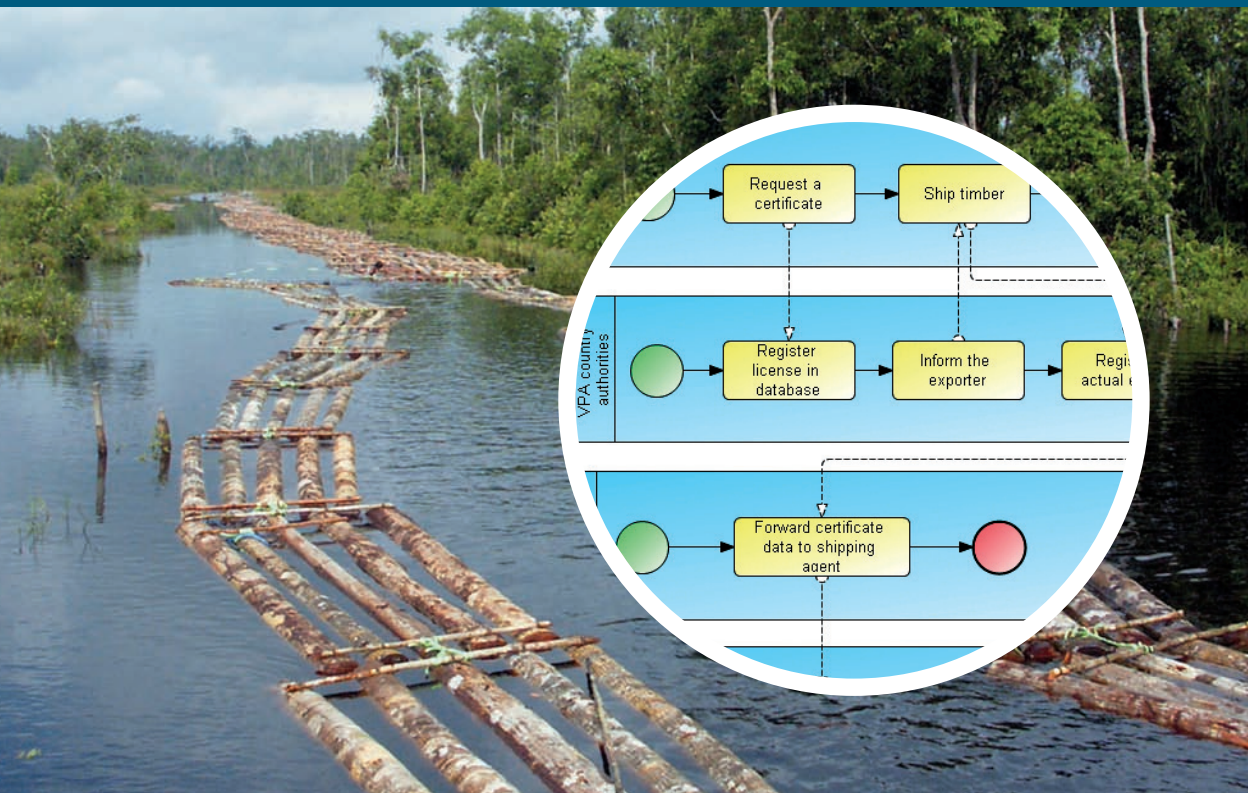


Import procedures for timber to the European Union

Options for streamlining procedures for legal timber



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Import procedures for timber to the European Union

Options for streamlining procedures for legal timber

B.M. Kamphuis

T. Verwaart

July 2008

Report 2008-044

Project code 20335

LEI Wageningen UR, The Hague

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**Import procedures for timber to the European Union;
Options for streamlining procedures for legal timber**

Kamphuis, B.M. and T. Verwaart

Report 2008-044

ISBN/EAN 978-90-8615-244-5; Price €18

77pp., fig., tab., app.

This report provides a description of the institutions involved in timber import and an overview of import procedures and related documents in the Netherlands in the framework of the European Union Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT). FLEGT aims at establishing Voluntary Partnership Agreements (VPAs) between the EU and timber producing countries. The report includes recommendations with respect to streamlining import procedures and electronic document handling.

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Preface

Illegal logging and the trade in illegally logged timber is a major problem for many timber producing countries in the developing world. Consumer countries contribute to these problems by importing timber and wood products without ensuring that they are legally sourced. In 2003 the EU adopted an Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT) to address these problems. The Netherlands government, through the Ministry of Agriculture, Nature and Food Quality (LNV), is actively involved in preparing and implementing the action plan. One of the major goals of this action plan is to establish Voluntary Partnership Agreements (VPAs) between the EU and timber producing countries. A licensing scheme with an independent verification system will be an integral part of this VPA. As a result of that the import and export regulations will become stricter and cause additional costs for the timber industry. In order to reduce the burden for the companies, the Dutch government is aiming at streamlining relevant regulations and procedures.

For that purpose LNV commissioned LEI to analyse the current import procedures for timber and to investigate how FLEGT procedures could effectively be implemented with minimal cost for the timber industry and the involved government authorities. The study has been carried out by Ben Kamphuis and Tim Verwaart. They interviewed various stakeholders in the timber industry in order to get a good understanding of the timber import procedures. I would like to thank the respondents for their willingness to share their experiences with the researchers, which made it possible to formulate recommendations for streamlining procedures and electronic handling of FLEGT regulations.

I hope that this study will facilitate the introduction of FLEGT regulations and, hence, will contribute to combating illegal logging.



Prof. Dr R.B.M. Huirne
Director General
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Summary

Background and approach

The European Union is a large consumer of timber produced elsewhere in the world. The USA and China are the two largest net importing countries but when summing up the imports of the individual EU member states, the EU is the largest importer of forestry products. A major part of these imports originates from countries where timber is harvested illegally.

Based on various statistical sources, it is estimated that in volume China is by far the largest importer of illegal timber, but that the EU is on top in value. In order to address the problem of illegal logging and the associated trade, the European Union started an Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT) in 2003. The FLEGT action plan aims at establishing Voluntary Partnership Agreements (VPAs) between the EU and timber producing countries. These VPAs will describe in what way it is assured that the production of round wood and timber in the partner country and the export of these products to the EU are legal. A licensing scheme with an independent verification system, according to Regulation 2173 adopted in 2005 by the Council of the European Union, will be an integral part of this VPA.

The Netherlands is supporting the implementation of the EU FLEGT program and is searching for possibilities to facilitate a smooth introduction of the new regulations for timber import in order to stimulate the Dutch timber industry to meet the requirements of the new regulations. For that purpose the Ministry of Agriculture, Nature and Food Quality (LNV) asked LEI to carry out a study to provide background information for the implementation of the new regulations and procedures.

The major goal of this study was to analyse the current import procedures for timber and to investigate how FLEGT procedures could effectively be implemented with minimal cost for the timber industry and the involved government authorities.

The analysis of LEI is based on desk research and interviews with major stakeholders in the timber sector in the Netherlands, such as officials of LNV, Customs and timber (trading) companies. An analysis has been made of import procedures of round wood and timber from the moment of export from an exporting country until and including customs clearance in the Netherlands. The

analysis included Customs regulations, phytosanitary control and CITES¹. An inventory was made of related controls, documents used and the exchange and flow of documents and other relevant information.

The study results in observations for improving the efficiency of customs and related regulations and recommendations for FLEGT import procedures and electronic document handling.

Customs procedures

The Netherlands Customs Administration supervises the import, export and transport of goods, monitors whether the taxes payable upon import are paid and whether exported goods meet the relevant requirements. Customs also supervises compliance with legislation concerning safety, health, economy and environment. The task of the Netherlands Customs is not only of importance for the Netherlands, but also for the other member states of the European Union, because the Dutch border is one of the EU external borders and once goods have been cleared by Customs at an external border, it can be transported freely within the EU. It is, therefore, the task of Customs to ensure that goods that enter the Netherlands and therefore Europe comply with European regulations. Because of the huge quantities of cargo that enter the Netherlands via Rotterdam Port - in 2006 about three million containers - it is impossible for Customs to check all these containers and for that reason Customs uses risk profiles to select those containers that might constitute a safety risk and need to be checked. To achieve this, Customs developed a declaration tool, called 'Sagitta Entry'. Based on risk analyses, containers are selected for inspection. Generally, the required information is provided by the shipping agency to Customs some days before arrival. Based on that information Customs can select consignments before arrival and inform the parties involved in time as to which consignment will be checked upon arrival. In that way logistic delays can be restricted to a minimum.

This report provides an overview of the procedures for importing goods into the Netherlands, and hence the European Union over sea and includes a description of the customs regulations, an overview of shipping documents and diagrams of import procedures and the requirements of phytosanitary inspections and CITES.

¹ CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) is an international agreement between governments, which aims at ensuring that international trade in specimens of wild animals and plants does not threaten their survival.

Timber import procedures and FLEGT

Just as all other goods, timber and wood products need to meet certain rules and regulations when imported to the Netherlands and are subject to:

- tax regulations (import levies);
- phytosanitary rules and regulations;
- CITES regulations.

It is the intention of the EU to extend these import regulations with FLEGT regulations based on Voluntary Partnership Agreements (VPA) with timber exporting countries. Key elements of the EU FLEGT Regulation are the following:

- each shipment of timber, and at a later stage also plywood, should be covered by a licence issued by an authority in the country of origin before being released into free circulation in the European Union;
- the FLEGT licence shall be available to the competent authority at the same time as the customs declaration for that shipment is presented for release into free circulation in the Community;
- import without such a licence is forbidden and should effectively be penalised by national law in the member states;
- the regulation only applies to imports from countries that have entered into a voluntary partnership agreement with the EU. Imports from other countries are not subject to the licensing system;
- the licensing system may be based on either paper or electronic licences, to be agreed with individual partner countries;
- the competent authorities in the Member states shall keep a record - in electronic or paper format - of the original FLEGT licence together with the corresponding customs declaration.

