score. These results are discussed in more detail in the following sub-sections, while the detailed policy scores on which this table is based are included in Annex 1.

Japan was initially very active in facilitating consumer-country responses to the problem of illegal logging, which was recognized at the G8 level from 1998 onwards; but its efforts slowed down after the mid-2000s and it is now lagging behind other consumer countries. As noted in the 2010 Chatham House report, Japan generally scored poorly compared with the other consumer countries included in that study.¹⁷ In particular, its public procurement policy, the only legislation in Japan that regulates imports of illegal wood-based products, was considered to have significant design weaknesses. Since then, there has been limited progress, as is discussed in more detail below.

Table 1: Summary policy scores for 2008 and 2013 (as % of maximum score)

	High-level policy	Legislative framework	Law enforcement	International engagement	Public procurement policy
2008					
2013					

Note: To establish the percentage figures, existence, design and implementation have been weighted equally, as has each sub-question under each major heading. Those policy areas for which only a few questions were formulated (institutional and operational factors; international engagement) are more likely to show change than are the other areas. Shading has been allocated according to the total score under each major heading as a percentage of the possible maximum – scores below 25% are red, those between 25% and 50% orange, those between 51% and 75% yellow and those above 75% green.

High-level policy

In order to help build the case for action and inform the response, it is important for consumer-country governments to understand the probable scale, nature and sources of imports of illegal wood-based products and their possible effect on driving illegal logging in producer countries. Between 2006 and 2012, several reviews of illegal logging and Japanese imports of illegal products were carried

¹⁶ The policy scores included in the 2010 report were based on an assessment of the situation at the end of 2008; and those for the current assessment, on the situation at the end of 2013.

¹⁷ Lawson and McFaul (2010), p. 51.

out by the committee formed by the Japan Federation of Wood Industry Associations (JFWIA).¹⁸ Although those reviews were partial in scope and less than comprehensive, they examined both the verification systems of major high-risk exporters to Japan¹⁹ and the implementation of the Japanese legality verification system, called the 'goho-wood' system (see the next section for more details).²⁰ A series of recommendations was made, including providing a clearer definition of 'sustainable' forest management. Though not adopted as a recommendation, the need to identify the laws of producer countries applicable in the legality verification process was also noted. In addition, the studies pointed out areas for potential collaboration with these countries.²¹ However, no new policy or legislation resulted from this work.²²

To date, Japan has no official action plan on excluding illegal wood-based products from the domestic market. It should be noted, however, that the Japanese Forestry Agency has an internal action plan, which was presented in May 2012 to a meeting of the Committee on Studying Forestry – a body established by the then opposition Liberal Democratic Party (LDP). That plan included the following three goals; 1) the further promotion of green procurement by public institutions, including local government; 2) the promotion of legally verified wood-based products among the private sector and consumers; and 3) the improved credibility and transparency of the legality verification system.

Some high-level coordination exists, but this has not yet been formalized.²³ A potential positive sign is that some of the activities of the Committee on Studying Forestry (which was incorporated into the Research Commission on Agriculture, Forestry and Fisheries Strategy in 2013) have resumed since the LDP came to power. Until around 2007, the committee had a specialized team focused on illegal logging;²⁴ that team was practically dormant until 2012, when it held four meetings during that year.²⁵ Initially convened in response to requests by environmental NGOs, those meetings were designed, above all, to be informative. While there has been no follow-up action by the Committee, one of the most significant outcomes of the meetings was the inclusion of the illegal logging issue among the LDP's campaign promises in 2012. The party called for strengthening action to prevent illegal logging through the public procurement law (see section on public procurement below).²⁶ The LDP won the 2012 election, but no concrete action has yet been seen.

¹⁸ See the website at <http://www.goho-wood.jp/jigyuu/h22/iinkai100604.html>. The reviews by JFWIA were carried out as part of the Project on the Response to Illegal Logging and Promotion of Legally Verified Woods, funded by the Japanese Forestry Agency of the Ministry of Agriculture, Forestry and Fisheries (MAFF).

¹⁹ Russia, Indonesia, Malaysia, China, Laos and Vietnam.

²⁰ In the 2010 assessment a score of zero was awarded for the indicator 'existence of an official review of illegal logging'. This was because the reviews were conducted by the JFWIA rather than the government (although they were funded by the Japanese Forestry Agency) and because there was limited information available at the time.

²¹ For example, it was recommended that Japan establish a joint monitoring system with China and Russia to monitor illegal logging and the timber trade in the Russian Far East. It was also recommended that Japan support the establishment of a wood legality standard in Indonesia. See the Committee on Promoting Measures Against Illegal Logging, 'Report on the Legal Verification System in Russia' and 'Report on the Legal Verification System in Indonesia' (both March 2007), at <http://www.goho-wood.jp/kyougikai/pdf/russian.pdf> and <http://www.goho-wood.jp/kyougikai/pdf/indonesia.pdf>.

²² See the Committee on Promoting Measures Against Illegal Logging, 'Proposals Regarding the Verification Method for Legality and Sustainability of Wood and Wood Products' (30 March 2009), at <http://goho-wood.jp/ihou/doc/suggest.pdf>.