Major observations on current timber import procedures.

The current import procedures are, generally speaking, transparent and clear for the involved companies. They understand the reasons of safety and taxation behind the measures. The major observations are:

- All involved parties, companies as well as Customs and other governmental institutions appreciate the transition from physical towards electronic handling of documents and procedures;
- The Sagitta system has proved to be an efficient system. Since the documents can be sent by e-mail the procedure for document control has been made much easier and more efficient. Documents do not get lost anymore and the control time is shorter;

- There are some doubts about the usefulness of the Phytosanitary inspection and the costs of those inspections, in particular in case of detailed inspections of goods that have been inspected in detail at the harbour of origin;
- With respect to wood and timber the respondents remember only rare occasions of intercepted goods because of Phytosanitary and CITES reasons.

Recommendations for electronic handling of FLEGT import procedures

All stakeholders are in favour of an electronic system for handling the FLEGT import procedures. Such an approach is possible within the implementation procedures recently agreed on within the EU. The basic steps in such a system are the following:

- The FLEGT partner countries are establishing a certification system for timber that meets the FLEGT requirements;
- The FLEGT certificates are stored in an electronic database, which is accessible for authorized third parties;
- The exporting company will provide the importer with the required references to the certified timber shipment;
- The importing company will provide the responsible authorities in the importing country with the references of the timber shipment;
- The responsible authorities will check the certificates through cross-checking with the certificates in the database of the FLEGT partner country;
- If the certificates are valid, the remaining steps of the procedure for release into free circulation can be performed;
- At the moment of release into free circulation, the FLEGT certificate in the database is adjusted for the amount actually imported.

The proposed procedure does not include any physical check by the EU authorities. The FLEGT partner countries are responsible for verification of the legality of the shipments and authenticity of the related certificates. For that purpose, the partner countries are expected to have established schemes that guarantee the legality and reliable tracking of timber products in accordance with the requirements of the EU and settled down in the FLEGT Voluntary Partnership Agreements

The two main reasons for inspection are: (1) is the certificate valid and in accordance with the product description, the quantity, and the country of origin indicated on the declaration for release into free circulation, and (2) , as for any shipment of any type of goods: is the shipment in accordance with the declaration. In an electronic system, document checking of the certificates could be performed automatically. The other checks are the routine checks and physical

inspections that Customs perform for release into free circulation of any goods. In order to prevent undue delays and for reasons of cost effectiveness it would be efficient for the Ministry of LNV to delegate these checks to the Customs authorities.

An electronic system for the FLEGT import procedures could be implemented in several ways. The report describes three alternatives:

1. application of the CLIENT System¹ of the Ministry of LNV;
2. application of the Sagitta system of the Dutch Customs;
3. development of a specific FLEGT system.

The overall conclusion of the study is that it is possible to integrate the FLEGT procedures into the current import control systems of Customs and the Ministry of LNV in order to check the import of legally harvested timber from countries that have concluded a FLEGT agreement with the European Union. However, the very success of this policy depends largely on the willingness and strength of the government of the FLEGT partner countries to develop and enforce a well functioning timber legality and traceability verification system.

¹ CLIENT is an acronym for 'Controles op Landbouwgoederen bij Import en Export naar een Nieuwe Toekomst'. Loosely translated, it stands for 'a new approach to the control of agricultural goods during import and export'. The programme seeks to streamline the administrative and logistic procedures involved in importing and exporting agricultural goods in order to improve the efficiency and effectiveness of border controls and issuing export certificates for agricultural products.

1 Introduction

1.1 Project background

In order to address the problem of illegal logging and the associated trade, the European Union started an Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT). The FLEGT action plan aims at establishing Voluntary Partnership Agreements (VPAs) between the EU and timber producing countries. These VPAs will describe in what way it is assured that the production of round wood and timber in the partner country and the export of these products to the EU are legal. A licensing scheme with an independent verification system will be an integral part of this VPA. The regulations with respect to the EU side of this licensing scheme have been laid down in Council Regulation 2173/2005 (see appendix 1). As a result, the import and export regulations will become stricter and cause additional costs for the timber industry.

However, not only the timber industry but also other industries are facing increasingly stricter import and export regulations, due to new national and international legislation. In order to reduce the burden for the companies, the Dutch government is aiming at streamlining the various regulations and procedures.

For that purpose the Ministry of Agriculture, Nature and Food Quality (LNV) started in 2001 a program to improve the administrative and logistic processes for import and export of agricultural products for the benefit of all involved parties, both public and private, called CLIENT (In Dutch: '*Controle op Landbouwgoederen bij Import en Export naar een Nieuwe Toekomst*' in English: 'Verifications of agricultural products at import and export to a new future'). In 2004 the focus of the program shifted from import to export regulations. CLIENT contains, amongst other things, an electronic system for information exchange and document handling between the importing/exporting company and the responsible public administrative agencies such as the Customs and the Phytosanitary Service.

The Netherlands supports the implementation of the EU FLEGT program and is searching for possibilities to facilitate a smooth introduction of the new regulations for timber import in order to stimulate the Dutch timber industry to meet the requirements of the new regulations. To that end, LNV asked LEI to carry out a survey that will provide background information to support the implementation of the new regulations and procedures.

1.2 Project objectives and approach

The *general objective* of this project is to contribute to the implementation of the new EU FLEGT regulations through facilitating electronic document handling and information exchange between importing companies and relevant public authorities.

The *specific objectives* of the project are:

- to provide a clear description of the import procedures for timber;
- to formulate recommendations for streamlining timber import regulations and options for electronic document handling.

The analysis should take into account the current import/export procedures for round wood and timber as well as the new EU FLEGT regulations. The CLIENT program for (flower) imports should be used as a reference for electronic document handling.

For that purpose the researchers carried out an analysis of import procedures of round wood and timber from the moment of export from an exporting country until and including customs clearance in the Netherlands. The analysis included customs regulations, phytosanitary control and CITES. An inventory was made of related controls, used documents and the exchange and flow of documents and other relevant information. Based on interviews with major stakeholders in the Netherlands (authorities and timber companies) an analysis was made of the possibilities for streamlining import procedures and electronic document handling as well as of the extra controls, documents and exchange of documents that probably will be required by the EU FLEGT action plan.

The analysis results in some observations for improving the efficiency of customs and related regulations and recommendations for FLEGT import procedures and electronic document handling, including the suitability of the CLIENT system.

The major part of the project was carried out in the last quarter of 2007. In addition to the responsible officials of the Department of Nature of LNV, the researchers interviewed the major stakeholders in the sector, such as timber trading companies, Customs and the Phytosanitary Service on their experiences with respect to the administrative procedures for timber import and their wishes for improvement.

2 General description of current import procedures

2.1 Introduction

This chapter gives a general overview of the procedures for importing goods into the Netherlands, and hence the European Union over sea. The description of the customs regulations in section 2.2 includes an overview of shipping documents and diagrams of import procedures. In section 2.3 and 2.4 the requirements of phytosanitary inspections respectively CITES are summarised.

2.2 Customs

2.2.1 Introduction

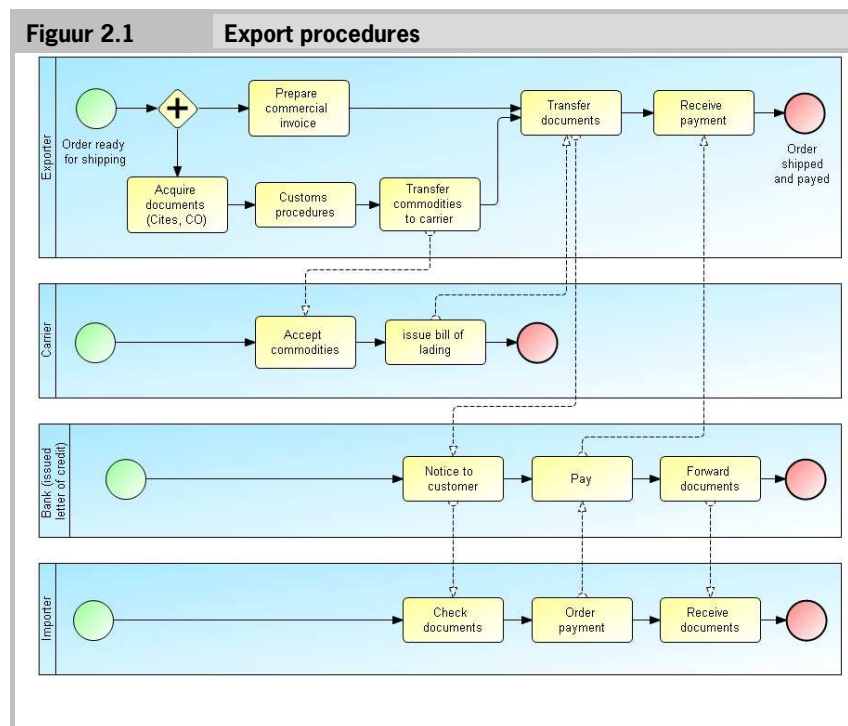
The Netherlands Customs Administration supervises the import, export and transport of goods, monitors whether the taxes payable upon import are paid and whether exported goods meet the relevant requirements. Customs also supervises compliance with legislation concerning safety, health, economy and environment. The task of the Netherlands Customs is not only of importance for the Netherlands, but also for the other member states of the European Union, because the Dutch border is one of the EU external borders and once goods have been cleared by Customs at an external border, it can be transported freely within the EU. It is, therefore, the task of Customs to ensure that goods that enter the Netherlands and therefore Europe do not constitute a safety risk.