²³ For example, the relevant government departments and agencies make use of email list serves and hold ad hoc meetings before major international conferences.

²⁴ The team was established in 2002 within the Committee on Studying Forestry, and tasked with the examination of measures to protect the global environment from worldwide illegal logging and associated trade. In 2010–11 the team held no meetings.

²⁵ The internal action plan of the Japanese Forestry Agency was presented at one of these meetings.

²⁶ See the Law Concerning the Promotion of Procurement of Ecofriendly Goods and Services by the State and Other Entities (Green Purchasing Law), No. 100 (2000), at <http://www.env.go.jp/en/laws/policy/green/1.pdf>.

As regards formal consultation processes, there are some mechanisms in place. A committee established under the JFWIA provides a venue for multi-stakeholder discussions.²⁷ The committee does not have a mandate to review legislation or policy; rather, its main function is to exchange information and views on voluntary measures taken by the private sector to supply legal wood-based products, although it does make recommendations. The most concrete outcomes to date are the promotion of legal products under the Law on the Promotion of the Use of Wood in Public Buildings²⁸ (enacted in October 2010 and discussed in the public procurement section) and the publication (in May 2012) of a *goho*-wood handbook explaining the Japanese legality verification system (examined in more detail in the following section).

Legislative framework

Japan continues to score poorly on this indicator as it has not undertaken a formal analysis of the existing framework or enacted additional legislation to tackle the problem of illegal logging and the related trade. As mentioned above, the only legislation that regulates imports of illegal timber is the public procurement law (discussed below).

Japan has a voluntary system to promote the sourcing of legally verified wood-based products – the *goho*-wood system – which is coordinated by the JFWIA and which the private sector is encouraged to follow. *Goho* is Japanese for ‘legal’. The *goho*-wood system was established in 2006 under the Japanese Forestry Agency’s ‘Guideline for Verification of the Legality and Sustainability of Wood and Wood Products’, developed in order to promote compliance with the country’s Green Purchasing Law. The *goho*-wood handbook provides further details on how to comply with the system.²⁹

There are three ways in which wood-based products can be verified as *goho* under the Japanese Forestry Agency’s Guideline: through forest certification; through verification by entities authorized by industry associations; and through verification by the companies themselves. The vast majority of companies opt for verification through the industry associations to which they belong. This requires the industry association to establish a code of conduct and procedures for approving its members. In order to be approved, a company must be able to keep legal products separate from those that are not verified as such, and to maintain records of transactions and stocks of legal products. It can then issue documents to direct buyers stating it is a registered *goho*-wood supplier. There is no requirement that original proof of legality accompany the product.

As of 3 March 2014, there were 147 associations with codes of conduct and approval procedures; 11,122 members of those associations are registered as suppliers of *goho*-wood. However, not all members participate in the *goho*-wood system; and even those registered as *goho*-wood suppliers do not necessarily supply such products.

The government’s effort to stimulate industry activities aimed at ensuring the legality and sustainability of wood-based products is commendable; and there has been some degree of success

²⁷ Committee on Promoting Measures Against Illegal Logging (30 March 2009). The committee consists of representatives from academia, industry associations, research institutions and NGOs and meets once or twice annually. Government departments attend as observers only; of these, only the Ministry of Agriculture, Forestry and Fisheries has attended since 2010. The meetings are closed and not open to the public.

²⁸ Law on the Promotion of the Use of Wood in Public Buildings, Law No. 36 of 2010.

²⁹ JFWIA (2012), *Goho-wood Handbook for the Verification of the Legality and Sustainability of Wood and Wood Products* at <http://goho-wood.jp/ihou/handbook.html> (in Japanese). See also note 15 above for details of the Guideline in English.

in encouraging companies to register with the *goho*-wood system.³⁰ However, there are some serious design flaws in that system.

First, the system is not legally binding. Since public procurement accounts for only five per cent of the country's total consumption of wood-based products, 95 per cent of trade within Japan is not subject to regulations on preventing trade in illegal wood-based products.

Second, the *goho*-wood system allows for a degree of traceability through domestic supply chains using chains of documents issued between association members, but the system focuses more on chain-of-custody (CoC) rather than verification of the products themselves. Indeed, verification at the first placing on the market is extremely weak. The *goho*-wood system is fundamentally document-based and requires no risk assessment or mitigation; nor is there any independent monitoring.

This situation has arisen because the definition of legality in the Japanese Forestry Agency's Guideline is ambiguous: 'harvested in a legal manner consistent with procedures in the forest laws of timber-producing countries and areas'.³¹ Although some information is provided as to what documents are considered to offer proof of legality, there is no incentive for companies to strictly follow the rules; nor is there any penalty for breaking them.³² Consequently, there is a range of documents accepted as offering proof of legality, including logging permits, export certificates endorsed by the governments of producer countries and, in some cases, even certificates issued by processing countries. This is the basis of the chain of documents in the *goho*-wood system.

Furthermore, the definition of 'legality' could be narrowly interpreted to exclude regulations other than those related to harvesting. This has raised concerns that the system does not enable issues such as tenure and land rights to be adequately addressed; and the system itself has been strongly criticized by a number of NGOs concerned, in particular, about imports from Sarawak in Malaysia.³³ Whether the Japanese definition encompasses laws relating to these issues has been queried in the Japanese parliament; the government response supported the inclusion of land rights in verifying legality where such issues are within the scope of the forest laws of producer countries.³⁴ However, to date no formal action has been taken on this point.