Huge quantities of cargo enter the Netherlands via Rotterdam Port, mainly in containers; in 2006 about three million containers. It is impossible for Customs to check all these containers and for that reason Customs uses risk profiles to select those containers that might constitute a safety risk and need to be checked. For that purpose Customs developed a declaration tool, called Sagitta Entry (NL: *Sagitta Binnenbrengen, SBB*). Based on a risk analysis, containers are selected for inspection. The customs procedure for cargo brought in by ship will be described in this chapter. The major part of this chapter has been taken from the Dutch Customs website: <http://www.douane.nl/zakelijk>.

2.2.2 Shipping documents

When a ship is loaded several documents are required to settle the relations between the involved parties, i.e. the exporting and importing company, the carrier, the Customs and other authorities of the country of origin and the country of destination.

- The importing company places an *order* (NL: *bestelling*) in which the agreed goods to deliver and other agreements are stipulated. A letter of credit may be required by the exporter, issued by a bank that guarantees payment on transfer of ownership and other required documents.
- When delivering the goods, the exporting company or its agent has to care for the required documents and fulfil the customs procedures of the country of origin.
- The *shipper* is the party by whom, in whose name or on whose behalf a contract of carriage of goods is concluded with a carrier. The shipper will provide specifications of the goods to the *carrier* (NL: *rederij*).



- Based on the bill(s) of lading the (agent of the) carrier will draw up the *Cargo Manifest* (NL: *scheepsmanifest*), which lists the specifications of the goods loaded and the port(s) to discharge these goods.
- After having loaded the goods in the ship the carrier or the agent of the carrier, *the ship broker* (NL: *cargadoor*) will provide the shipper with the *bill of lading* (NL: *vrachtbewijs, cognossement*).
- Hence, the cargo is described in a number of bills of lading (describing the goods of a specific exporter for a specific importer) and a number of manifests (describing the goods loaded in a specific port to be discharged in a specific port).
- The exporting company will provide the importer with a commercial invoice, which includes the specifications required by the importer as well as by Customs of the exporting and importing country. If required a *Certificate of Origin* (NL: *certificaat van oorsprong*) will be added, for example for specific commodities from specific countries that are exempted of import duties (Generalized System of Preferences). For some commodities additional documents are required. For tropical timber a CITES export licence may be required. If a letter of credit has been issued, the exporter will supply the documents to the bank, which will only forward them to the importer after the exporter has been paid.
- While the vessel is underway, the importer will arrange the import of the goods, in general through a *shipping and forwarding agent* (NL: *Expéditeur*). For tropical timber an import licence issued by the CITES Management Authority in the destination country may be required.
- The shipping agent receives the original documents from the importer and prepares the reception and clearance of the goods, arranges the necessary customs formalities and provides for the storage and dispatching of the goods to the final destination.
- The carrier or its shipping broker will transfer the goods to the importer's shipping agent on receipt of the original bill of lading (see 2.2.3).

The procedures are schematically represented in figure 2.1.

2.2.3 Customs clearance for entry

Goods arriving in the customs territory of the EU by sea via the Netherlands should be entered via designated waterways and be presented to specific offices of arrival (the so-called 'first seaside offices'), listed in the Customs Regulation for Goods Entered by Sea.

As soon as a ship has arrived in the port of destination, it should be cleared for entry (*NL: inklaring*). To this end, the carrier must submit to Customs:

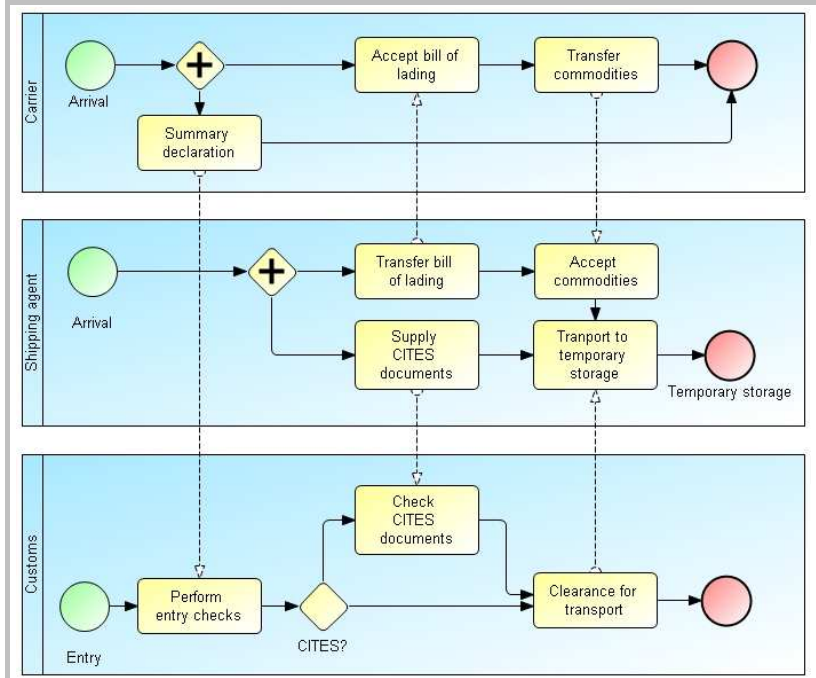
- General Declaration (*NL: IMO FAL 1: Generale Verklaring*) with details about the ship, the captain, the crew and passengers, the port of departure and the port of destination, as well as a general description of the cargo.
- Information concerning the provisions and ship's stores (*NL: IMO FAL 3: IMO-scheepsvoorraden aangifte*).

Information concerning the crew's possessions (*NL: IMO FAL 4: IMO-verklaring over de bezittingen van de bemanning*) should be available on the ship.

In addition, other government services demand the submission of other or supplementary declarations, based on non-fiscal legislation. These include declarations in respect of hazardous cargo, ship's waste and sea port dues, as well as a statement of navigation assistance. Part of the information on these forms is the same and therefore Customs - in cooperation with the other government services involved - is investigating whether the administrative burden can be reduced by linking the customs system with those of other organisations. The declarations may be filed as pre-arrival information (see section 2.5), to speed up the process of entry. Figure 2.2 presents a schematic overview of the entry procedures.

When the ship arrives in the harbour a summary declaration (*NL: summiere aangifte van binnenbrengen*) should be filed for those goods that will be unloaded or transshipped in the Netherlands. The summary declaration should be submitted to Customs within 24 hours of the presentation of the goods. In case the carrier or the carrier's broker has filed a *General Statement of Intention*, the Customs authorities will automatically convert the pre-arrival information (see section 2.5) into a summary declaration, and start planning the entry checks and instruct the carrier and the broker in advance. The summary declaration should show the goods description, the gross weight, the container number etcetera. The goods description may be brief, but should at least be a normal commercial description by which the goods can be identified. A number of goods types should be described in specific terms. Based on the summary declaration the Customs decides to inspect the ship and goods or not. The logistic process will benefit from a detailed description of the goods, because it will facilitate the selection for inspection and lead to restricting of the number of consignments to be inspected.

Figuur 2.2 Procedures of entry into the European Union



Goods that have been presented to Customs have the status of 'goods in temporary storage' until the moment when a further customs-approved treatment or use is assigned to them. Till that moment the goods can only be kept at customs-approved locations, known as *Temporary Storage Premises* (NL: *Ruimten voor Tijdelijke Opslag, RTO*). The temporary storage should be terminated before the end of the 45-day period by assigning a new customs-approved treatment or use to the goods.

There are 3 major procedures of customs-approved treatment or use:

1. Import: the customs procedure to release goods into free circulation within the European Union;
2. Transit: the customs transit procedure to transport goods to other custom locations;
3. Storage: the customs warehousing procedure to store goods under customs' control.

The summary declaration is used by Customs to check the balance of the goods stored in the RTO and the goods removed after that. Keeping the balance is supported electronically by a link with the declaration systems Transit and Sagitta Import. The shipping agent should write off the consignments against the summary declaration through the *write-off against summary declaration (NL: afschrijving op sommiere aangifte)*.

2.2.4 The role of the shipping and forwarding agent

Entry procedures and other customs formalities are usually dealt with by a shipping and forwarding agent on behalf of the owner of the goods (the importer). From the viewpoint of the Customs and the carrier, the agent acting on behalf of the importer is responsible for all aspects of the import process, including all cost and duties. Examples of possibly unforeseen cost are the cost of transportation of containers for scanning, problems with assessment of the correct duties, and demurrage if containers are returned late after unloading, due to blocking by customs or congestions in the harbour or slow handling by the ship brokers. The agent usually recovers this cost with the importer, but carries a financing risk.

The shipping and forwarding agent also represents the importer toward the plant protection service, but for tropical timber and plywood no specific plant protection regulations are effective

Apart from the handling of formalities with Customs, Plant Protection Service, and carrier, an agent also takes care of the logistics of temporary storage, unpacking and returning the containers, and dispatching the commodities to final destinations indicated by the importer

2.2.5 Customs pre-arrival information

In order to restrict logistic delays to a minimum Customs uses a system of pre-arrival information. Based on that information Customs can select consignments before arrival and inform the parties involved in time as to which consignment will be checked upon arrival. The pre-arrival information is supplied electronically to Customs by means of the automated Sagitta system and includes:

- the pre-declaration of the means of transport, which contains all the data that are also included in the General Declaration;
- pre-arrival information about the goods, which consists of the data set out in the manifest and required for the Summary Declaration (see below). This concerns information about the sender and the ordering party and specific

- data about the goods such as the number and type of packages, the container number, the container type, etcetera all data required for clearance of entry and transport;
- in case of goods that may require additional documents or physical inspection, such as phytosanitary, veterinary, or CITES goods, the importer or the shipping agent may file the required data in advance and link it to the pre-arrival information of the carrier in order to speed up the entry and import procedures (see chapter 4).

The pre-arrival information needs to be supplied at least 48 hours before the expected arrival so that customs can process the information in time. In case the travelling time is shorter, the deadline is the moment of departure from the loading port. The information is used by Customs to decide whether or not the goods should be inspected. That decision is communicated to the parties involved before the moment of arrival.

It is not yet obligatory to provide pre-arrival information, but because of the benefit for the logistics a larger part of the cargo is handled with pre-arrival information. As per July 2009 pre-arrival information will be obligatory world wide under the auspices of the World Customs Organization (WCO) and included in the Modernized Customs Code (MCC), in particular because of safety reasons (anti-terrorism). By then the carriers must provide the customs of the country of destination with information on the goods 24 hours before the ship will be loaded. This procedure gives Customs the opportunity to prevent shipping of goods that do not meet the requirements of the Customs of the destination country. In case pre-arrival information is supplied through the Sagitta system, that information will be converted automatically in a summary declaration as soon as the carrier has notified Customs with the actual time of arrival (*declaration of arrival*) and if the client has filed a *Statement of Intention* in the Customs' Client Information System. The goods have now been presented formally and the ship has been cleared for entry.

2.2.6 Procedures after entry

As it mentioned before there are 3 possible procedures for goods that have received clearance for entry:

1. Storage under customs control;
2. Transit/Transport under customs control;
3. Import into European Union.

1. Storage of goods under customs control

Goods that enter the customs territory of the European Union (EU) from outside the EU may be stored under customs control. In that case, no import duties and other import taxes are due and certain trade policy and agricultural policy measures, import bans and import restrictions are not applied.

There are various options for the storage of goods under customs control in the Netherlands. However, a licence is always required. The following options for storage of goods under customs control are available:

- Short-term storage in temporary storage premises under customs control (RTO);
- Long-term storage in customs warehouse. The physical control by Customs may be partly replaced by an audit of the warehouse keeper's accounts;
- Long-term storage in free warehouse/free zone under customs control in a number of specific situations.

The option that the trader chooses depends on a number of factors, such as the purpose of the storage, the company's location, the nature of the business, etcetera. The goods stored are allowed to be treated for:

- preserving goods in good condition;
- improving the presentation and commercial quality of the goods;
- preparing the distribution or resale of the goods.

These may be treatments such as repairing packaging, airing, drying, cooling, freezing, adding preservatives, smoking, sulphuration, greasing, anti-corrosion treatments, cleaning, removing damaged parts, removing decaying goods, sorting, sifting, mechanical purification, filtering, transferring to a different package, affixing trademarks, mixing goods, repacking or packaging goods, etcetera. By filing declarations for deposit or removal goods may be transferred to or taken from the storage premises. In a number of cases, a simplified declaration procedure may be followed, depending on the degree of reliability offered by the administrator's (warehouse keeper's) accounts.

2. Transit/Transport under customs control

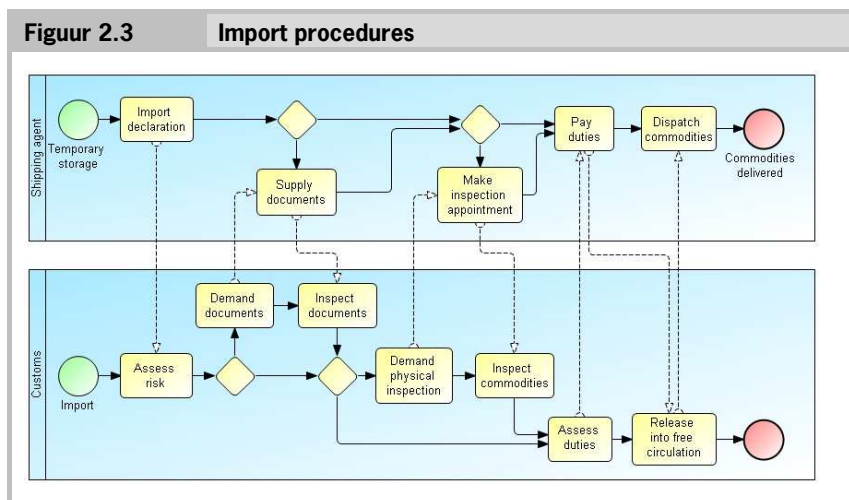
A large part of the goods entered in the Netherlands are subsequently transported to another EU country or to a non-EU country. For that transport the goods need to follow the Customs transit procedure. The required declaration need be filed using the customs Transit or NCTS system (New Computerised Transit System). The type of document to be filed depends on the actual situation.

Customs has set up a verification system for the transit declarations and the corresponding documents. With the aid of this system, Customs establishes that all the goods mentioned in a certain declaration have reached the specified destination in a regular manner, or that all the goods have left in a regular manner. This verification system is known as the discharge of declarations and documents.

3. Import into European Union

Goods that enter the customs territory of the EU from a non-EU country are referred to as 'non-Community goods'. Before these goods can be marketed within the EU, they should first be released into free circulation. This means that:

- a declaration should be filed for the goods;
- certain formalities should be fulfilled when the declaration is made, such as submitting invoices and keeping the goods available for inspection by Customs;
- the import duties and/or other import taxes owed should be paid;
- the declaration process involves a check as to whether the goods comply with the regulations in the area of safety, health, the economy and the environment prescribed by various ministries. These regulations often prescribe the submission of a licence or certificate upon the import of goods.



Once all these conditions have been satisfied, the 'non-Community goods' will become 'Community goods'. They will obtain the same status as goods that have been produced, harvested or mined within the EU. These goods may be transported, stored or offered for sale, for example, without being subject to customs formalities.

For releasing non-Community goods into free circulation a declaration need to be filed. Normally, this is done by means of the form '*Single Administrative Document*' (NL: *Enig document*) or by means of an electronic declaration. The Single Administrative Document is adopted at European level and used in all the countries of the EU for making customs declarations. Most of the Single Administrative Document is completed by using 22-digits codes of the Combined Harmonized Systems, which is a European standard is based on the international standard, the Harmonised System.

The information provided through the declaration Customs calculates the import taxes and assesses whether any other customs regulations apply, for instance in the area of safety, health, the economy and the environment.

When all customs requirement are met, the importer receives an 'Verification completed' message (NL: *einde verificatie*), and the goods are released into free circulation in the European Union. Figure 2.3 presents a schematic overview of the import procedures.

2.2.7 Risk analysis and selection of ships and goods for inspection

Besides fiscal inspection tasks on behalf of the Ministry of Finance, Customs has also statutory provisions for the Ministry of Economic Affairs (EZ), the Ministry of Housing, Spatial Planning and the Environment (VROM), and the Ministry of Agriculture, Nature and Food Quality (LNV). For that purpose Customs has concluded Enforcement Agreements (NL: *handhavingsovereenkomsten*) with the respective Ministry, which describes the goals, approaches, responsibilities and tasks of the involved public and private institutions. The Customs-LNV agreement describes, for instance, when, how and where the phytosanitary control should take place as well as the responsibilities of Customs and of the Phytosanitary Service of LNV.

In performing its tasks, Customs fulfils three core functions:

1. The stop function: with this function, Customs prevents prohibited goods from entering EU or Dutch territory, with a view on protecting safety, health, the economy or the environment;
2. The supervisory function: with this function, Customs ensures that goods entered are kept under supervision until they have been given a permitted des-

- tination. This means that Customs monitors goods either until they are imported and the taxes payable upon import have been paid or until they are exported from the EU's customs territory or are transported to another EU country;
3. The levy and collection function: with this function, Customs ensures that taxes payable upon import are calculated in the correct manner and are actually collected.

To implement these functions, Customs is entitled to inspect all imports but for efficiency and effectiveness reasons they inspect only a small number of ships that are expected to bear a risk in on or the other way. Customs selects ships for inspection based on the provided pre-arrival information and the summary declaration. The *Sagitta Entry system* (NL: *Sagitta Binnenbrengen*) provides electronic support for the risk analysis and the selection of the goods to be inspected. Based on country and product risks profiles the system decides whether a ship or goods will be inspected or not. Customs uses a colour system, white, red and orange.

- Red: high-risk goods that need to be inspected.
- White: goods without risk, that can be.
- Orange: goods with a limited risk.

More than 70% of the cargo is selected 'white', which means that within minutes after the summary declaration or the declaration of arrival has been filed in SAGITTA and the declaration for free release is provided, the shipping agency receives a *carry away declaration* (NL: *het wegvoerings exemplaar*) that allows him to transport the goods without further inspection to his storage facilities. Import duties and other financial obligations are automatically withdrawn from the credit account of the shipper.

A small percentage of the summary declarations is selected for inspections at random, i.e. they get a red profile. Goods with a red profile are not allowed to be transported from the RTO, before being inspected by customs.

If an orange profile is assigned to a ship or cargo a Customs officer/selector will decide whether or not the goods should be inspected. In that case the importer needs to bring the freight documents to the Customs office and wait for further instructions. In most cases it will take one to three days before the goods can be transported further.

- There are different types of inspection, such as:
- Inspection of freight documents;
 - Scanning of containers;
 - Opening and unloading of containers under customs supervision.