Japanese companies are aware of the weaknesses of the *goho*-wood system. According to an NGO survey published in 2010, 11 of the 100 Japanese companies that responded regarded the system as inadequate in ensuring the legality of wood-based products.³⁵ In addition, concerns have been raised about the lack of consumer interest in *goho*-wood owing to the fact that the *goho*-wood system is not legally binding; this means that it is difficult for companies to justify the effort and costs associated

³⁰ Friends of the Earth (FoE) International (2013), 'From policy to reality: "Sustainable" tropical timber production, trade and procurement', at http://www.foei.org/en/resources/publications/pdfs/2013/from-policy-to-reality-2018sustainable2019-tropical-timber-production-trade-and-procurement/at_download/file.

³¹ Japanese Forestry Agency, 'Guideline for Verification of the Legality and Sustainability of Wood and Wood Products' (15 February 2006), at http://www.rinya.maff.go.jp/j/boutai/ihoubatu/pdf/gaido1_e.pdf.

³² Pages 69–72 of the *goho*-wood handbook explain which types of document are acceptable under the *goho*-wood system – see JFWIA (2012).

³³ See, for example, FoE Japan, 'The commencement of the EUTR [EU Timber Regulation] and Japanese regulations – the importance of Sarawak', press release of 11 June 2013, at <http://www.foejapan.org/forest/library/130611.html> (in Japanese); EIA (2011), 'Hard evidence of continued import of illegal timber from Malaysia to Japan – highlighting the need for stronger action', EIA International Briefing Note at http://www.eia-international.org/wp-content/uploads/Illegal-timber-from-Malaysia-in-Japan-briefing-2011_e_.pdf; and Global Witness (2013), 'An Industry Unchecked', at <http://www.globalwitness.org/japanmalaysia>.

³⁴ See 'Response to the Question Regarding the Promotion of Anti-Illegal Logging Measures (No. 155)', at <http://www.sangiin.go.jp/japanese/joho1/kousei/syuisyo/180/meisai/m180155.htm> (in Japanese).

³⁵ FoE Japan (2010), 'Report on the Prospect of Legal Timber Procurement in the Russian Far East and Eastern Siberia' (in Japanese), pp. 51–53.

with obtaining the necessary documents.³⁶ It would help industry to tackle the issue of illegal logging if a clearer set of guidelines on legality verification were introduced, along with a requirement for risk assessment and mitigation – as stipulated in US, EU and Australian law.

Law enforcement

Since Japan's only relevant law – the Green Purchasing Law – has no enforceable provisions, this section is less relevant for Japan than for those consumer countries that have laws on preventing illegal wood-based products from entering their markets. However, since the country is party to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), wood-based products listed in CITES are subject to enforcement under Japan's implementing legislation. However, it should be noted that there are only a few CITES-listed tree species that are commercially traded.³⁷

Since 2008 the Japanese customs authorities have been publishing information on seizures under CITES. There were a total of 51 seizures of CITES-listed timber and wood-based products in Japan between 2008 and 2012 (see Table 2); they accounted for just one per cent of all seizures of CITES-listed species in the country. Most of the wood-based product seizures (94 per cent) were of Agarwood from China. There are no data available on the volume of the seized timber.

Table 2: Seizures of CITES-listed wood-based products

Year	No. of seizures	Species
2008	3	Agarwood
2009	11	Agarwood
2010	15	Agarwood
2011	16	Agarwood
2012	7	Agarwood, Himalayan yew, Mahogany, Rosewood

Source: Japanese customs authorities reports, 2009–13.

International cooperation

While action at home is crucial, it is also important that consumer-country governments engage with producer and processing countries to help tackle illegal logging and associated trade. Japan has no formal customs arrangements or system to receive enforcement alerts about illegal trade in wood-based products, although information may be passed through existing programmes of the World Customs Organization and Interpol. Perhaps the most significant development to take place during the period in which this study has been conducted was the signing (in August 2011) of the Memorandum of Understanding with China on illegal logging and related trade and sustainable forest management.³⁸ In that document, the two countries agreed to develop a legality verification system for wood-based products traded between them. The Japanese Forestry Agency announced

³⁶ Although the survey was carried out between 2008 and 2010, the *goho*-wood system has not changed fundamentally; therefore these observations can be considered still valid.

³⁷ CITES is implemented in Japan through the Foreign Exchange Law, the Foreign Trade Law and the Law on the Conservation of Endangered Species of Wild Fauna and Flora.

³⁸ Japanese Forestry Agency, press release of 25 August 2011, at <http://www.rinya.maff.go.jp/j/press/boutai/110825.html>.

that an action plan would be developed and implemented.³⁹ However, there is no publicly available information about the development of a legality verification system, nor has there been any subsequent official announcement that such a system will be developed.