When the shipping agent receives the message for document control, they have to deliver the required documents at the Customs office in charge. Depending on the workload at the office, the decision on how to proceed will be taken in one or two days. In some cases the shipping agencies are allowed to send faxes of the documents to Customs. It is expected that in the near future the exchange of all documents will be done electronically, which saves time and arguments on lost documents or faxes. The document inspection can result into a clearance of the goods or a physical inspection. Currently, most physical inspections start with an E-ray scan of the respective container. That takes about 3 minutes for the scanning and 15 minutes for the assessment of the X-ray by qualified Customs officers. If necessary the container will be further inspected by unloading. Scanning takes place in the container harbour; the stevedore (*NL: stuwadoor*) is responsible for transporting the container from the unloading quay to the customs shed for scanning and vice versa. If the cargo appears to be legal/meets the requirements the shipping agency will receive a clearance message from Customs.

2.3 Phytosanitary control

The Dutch Plant Protection Service (*in Dutch: Plantenziektenkundige Dienst (PD)*) is an executive agency of the Dutch Ministry of Agriculture, Nature and Food Quality¹. The main objective of the Plant Protection Service is to safeguard and promote plant health from an international perspective. Principle elements of this policy are preventing the introduction and spread of quarantine pests and diseases of plants and plant products, and assisting in managing and controlling such organisms order to be conducive to plant health. As a result of restricting and preventing the introduction of plant pests, both the use and dependence on (chemical) pesticides should be further reduced.

¹ The major part of the following section is extracted from the website of the Dutch Phytosanitary Service (www.minlnv.nl/pd) and the website of the Dutch Customs (www.douane.nl/bibliotheek/handboeken).

- By means of safeguarding and promoting plant health, PD contributes to:
- a sustainable horticultural and agricultural industry of international standing;
 - the prevention of unnecessary barriers of trade;
 - the protection of Dutch ecosystems and biodiversity.

The Plant Protection Service is operating in a dynamic environment, an environment that is influenced by a global liberalisation of the trade in agricultural products. Dutch plant products are exported all over the world, and therefore the Netherlands have a certain responsibility in producing healthy products for a sustainable and safe global food production.

Management and control of pests and diseases

In order to prevent the introduction of unwanted plant pests and diseases in the Netherlands the PD invests much energy in management and control mechanisms. The Netherlands is a very important hub in the international trade in plant material. Pests and diseases are a capital threat not only for the Dutch respective sectors but to the sectors of other countries as well. As a result of guided inspections and implementation of immediate measures, introduction and establishment of harmful organisms can be prevented, consequently meeting international phytosanitary requirements and preventing export restrictions.

Export inspections

Consignments of living plants and plant products destined for countries outside the European Union are submitted to export inspection(s) by the PD. These inspections are carried out on the basis of worldwide accepted principles which have been laid down in the 'International Plant Protection Convention'. Moreover, the products have to meet the phytosanitary requirements of the importing countries.

Import inspections

Phytosanitary import requirements of the Netherlands are directly based on the plant health regime of the European Community and its Member States. Living plants and plant products originating from countries outside the European Union are submitted to import inspection(s) by the PD in order to prevent introduction of unwanted organisms as stipulated in national and EU regulations. In co-operation and under supervision of PD, the inspection services carry out phytosanitary inspections, which are required for the so-called 'plant passport'. This phytosanitary certificate is required for trading propagating material in the European Union. The European Commission decides for which crops a plant passport is mandatory.

Import requirements of the Netherlands only differ from other Member States concerning protected zones. No protected zones are established in the Netherlands. Therefore plants or plant products from third countries destined for the Netherlands need not comply with these EU requirements for protected zones as described in the plant health regime of the European Community. However, in case consignments first arrive in the Netherlands and are then moved to other Member States having protected zones, requirements for protected zones are applicable. All points of entry of the Netherlands can be used for the import of plants or plant products for which a phytosanitary certificate is required. All importers of regulated plants, plant products or other related objects in the Netherlands are included in an official register. Inspections are mainly carried out at an 'approved place of inspection'. In the Netherlands most of these inspections are carried out at the place of destination, such as a place of production, approved by the Netherlands Plant Protection Service, in line with Council Directive 2000/29/EC. The PD does not carry out the inspections itself, but has outsourced that activity to independent agents, NAK, NAKtuinbouw, BKD and KCB (see respective websites for more information).

Phytosanitary Import procedures

The Phytosanitary control at the border consists of 3 parts:

1. Document check;
2. Identity check;
3. Physical check.

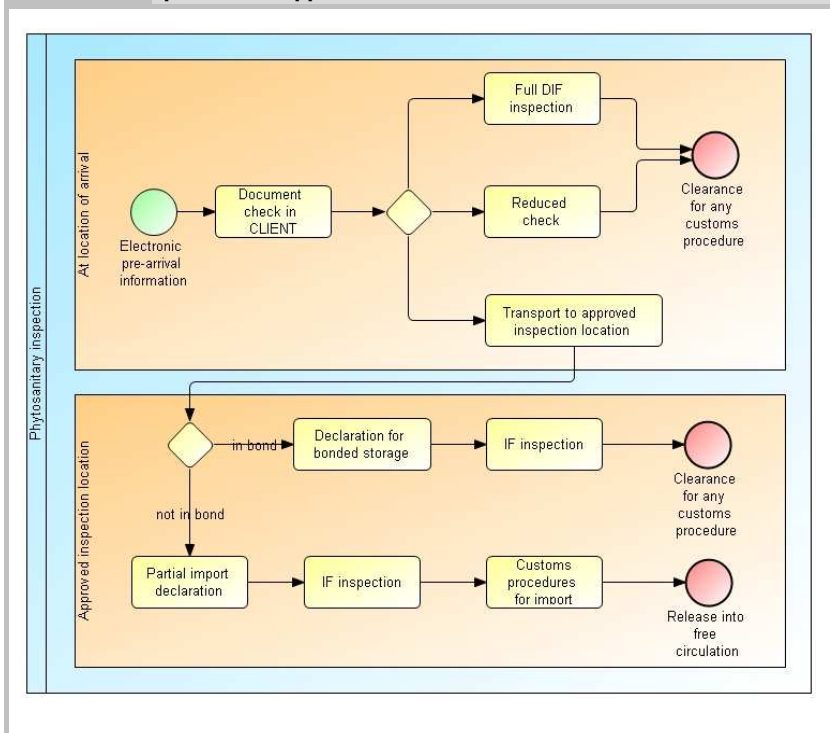
(In Dutch: DIF controle = Documenten, Identiteit en Fysieke controle)

Prior to entering the European Union, the importer needs to inform the PD on the shipments that are subject to Phytosanitary inspection. The pre-arrival information can be submitted on paper or electronic, through the CLIENT system of LNV. Based that, the PD carries out the DIF checks and will inform Customs on the results. Only if the PD releases the shipment, Customs will give clearance for entry.

Phytosanitary checks are also included in the general risk profiles of Customs to check whether the required phytosanitary pre-arrival information has been provided.

The diagram in figure 2.4 gives a schematic overview of the PD procedure in case of an electronic pre-arrival application.

Figuur 2.4 The phytosanitary control procedure in case of an electronic pre-arrival application



2.4 CITES

CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) is an international agreement between governments¹, which aims at ensuring that international trade in specimens of wild animals and plants does not threaten their survival. The CITES convention entered in force on July 1, 1975. CITES is an international agreement to which States (countries) adhere voluntarily. Although CITES is legally binding on the Parties it does not take the place of national laws. Rather it provides a framework to be respected by each Party, which has to adopt its own domestic legislation to ensure that CITES is implemented at the national level. In the meantime 172 countries joined CITES.

1) The major part of this section is extracted from the CITES website (www.cites.org) and the LNV website (www.minlnv.nl).

Organization

CITES works by subjecting international trade in specimens of selected species to certain controls. All import, export, re-export and introduction from the sea of species covered by the Convention has to be authorized through a licensing system. Each Party to the Convention must designate one or more Management Authorities (MA) in charge of administering that licensing system and one or more Scientific Authorities (SA) to advise them on the effects of trade on the status of the species. The Management Authority in the Netherlands is part of the Ministry of Agriculture, Nature and Food Quality (LNV). The CITES- office under the LNV National Service for the Implementation of Regulations, located in Dordrecht, is responsible for the provision of the CITES documents. Contrary to most countries the Scientific Authority is not an institute but a commission of various experts from LNV or other bodies.

Cites species

The species covered by CITES are listed in three Appendices to the Convention, according to the degree of protection they need.

- Appendix I includes species threatened with extinction. Trade in specimens of these species is permitted only in exceptional circumstances.
- Appendix II includes species not necessarily threatened with extinction, but in which trade must be controlled in order to avoid utilization incompatible with their survival.
- Appendix III contains species that are protected in at least one country, which has asked other CITES Parties for assistance in controlling the trade.

Roughly 5,000 species of animals and 28,000 species of plants are protected by CITES against over-exploitation through international trade. They include some whole groups, such as primates, cetaceans (whales, dolphins and porpoises), sea turtles, parrots, corals, cacti and orchids. But in some cases only a subspecies or geographically separate population of a species (for example the population of just one country) is listed. More detailed information can be found on the CITES website.

CITES trade regulations

A specimen of a CITES-listed species may be imported into or exported (or re-exported) from a State party to the Convention only if the appropriate document has been obtained and presented for clearance at the port of entry or exit. There is some variation of the requirements from one country to another and it

is always necessary to check on the national laws that may be stricter, but the basic conditions that apply are described below.

Appendix-I specimens

1. An import permit issued by the Management Authority of the State of import is required.
2. An export permit or re-export certificate issued by the Management Authority of the State of export or re-export is also required.

Appendix-II specimens

1. An export permit or re-export certificate issued by the Management Authority of the State of export or re-export is required.
2. In the case of a live animal or plant, it must be prepared and shipped to minimise any risk of injury, damage to health or cruel treatment.
3. No import permit is needed unless required by national law.

Appendix-III specimens

1. In the case of trade from a State that included the species in Appendix III, an export permit issued by the Management Authority of that State is required.
2. In the case of export from any other State, a certificate of origin issued by its Management Authority is required.
3. In the case of re-export, a re-export certificate issued by the State of re-export is required

The Convention allows or requires Parties to make certain exceptions to the general principles described above, but a permit or certificate will generally still be required. Anyone planning to import or export/re-export specimens of a CITES species should contact the national CITES Management Authorities of the countries of import and export/re-export for information on the rules that apply.

CITES Inspection

In the Netherlands the General Inspection Service (*NL: Algemene Inspectiedienst (AID)*) is responsible for the inspection and investigation with respect to preventing illegal trade in endangered wild plants and animals. Customs checks the CITES regulation at the border, before entry, while the police has a task in inspecting in the country. In addition to direct support in the inspections the AID provides expertise and knowledge on CITES to Customs and the police.

3 Timber import

3.1 Timber import procedures

Just as all other goods, timber and plywood products need to meet certain rules and regulations when imported to the Netherlands and are subject to:

- Tax regulations (import levies);
- Phytosanitary rules and regulations;
- CITES regulations.

Import levies

The import levies on timber and timber products vary from zero to 12%. Some timber products from GSP countries have a reduced or zero rate of customs duty. GSP countries are countries included in the Generalised System of Preferences of the European Union. In that system a wide range of industrial and agricultural products originating in certain developing countries are given preferential access to the EU. Products are eligible for reduced or zero rates of customs duties if they:

- are eligible for preference under the GSP scheme;
- are accompanied by a valid Certificate of Origin Form, and
- are transported directly from the GSP country to the EU (Direct Transport Rule).

On the other hand, some timber products in particular from China are liable to anti-dumping levies, amounting to 66.7%, in particular plywood of Okoume.

Phytosanitary rules and regulations

Timber and timber products from tropic regions are not subject to any phytosanitary regulation except for wood that is used for package. Table 3.1 gives an overview of the timber products that are liable to phytosanitary certification and inspection.

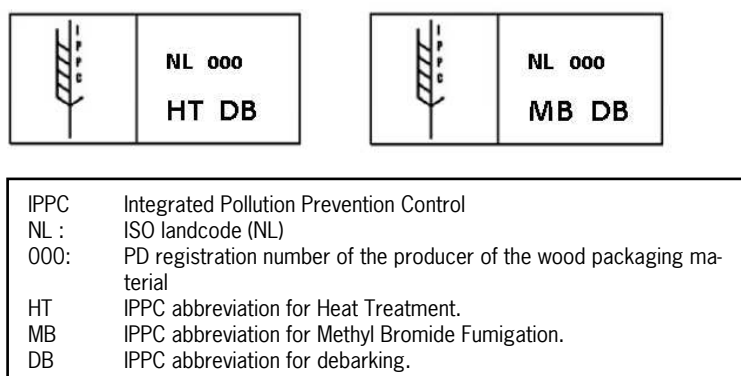
Most important for timber products from tropical countries are the import requirements for wood packaging material of the European Community, which are in force since the first of March 2005. Following the FAO International Standard for Phytosanitary Measures No 15 (ISPM 15) on Guidelines for regulating wood packaging material in international trade, all wood packaging material

Table 3.1 Timber products liable to phytosanitary certification and inspection						
Product group	Product	Origin			Outside Europe Exceptions	
		EU member states	Europe Switzerland	Other countries	In general	
Softwood (Coniferous)	Bark					
	Soft wood					
	Other					
Softwood (Coniferous)	Exclusive Thuja					Canada, China, Japan, Rep. Korea, Mexico, Taiwan, USA
					Other not European countries	Russian Federation, Kazakhstan, Turkey
	Thuja					Canada, China, Japan, Rep. Korea, Mexico, Taiwan, USA
Hardwood	Acer saccharum					Canada, USA
	Acer macrophyllum, Aesculus californica, Lithocarpus densiflorus, Quercus					USA
	Platanus					USA, Armenia
	Populus					North & South America
	Castanea					
	Other					
Wood packaging material Dunnage / Stow wood					ISPM 15	
					ISPM 15	
Explanation						
	Not liable to certification and inspection					
	Liable to certification and inspection					
ISPM 15	The material need to meet the requirements of the International Standards for Phytosanitary Measures 15					

(such as packing cases, boxes, crates, drums and similar packings, pallets, box pallets and other load boards, pallet collars) can only be imported into the European Community if it is made from debarked round wood, has been subjected to the approved measures as specified in ISPM 15 (heat treatment or fumigation with methyl bromide) and displays a specific mark.

Examples of correct marks as applied by the Netherlands Plant Protection Service are provided in figure 3.1. The PD checks the compliance with these rules by taking samples of the shipments. The inspections are carried out before Customs have cleared the shipments and also after that on an 'approved place of inspection', i.e. at the destination of the importer.

Figure 3.1 Correct marks of treated wooden packaging material



CITES

Appendix 5 gives an overview of the tree species protected by CITES. The regulations regarding CITES are rather strict, but there are several possibilities to circumvent these regulations for instance by means of forged certificates and re-routing. It is therefore difficult to make a reliable estimation of illegally traded tree products. In 2006 only one shipment was found illegal in the Netherlands.

3.2 Experiences of timber importers

According to the respondents about one in 30 to 50 containers with timber is inspected, either for a Document or a Physical inspection. Document inspec-

tions are carried out on the basis of (a) the original documents, (b) facsimiles of the documents or (c) scans of the documents per e-mail.

The most time consuming and costly method is the inspection of original documents, because the need to be delivered at the Customs office. Sometimes, these documents get lost. The disadvantage of delivering documents by fax is that the shipping agent does not receive any notification on receipt and handling. In most cases, document inspection requires one day, at least, before clearance is given. In addition, Customs visits the shipping agencies for document and archive inspection a few times a year. When a physical inspection is required the following actions will take place:

- The importer receives from the Sagitta system a mail message that the shipment needs to undergo a Physical Inspection;
- The importer contact the Coordination office of Customs and makes an appointment for the physical inspection, mostly on the following day;
- The Customs inspectors receive their daily working list for inspections early in the morning;
- The containers is taken to the Customs inspection location, where Customs after a general inspection, decides to scan the container or to give clearance for transport to the premises of the shipping agent;
- In most cases the physical inspection is carried out at the premises of the shipping agent. For that purpose, the shipping agent needs to fetch a transpire/waybill at the Customs office which allows transport of the sealed container to the agents warehouse;
- In presence of the importer the inspectors inspect the shipment;
- If necessary the inspector takes a sample (actually the importer has to take the three samples, one for the laboratory, one for a contra expertise, and one for an additional contra expertise if required);
- The samples are registered and sealed (leaden seal);
- Samples are taken to check the type of wood in view of CITES regulations and differences in import duties for different type wood;
- The inspector passes the inspection results and samples to the supervising Customs official, mostly at the end of the day of inspection;
- The supervising Customs official decides to give clearance or not. In most cases the container can be further transported one of two days after the first inspection notification.

The shipping agent is responsible for the obligatory Phytosanitary inspections. In case inspection is required the shipping agent informs the PD through the CLIENT system or by sending an application form by fax. In most cases the

PD inspections are carried out at an 'approved inspection location' of the shipping agent, which have quarantine facilities. The phytosanitary inspections of timber products are not carried out by the PD itself, but a private company, Kwaliteits Controle Bureau (KCB) under supervision of the PD.

The shipping agents have to bear the costs of the inspections and the longer use of the containers. In general, the containers need to be returned within three days. Additional days cost €40 per day (demurrage). The PD charges for phytosanitary inspections a (standard) call out charge of €45 plus €1.40 per minute, plus €10 for inspection of documents.

It rarely happens according to the shipping agencies, that timber shipments are stopped because of Phytosanitary or CITES reasons. They recall only one or two occasions in more than 25 years of experience, while they are importing thousands of containers a year.

3.3 EU FLEGT Initiative

3.3.1 Background and purpose of FLEGT

Illegal logging and the trade in illegally logged timber is a major problem for many timber-producing countries in the developing world.¹ It causes environmental damage, costs governments billions of dollars in lost revenue, promotes corruption, undermines the rule of law and good governance and in some places has financed armed conflict. It retards sustainable development in some of the poorest countries of the world. Timber consuming countries contribute to these problems by importing timber and wood products without ensuring that they are legally sourced. In recent years, however, producer and consumer countries alike have paid increasing attention to illegal logging.

In 2003 the EU adopted an Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT) to address these problems. The Action Plan sets out a range of measures including:

- support to timber producing countries;
- promotion of trade in legal timber;
- promoting public procurement policies;

¹ Reference: EU website on development and forestry:
http://ec.europa.eu/development/Policies/9Interventionareas/Environment/forest/Forestry_intro_en.cfm.

- support for private sector initiatives to promote corporate social responsibility;
- safeguards for financing and investment;
- use of existing legislative instruments or adoption of new legislation to support the Plan; addressing the problem of conflict timber.