In the first half of the last decade, Japan signed bilateral agreements with Indonesia and Malaysia.⁴⁰ The agreement with Indonesia, signed in 2003, consisted of a joint announcement and action plan on ‘cooperation in combating illegal logging’.⁴¹ The ‘Agreement between Malaysia and Japan for an Economic Partnership’, signed in 2005, was above all an economic agreement, but it included a joint statement on ‘Sustainable Forest Management and Trade in Legally Obtained Timber’ in an Appendix.⁴²

Public procurement policy

As noted above, government procurement accounts for only five per cent of Japan’s total consumption of wood-based products. Japan’s public procurement policy was established in 2006, when it amended the Basic Policy for the Green Purchasing Law. Since then it has been a legal requirement to supply only *goho*-wood products under public procurement contracts.⁴³ Sustainability of wood-based products is preferred but not a requirement.⁴⁴ No certification system is formally endorsed in the policy. The responsible agency for the Green Purchasing Law is the Ministry of the Environment, and annual reports are submitted by central government agencies; however, no audit is conducted. Implementation of the Green Purchasing Law by the central government agencies is reported to be above 90 per cent (92.8 per cent in 2011);⁴⁵ but these figures refer to all product categories covered by the law, not just wood-based products. A more recent survey revealed that around 25 per cent of the entities legally bound by the law fail to check the legality of their wood-based product supply.⁴⁶

There has been no significant change in the procurement policy or its implementation since the 2010 assessment. There are a number of weaknesses in that law.

First, the Green Purchasing Law is designed to promote the use of more environmentally friendly products in general rather than restricting illegal wood-based products in particular. Its stated major objectives are waste reduction and prevention of greenhouse gas emissions (Articles 1 and 2). Thus the priority given to illegal logging issues is very low.

Second, there are no penalties for non-compliance. If suppliers fail to follow the stipulated process, they are required merely to disclose records of their supply chain.

Third, the law applies only to central government agencies and central ‘independent administrative agencies’ that implement public projects. Regional agencies are required only ‘to make efforts’ to apply the law. A survey in 2012 by the Ministry of the Environment found that while three-quarters of local governments had applied procurement policies to the purchase of office paper, only just over one-third

³⁹ Presentation by the Japanese Forestry Agency at the International Seminar on Legal Wood at, Yokohama, Japan, on 11 November 2012.

⁴⁰ IGES (2007), ‘Japan’s procurement policy’, at http://www.illegal-logging.info/sites/default/files/uploads/IGES_publicprocurement_final.pdf.

⁴¹ Japanese Forestry Agency (2012), ‘Forest and Forestry White Paper’, at http://www.rinya.maff.go.jp/j/kikaku/hakusyo/24hakusyo_h/all/a41.html.

⁴² IGES (2007), p. 7.

⁴³ The exception is wood used for concrete moulding.

⁴⁴ The definition of sustainable timber is ‘harvested under sustainable management’.

⁴⁵ Ministry of the Environment (2012), ‘The Implementation of the Green Procurement by Government Agencies and its Effect on Reducing Environmental Load for 2012’, at https://www.env.go.jp/policy/hozen/green/g-law/jisseki/reduce-effect_h23.pdf.

⁴⁶ Global Environmental Forum and FoE Japan (2013), ‘Summary of the Survey Results Regarding the Legality Verification of Wood Products’, at https://www.fairwood.jp/news/pr_ev/2014/gohosei_question_result201405.pdf (in Japanese).

had applied them to public works.⁴⁷ Given that regional governments carry out three times as many economic activities as central government agencies, this seems inadequate.

Lastly, the scope of products covered by the law is limited. Besides materials for public construction, only paper, stationery, office furniture, fixtures and bedding are covered. However, the law exempts formwork (e.g., plywood for concrete moulding), among other construction materials. Since Japan uses large volumes of moulding materials and since many of those materials traditionally use tropical wood, this is a serious weakness.

Although there has been no change to the procurement policy itself, a new law was introduced in 2010 to promote the use of *goho*-wood as part of the government's overall efforts to develop domestic forestry. The Law on the Promotion of the Use of Wood in Public Buildings, enacted in 2010, not only encourages the use of wood as a construction material for public buildings; it also requires that the wood used for this purpose be *goho*-wood. The implementation of this law is expected to result in the increased use of *goho*-wood.⁴⁸

⁴⁷ Ministry of the Environment (2012).

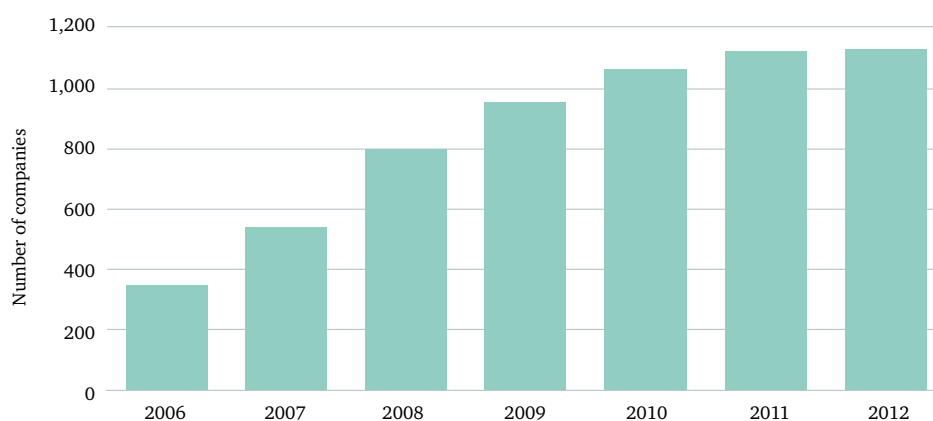
⁴⁸ International Green Purchasing Network – see http://www.igpn.org/csr2012/pdf/2nd/03_fa_nakamura.pdf. Local government policies must reflect the provisions of this law, and all 47 local governments have established relevant policies.