In December 2005, the EU Council agreed a Regulation for a FLEGT licensing scheme for imports of timber into the European Community (Council regulation (EC) no 2173/2005). This allows the EU to enter into bilateral Voluntary Partnership Agreements (VPA) with developing countries and provide them with assistance to tackle illegal logging and improve their forest management. Central and critical for the success of a VPA is the establishment of timber licensing system to identify legality of production of the imported products. Timber products exported from FLEGT partner countries will only be allowed access to the EU if they possess a validly issued licence of legality. This system is similar to systems already in place in other international agreements such as the Convention on International Trade in Endangered Species (CITES) and the Kimberley Process on conflict diamonds, which feature a licence or permit system and a tracking system to exclude particular categories of products from international markets. The EU assistance includes support to establishing such a system for timber. In September 2007, the EU has started formal negotiations on VPA with Ghana, Cameroon, Indonesia, and Malaysia, but to date not any VPA has been concluded yet. Other countries that have shown interest in a FLEGT VPA are Gabon, Republic of Congo (Congo Brazzaville), Liberia, Democratic Republic of Congo (DRC), Brazil, Bolivia, Vietnam, and Ecuador.

3.3.2 Key elements of the FLEGT regulation

Key elements of the EU FLEGT Regulation are the following:

- Each shipment of timber, and at a later stage also plywood, should be covered by a licence issued by an authority in the country of origin; before being released into free circulation in the European Union.
- The FLEGT licence shall be available to the competent authority at the same time as the customs declaration for that shipment is presented for release for free circulation in the Community;
- Import without such a licence is forbidden and should effectively be penalized by national law in the member states;
- The competent authorities shall decide on the need for further verification of shipments using a risk-based approach;

- In case of doubt as to the validity of the licence, the competent authorities may ask the licensing authorities for additional verification and seek further clarification, as set out in the Partnership Agreement with the exporting partner country;
- Each Member State shall determine the penalties to be imposed where the provisions of this Regulation are infringed. Such penalties shall be effective, proportionate and dissuasive;
- Member States shall notify the Commission of any information suggesting that the provisions of this Regulation are being, or have been, circumvented.
- The regulation only applies to imports from countries that have entered into a voluntary partnership agreement with the EU. Imports from other countries are not subject to the licensing system;
- The licensing system is not effective for products under the EU endangered species regulations. Current endangered species regulations remain in effect (to be reviewed in 2010);
- The licensing system may be based on either paper or electronic licences, to be agreed with individual partner countries;
- The competent authorities in the Member states shall keep a record - in electronic or paper format - of the original FLEGT licence together with the corresponding customs declaration.

3.4 The scale of trade in illegal timber products

The European Union is a large consumer of timber produced elsewhere in the world. Figure 3.1 gives an overview of the largest importers of forest products, based on FAO statistics. The USA and China are the two largest net importing countries, but when totaling the imports of the individual member states, the EU is the largest importer of forestry products. A large part of these imports originates from countries where the timber is harvested illegally.

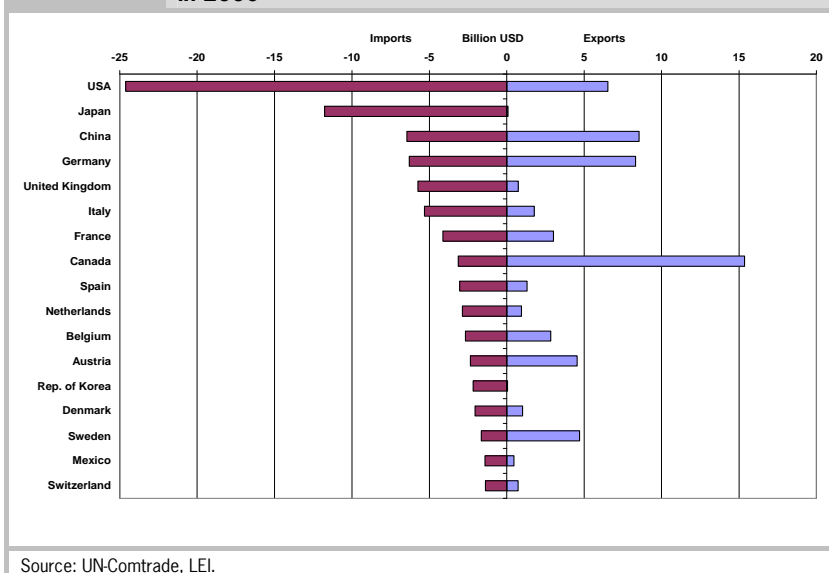
Based on various statistical sources GlobalTimber.org has made estimates of the volumes and values of illegal timber imports of some major countries or

groups of countries. From these estimations, it appears that in volume China is far most the largest importer of illegal timber, but that the EU is on top in value (see figure 3.2).

China is not only a large importer of illegally harvested timber (an estimated quarter of the total volume of illegal imports) but also a large exporter. The major illegal timber exporting countries are Indonesia and Russia as it is shown in figure 3.3. The EU's imports of wood-based products from China are increasing rapidly, driving up the EU's imports of illegal Timber.

Table 3.3 gives an overview of the import of selected EU member states from selected 'high risk' countries¹. Among the EU member states, the UK is the largest importer of at risk wood products, accounting for about 30% of the imports from China and Tropical countries. Finland is a large importer of wood products from Russia. New figures on international trade in 2007 show that the impact of China on illegal timber trade has increased further in recent years (see globaltimber.org.uk).

Figuur 3.1 The major importing countries of wood and wooden products in 2006



¹ 'High Risk' countries are defined here as the top ten non-EU countries from which some of the largest quantities of Illegal Timber are believed to be exported: Brazil, Cameroon, China, Congo (Brazzaville), Gabon, Ghana, Indonesia, Ivory Coast, Malaysia, and Russia.

Figure 3.2 Major illegal timber importing countries by regions in 2004

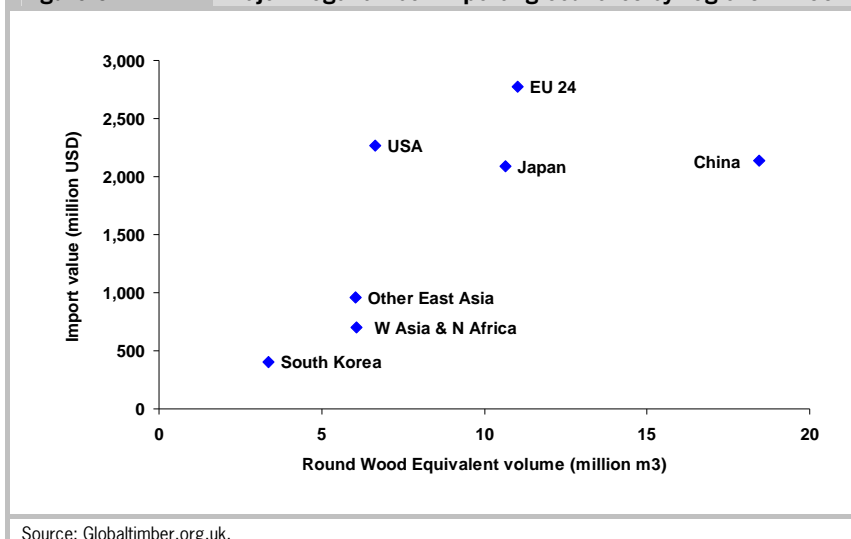
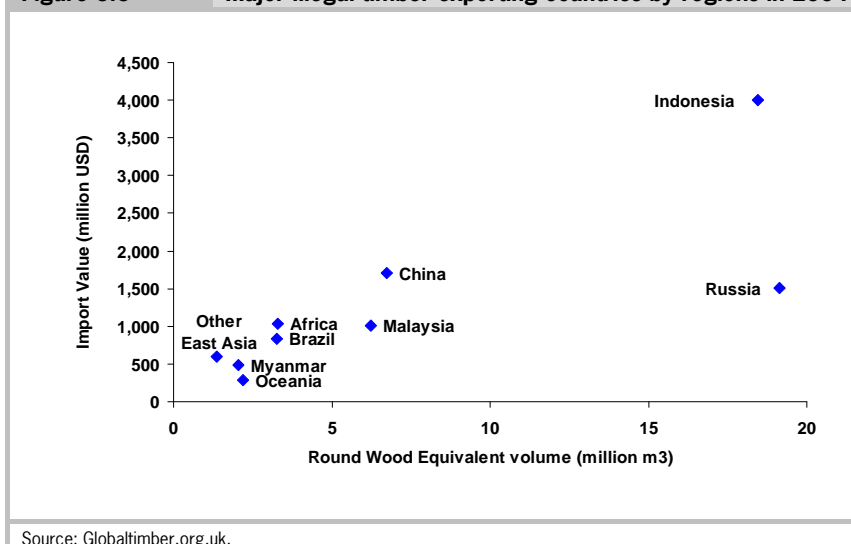


Figure 3.3 Major illegal timber exporting countries by regions in 2004



Note: including furniture; excluding rubber wood, chips, pulp and paper; excluding EU intra trade

It is estimated that the four basic FLEGT VPA products ¹ account for less than half of the estimated RWE volume of the total estimated EU imports of illegal timber products. The share of the five initial FLEGT VPA countries ² accounts for about 9% of the total import volume of illegal timber, respectively 14% of the import value. The FLEGT initiative will therefore address only a small fraction of the illegal timber problem. For the Netherlands this figure is 20% and 27%.

Based on the current timber import from Malaysia a FLEGT agreement with Malaysia should result in about 5,000-8,000 shipments to be checked by Customs.

According to PROBOS almost 25 % of the total marketed volume of timber in the Netherlands is produced in certified forests. About one tenth of sawn tropical timber originates from certified forests (J. Oldenburger en N. Leek, 2007).