Progress by the Private Sector

In addition to government measures to tackle the problem of illegal logging, this study evaluates the degree and effectiveness of the response by the private sector. For consumer countries, the extent of private-sector uptake of voluntary legality verification and sustainability certification standards has been used to assess this. As in 2010, the study assesses the uptake of Forest Stewardship Council (FSC) CoC certification.⁴⁹ It should be noted that the number of companies with this certification is an imprecise indicator, because these companies do not necessarily handle FSC-certified products. To provide an additional metric, data on the volume of certified products on the Japanese market were sought, but insufficient data were found.

Of the five consumer countries included in the 2010 study, Japan had the second-lowest number of companies (952) with FSC CoC certification (after the US, the UK and the Netherlands). That number has increased only slightly since then: in 2012 there were 1,128 companies with such certification (see Figure 2). And of the five consumer countries included in the current study, Japan had the lowest number of companies with CoC certification per million people in 2012 (see Figure 3). However, it does have its own certification system, administered by the Sustainable Green Economic Council (SGEC). As of 3 March 2014, there were 240 businesses with SGEC CoC certification.

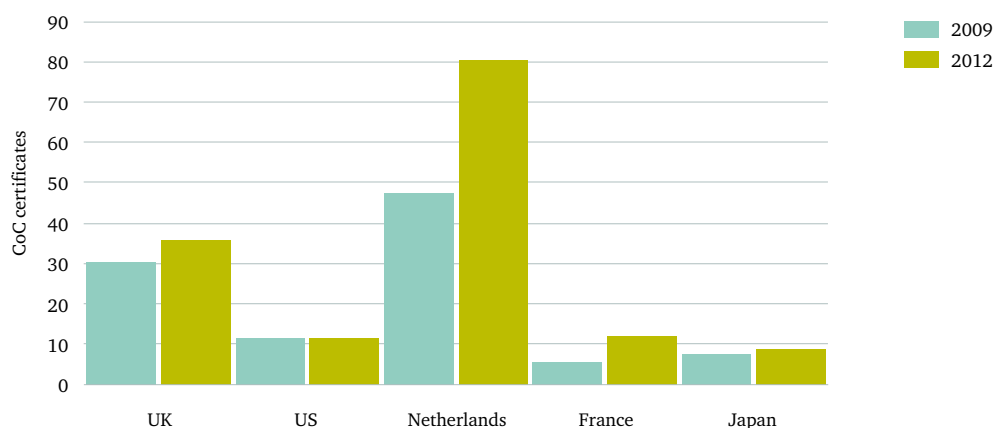
Figure 2: Number of companies with FSC CoC certification*



*As of October each year.
Source: FSC.

⁴⁹ Although the Programme for the Endorsement of Forest Certification is also used extensively in consumer countries, to date relatively little tropical forest has been certified under the scheme (apart from in Malaysia), making FSC a better indicator across the range of producer, processor and consumer countries.

Figure 3: Number of companies with FSC CoC certification, per million people*



*Source: FSC.

Sources for population data: World Bank (figure for 2006–11) and the Population Reference Bureau (2012).

The number of companies with FSC CoC certification remains relatively low, with far more being approved under the *goho*-wood system. The number of *goho*-wood businesses has more than doubled since 2006 – from 4,906 in 2006 to 11,122 as of 3 March 2014.⁵⁰ Although the system has some fundamental weaknesses, as discussed earlier, suppliers may be less inclined to opt for certification such as that issued by the FSC since the *goho*-wood system is ‘less costly and more efficient’, as the *goho*-wood handbook states.⁵¹ Moreover, in Japan there is less market demand for certified sustainable products in general.⁵²

⁵⁰ Presentation by the Japanese Forestry Agency at the International Seminar on Legal Wood at Yokohama, Japan on 11 November 2012.

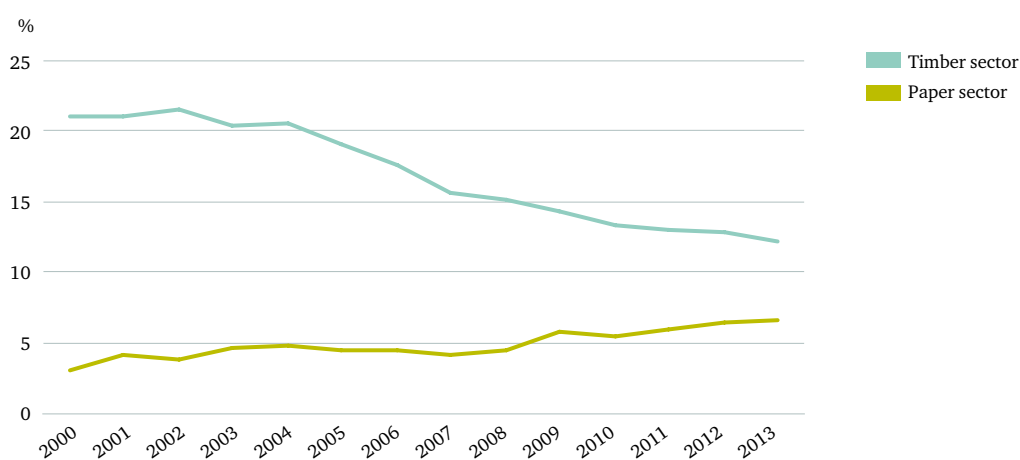
⁵¹ JFWIA (2012), p. 5.

⁵² Liu, P. et al. (2004), ‘Voluntary Standards and Certification for Environmentally and Socially Responsible Agricultural Production and Trade’, FAO Commodities and Trade Technical Paper 5 – see <http://www.fao.org/docrep/007/y5763e/y5763e00.htm#Contents>.

Estimated Level of Illegal Imports

To estimate the level of a country's imports of illegal wood-based products, Chatham House has undertaken an evaluation of product flows (see Annex 2 for further details). It should be noted that these evaluations tend to underestimate certain types of illegality. In particular, possible illegalities in the allocation of logging rights and the process of forest conversion might not have been taken fully into account. Of the five consumer countries included in the 2010 assessment, Japan had the highest level of consumption of likely illegal (high-risk) wood-based products per million people; however, that level had been declining over the previous decade. The current assessment suggests that the decline has now levelled off: in terms of both volume and value, high-risk imports into Japan remained more or less constant from 2010 to 2013. Similarly, the proportion of high-risk imports of timber-sector products is estimated to have stayed roughly the same from 2010 to 2013 – 12 per cent by RWE volume. But the share of paper-sector products increased over this period, from five per cent to seven per cent.

Figure 4: Estimated percentage of imports of timber- and paper-sector products at high risk of illegality (by RWE volume)



Source: Based on official trade statistics (Trade Statistics of Japan) and analysis by Chatham House.

Of those imports at high risk of illegality, plywood and paper accounted for nearly two-thirds of the total in terms of RWE volume in 2013; in terms of value, furniture imports are also significant, estimated at nearly 16 per cent of such imports.

One of the main suppliers of high-risk products is Indonesia. During the early part of the 2000s, more than half of Japan's imports of such products (by RWE volume) are thought to have come from that country. However, by 2013 this proportion was estimated to have dropped to about 40 per cent as a result of improved forest governance in Indonesia and the decrease in the volume of imports from that country.

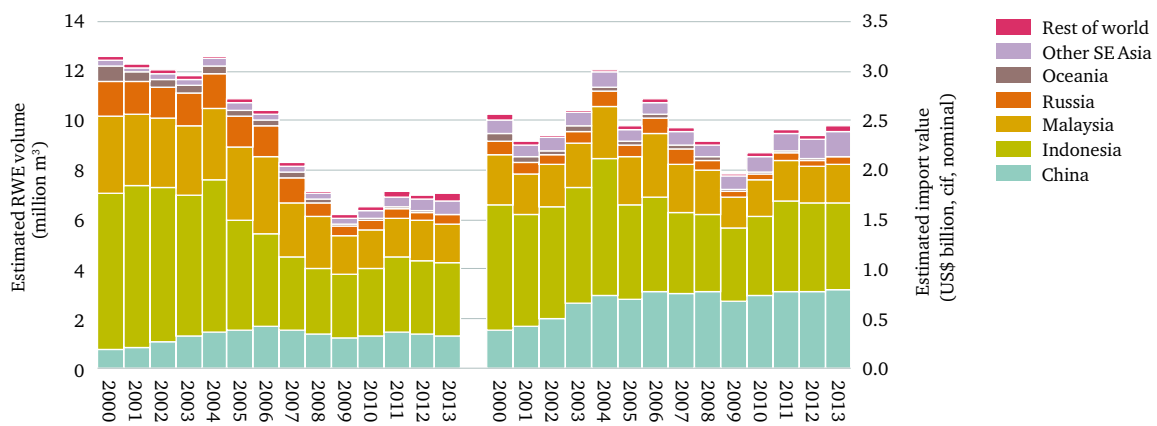
China is now another main supplier of high-risk wood-based products. It is estimated that in 2013 it accounted for one-fifth of Japan's imports of likely illegal wood-based products by RWE volume and

about one-third by import value. This partly reflects the increase in imports from China, which today is Japan’s main supplier of wood-based products.

Malaysia is thought to be another significant supplier of high-risk products into Japan – an estimated 20 per cent of the total by RWE volume in 2013. The bulk is accounted for by plywood, most of which comes from Sarawak, where logging practices have been much criticized.⁵³

Another country that exports significant volumes of high-risk products to Japan is Russia. The main such products are logs, sawnwood and veneer. In addition, large volumes of Russian timber are imported via China as processed products.⁵⁴

Figure 5: Estimates of imports of wood-based products at high risk of illegality by supplying country or region



Source: Based on official trade statistics (Trade Statistics of Japan) and analysis by Chatham House.

⁵³ See, for example, Global Witness (2013), 'An Industry Unchecked: Japan's Extensive Business with Companies Involved in Illegal and Destructive Logging in the Last Rainforests of Malaysia', at <http://www.globalwitness.org/japanmalaysia>.

⁵⁴ EIA (2014), 'The Open Door: Japan's Continuing Failure to Prevent Imports of Illegal Russian Timber' – see <http://eia-global.org/news-media/the-open-door-japans-continuing-failure-to-prevent-imports-of-illegal-russi>.

Conclusions and Recommendations

Most indicators suggest that Japan's situation has not changed since the previous assessment, in 2010. General interest in the issue of illegal logging appears to be low in the country, judging from the review of media coverage. There may be renewed political interest if the ruling LDP fulfils its campaign promise to tackle the problem; however, a significant push will be needed as there are many other 'more pressing' issues – such as the economy – on the party's agenda. Some NGOs in Japan are working to promote measures to address the issue, but their number is very low. Moreover, the government remains focused on 'soft', voluntary measures rather than establishing legally binding requirements.

The *goho*-wood system has been vigorously promoted, and the number of companies registered as *goho*-wood suppliers has increased. This has probably contributed to raising awareness about illegal logging. However, in terms of eliminating illegal wood-based products from the domestic market, the system is less than adequate, especially compared with the legally binding regulations of other consumer countries. Furthermore, the *goho*-wood system is an easier, less expensive option for companies than sustainability certification; as a result, interest among companies in acquiring the latter may be weakening. If that is indeed the case, there will be implications for the sustainable management of forests around the world.

Careful risk assessment is necessary to clamp down on illegal logging and related trade, especially where high-risk countries are concerned. Legislation in the EU, the US and Australia has led industry in these countries to improve practices and increase transparency of supply chains. The Japanese government should support such progress by introducing similar legislation.

Besides supporting global efforts to improve forest governance, the Japanese government would be looking after the interests of the domestic forest industry if it regulated the flow of illegal wood-based products into the country. The US Lacey Act amendments were passed partly as a result of lobbying by the country's domestic industry, which was concerned that imports of illegal wood-based products were depressing the market value of local products. In fact, a recent Japanese study revealed that the demand for domestic wood used for the production of plywood could increase by 13 per cent if regulations were introduced to eliminate illegal plywood from the Japanese market. Thus, taking measures to prohibit illegal wood-based products would be in harmony with the Japanese government's overall policy of promoting the domestic forestry industry.

In addition to a requirement for risk assessment and mitigation, new legislation should include third-party monitoring that is independent of industry associations. Moreover, some form of penalty should be introduced in order to improve compliance. In designing and implementing such legislation, there should be increased coordination between government agencies in general and between the Ministry of the Environment and the Ministry of Agriculture, Forestry and Fisheries in particular, since illegal logging and related trade is a major environmental problem that needs to be dealt with in a much wider context than is currently the case in Japan.

Furthermore, Japan should explore with China whether it could develop similar measures for controlling imports of illegal wood-based products, since the framework of the Memorandum of Understanding between the two countries offers an opportunity for further cooperation.

Until adequate national legislation is passed, Japanese industry should consider developing and introducing more robust risk assessment and mitigation procedures, particularly as regards placing products on the Japanese market for the first time. Such procedures could themselves provide a model for new legislation in this area.

Annex 1: Policy Assessment Scores for 2008 and 2013

	Existence (0–2)		Design (0–5)		Implementation (0–5)	
	2008	2013	2008	2013	2008	2013
High-level policy						
Official review of imports and consumption of illegal wood-based products	0	1	n/a	3	n/a	1
National action plan	0	0	n/a	n/a	n/a	n/a
Coordination between government departments	2	1	4	2	3	2
Multi-stakeholder consultations	2	2	3	3	3	3
Legislative framework						
Analysis of existing legislation and regulations	0	0	n/a	n/a	n/a	n/a
Enactment of additional legislation	0	0	n/a	n/a	n/a	n/a
Range of products covered by any additional legislation			*	n/a		
Applicability to importers or companies along the supply chain			*	n/a		
Inclusion of a requirement for businesses to implement due diligence			*	n/a		
Systematic monitoring and assessment of implementation and impact			*	n/a		
Law enforcement						
Training for customs and other relevant officials on existing import controls for wood-based products	0	1				
International engagement						
Formalized trade or customs arrangements with major trading partners	0	0	n/a	n/a	n/a	n/a
Formalized system for sending and receiving enforcement alerts	0	0	n/a	n/a	n/a	n/a
Public procurement policy						
Existence and implementation of public procurement policy	2	2			2	2
Level of adherence required			5	5		
Product coverage			4	4		
Extent to which based on independent certification/verification schemes			1	1		
Provision of assistance for government purchasers			2	3		
Systematic monitoring and assessment of implementation			2	2		
Applicability to sub-national government			2	2		

* The policy scores included in the 2010 report were based on an assessment of the situation at the end of 2008; and those for the current assessment on the situation at the end of 2013. A grey cell indicates that the answer to the question posed was not scored; an asterisk indicates that the question was not asked in 2010. Policies were assessed according to the following factors: existence (scoring between 0 and 2, whereby 1 indicates partial coverage or a policy under development); design (scoring between 1 and 5, whereby 5 indicates very well designed); and implementation (scoring between 1 and 5, whereby 5 indicates consistent and comprehensive implementation).

Annex 2: Methodology

The methodology employed to undertake the assessments of the 13 countries included in the 2014 Indicators of Illegal Logging and Associated Trade study is based on that developed by Chatham House for its 2010 assessment. Below is a brief overview of the data collection and analysis process. Further explanation of how the indicators were developed can be found in earlier reports.⁵⁵

The countries included in the study were selected on the basis of the significance of their role in the production and consumption of illegal wood-based products. Four years after the first assessment, the 12 original focus countries continue to account collectively for the majority of exports and imports of such products. Lao PDR is included in the 2014 assessment owing to its increasing importance in the global trade in wood-based products.

Indicators of progress

Chatham House has developed a set of standardized indicators to allow a comparative evaluation to be undertaken. The indicators cover four areas:

- a) Media attention – entailing quantitative and qualitative analysis of media coverage of the issue of illegal logging and associated trade;
- b) Government response – entailing an assessment of the policy framework and analysis of enforcement data;
- c) Progress by the private sector – entailing an assessment of the level of chain-of-custody certification; and
- d) Estimated level of illegal trade – entailing an analysis of trade data to estimate the level of illegal imports.

An outline of how these data were collected is provided below.

Media attention

The level of attention afforded to illegal logging and related trade in the domestic and international media was assessed using both quantitative and qualitative methods. The volume of articles in the international media was measured through a search of online media archives (Factiva, Newsbank and LexisNexis) using the term ‘illegal logging’ and the country name. A similar approach was adopted with domestic media: the search term ‘illegal logging’ was used in English and/or the local language. Online archives were used where possible and physical archives where no such digital records were available. Country partners were asked to identify those newspapers, journals and media outlets that can be considered to qualify as ‘major circulation’.

⁵⁵ Lawson, S. (2007), *Illegal Logging and Related Trade*; and Lawson, S. and MacFaul, L. (2010), *Illegal Logging and Related Trade: Indicators of the Global Response*. London: Chatham House.

The articles were then categorized according to their main focus: enforcement, private-sector response, government response, impacts or 'other'. The search period for domestic media coverage was the year from October to September, while that for international media was the calendar year.

Policy assessment

For each of the countries included in the study, an in-country partner was selected by Chatham House to assess the national policy and legal framework for dealing with the issue of illegal logging and related trade. For consumer countries, the questions were grouped into five broad categories: high-level policy, legislative framework, law enforcement, international engagement and public procurement policy. In addition, enforcement data were collected and incorporated into the policy assessment.

In-country partners were provided with an advisory framework on scoring and the scores from the first round assessment, in order to maintain a degree of consistency across countries and between the two assessments. The scores were then reviewed by Chatham House researchers and peer reviewers and amended where necessary.

Level of CoC certification

To assess the private-sector response, Chatham House collected data on the number of companies in each consumer country that have achieved FSC CoC certification. In theory, FSC CoC-certified companies are those that deal in FSC-certified products. In practice, a considerable number of CoC-certified companies handle few or no FSC-certified products. For this reason, data on CoC-certified companies must be interpreted with some caution. Data on CoC certification in each consumer country were provided by the FSC and analysed by Chatham House.

Analysis of trade data

The level of imports of wood-based products at high risk of illegality was estimated through a detailed evaluation of product flows (for which the term 'import-source analysis' was coined). The evaluation involved estimating the RWE volume and value of imports (in US dollars) from official import data for each year as well as the bilateral flow of each category of wood-based product. Those values were then multiplied by estimates of the proportion that was likely to be illegal. That proportion was based on an estimate of the level of illegality likely to be associated with the export of each product category for a given country and year as well as the extent to which importing countries demonstrate a preference for legal (e.g., FSC-certified) products. Further details of how the estimates were made are provided in a methodology paper.⁵⁶

⁵⁶ Hoare, A. (2014), *Methodology for estimating levels of illegal timber- and paper-sector imports*. London: Chatham House.

Glossary

CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CoC	Chain of custody
EIA	Environmental Investigation Agency
FoE	Friends of the Earth
FSC	Forest Stewardship Council
IGES	Institute for Global Environmental Strategies
JFWIA	Japan Federation of Wood Industry Associations
LDP	Liberal Democratic Party
MAFF	Ministry of Agriculture, Forestry and Fisheries
RWE	Roundwood equivalent
SGEC	Sustainable Green Economic Council

About the Author

Dr Mari Momii is an independent environmental policy analyst and a part-time lecturer at Atomi University in Japan. From 2008, as a representative of Deepgreen Consulting, she has done research for and given policy advice to many international environmental groups and institutions including the Environmental Investigation Agency (EIA). She was a campaigner at EIA between 2003 and 2004, and a treaty adviser for the International Fund for Animal Welfare between 2006 and 2009. She was also a CSR consultant for Yamaha Corporation between 2008 and 2010 and has given advice to corporations in and outside Japan. Her areas of expertise include biodiversity conservation policy, illegal logging and related trade issues, as well as sustainable supply chain management and other issues relating to corporate social responsibility.

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