¹ 'Basic VPA' products are defined here as products which, as a minimum, would be covered by a FLEGT Voluntary Partnership Agreement with the EU: logs, saw wood, veneer and plywood.

² 'Initial VPA' countries are defined here as the five countries with which the EU has initially sought Voluntary Partnership Agreements: - Cameroon, Gabon, Ghana, Indonesia, and Malaysia.

Table 3.4
EU import of 'Basic VPA' products from 'Initial VPA' countries as a proportion of imports of wood-based products from 'High Risk' countries in 2005

	EU	Belgium	France	Germany	Italy	Nether-lands	Spain	UK	Others
RWE volume basis	9%	28%	24%	7%	22%	20%	17%	14%	1%
Import value basis	14%	18%	25%	12%	43%	27%	21%	5%	5%

Source: globaltimber.org.uk.

Table 3.5
Volume of sustainable timber marketed in the Netherlands in 2005

Volume of marketed timber (sawn wood and panels) in m³ RWE								
Certificate	FSC	PEFC	MTCC	CSA	SFI	Other*	Total	%
Total market							6,327,178	100.0%
With own certificate	588,810	247,609	1,058	0	0	6,317	843,727	13.3%
From certified forests	183,836	1,142,700	16,914	11,348	5,975	94,662	1,455,435	23.1%

*) Includes imported timber with Keurhout mark (from developed countries and Gabon) and timber sourced from certified forests but without specified certification scheme.
Source: PROBOS, 2007 nr 1 E.

4 CLIENT system

4.1 Introduction

The 'CLIENT' system is described in the text box below, taken from the web site of the Dutch Ministry of Agriculture, Nature and Food Quality (www.minlnv.nl search: CLIENT).

CLIENT is an acronym for 'Controles op Landbouwgoederen bij Import en Export naar een Nieuwe Toekomst'. Loosely translated, it stands for 'a new approach to the control of agricultural goods during import and export'. The program seeks to streamline the administrative and logistic procedures involved in importing and exporting agricultural goods. In this way CLIENT contributes to organising and carrying out border controls of agricultural goods and issuing export certificates more efficiently and more effectively.

Context

Government procedures at the external border affect the competitive position of airports, sea ports and businesses that import and export. The coordination on information flows and control procedures can prevent unnecessary charges and delays for all parties. The call for border controls to be made more efficient was first voiced by Rotterdam Mainport. The Ministry of Agriculture, Nature and Food Quality (LNV) took up the challenge to get government organisations to collaborate more effectively with one another and with parties in the private sector.

Effects

At the business sector's request, CLIENT initially focused on improving import processes and systems. Conventional (paper) documents were digitalized with a system of electronic advance notice, among other innovations. This allows the departments involved to plan their inspections in good time and businesses plan logistics precisely according to the status of a shipment. One of CLIENT's next objectives, as part of improving export certification processes and systems, is to realise a new automated system of data exchange among government organisations and between government and the private sector. Not only will this save time and reduce administrative burdens for businesses, it will also significantly increase the reliability of Dutch certification.

Particular aspects

CLIENT has succeeded in getting many different parties in the public and private sectors to work together intensively. Automation is simply a resource in this respect. As part of the bien-

nial eEurope Awards, a European panel of experts awarded the programme a 'Good practice label' as an example of good eGovernment.

Challenges

CLIENT sees to it that inspection processes and support systems are organised more efficiently, but the businesses and inspectorates involved are responsible for implementation. There is scope for further improvement through further collaboration between government bodies and businesses.

Compatibility with Ministry policy

External border inspections fall partly under the responsibility of LNV. This applies in particular to controls of animal and vegetable products and protected exotic species of plants and animals. The Ministry is in favour of harmonisation and simplification in the implementation of regulations, as this contributes to economic growth and increases competitiveness, which is a key objective of Trade and Industry. Reduction of the administrative burden, more efficient processes and a government that is more effective are all consistent with the objectives of the *Andere Overheid* (Modernising Government) programme.

Benefits

Unnecessary delays are prevented and competitiveness is increased.

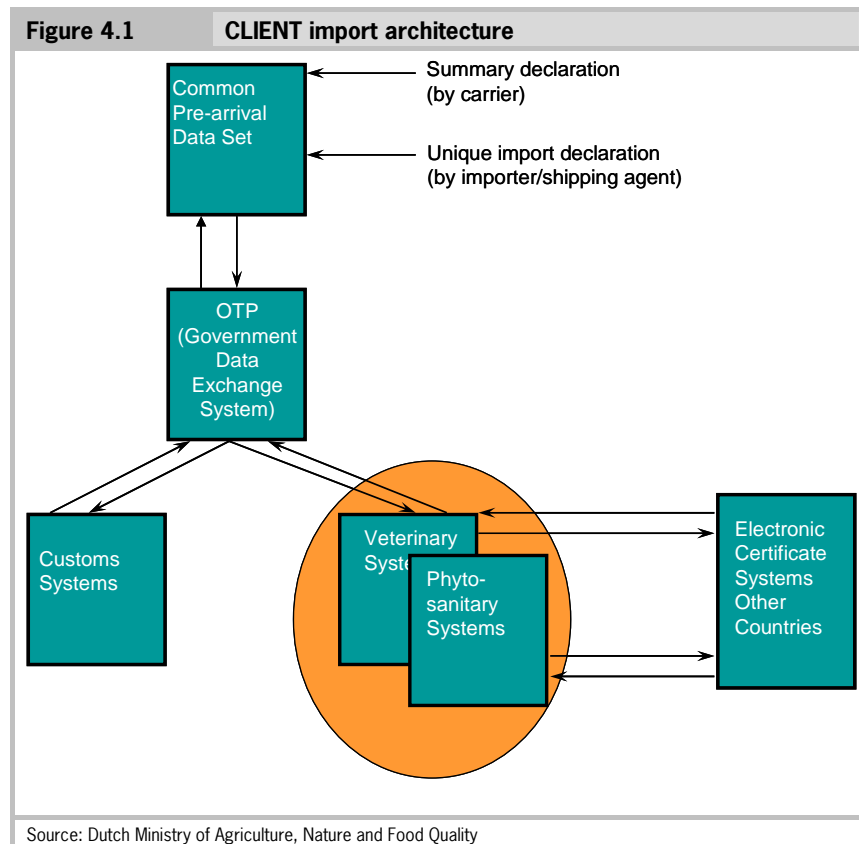
Source: Dutch Ministry of Agriculture, Nature and Food Quality.

As explained in the text box, the CLIENT system has an import and an export component. Both components - or subsystems - are presently operational for Dutch importers and exporters of agricultural products. A pilot with the CLIENT export subsystem is currently running in Uganda for export of horticulture products to the Netherlands, aiming at paperless procedures. However, evaluations are not yet reported. In order to assess the feasibility of the CLIENT system for FLEGT procedures, both the import and the export component of the system are discussed in this chapter.

4.2 CLIENT import

The CLIENT import subsystem offers a unique interface for importers or their agents to public authorities involved in import procedures, such as Customs, phytosanitary service, and veterinary service. The involved public services have defined a common data set, and exchange data, such as inspection results, for

the purpose of efficient and reliable processing of the formalities. The importer fills a single set of electronic forms that does not contain redundant data.



Through a generic infrastructure of the Dutch civil services (OTP, see www.overheidstransactiepoort.nl), the declarations are dispatched to the involved authorities, as illustrated in figure 4.1

The key features of the import subsystem are:

- unique data entry (no redundancy);
- common interface for all public services involved;
- data sharing by public services on all aspects of the import procedure;
- access to electronic certificates issued by other countries;
- rapid service through coordination of procedures of different authorities.

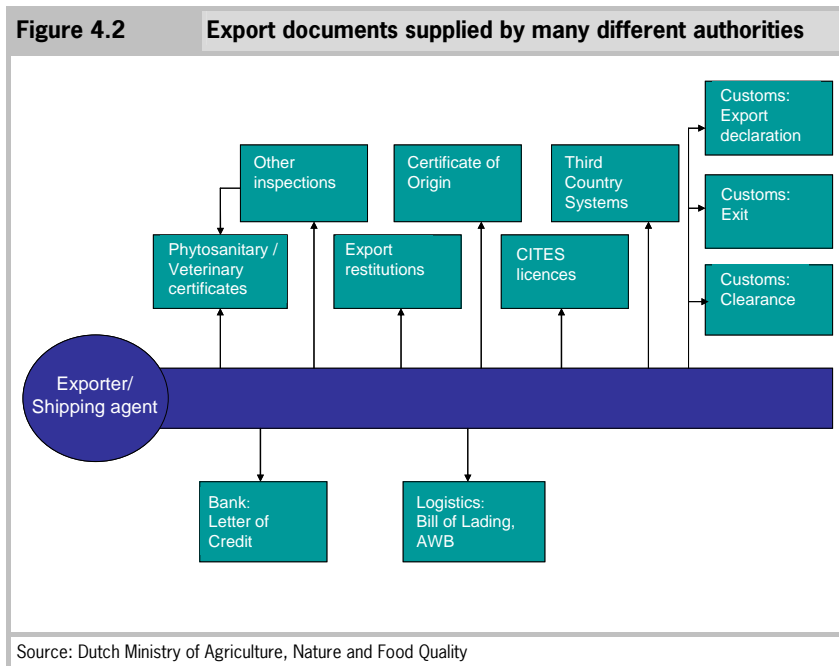
4.3 CLIENT export

Export requirements are more complex than import requirements. Firstly, in the export process, more different authorities are involved. While in the case of import the Customs perform all document inspections, many different authorities supply documents required for export. The involved parties are displayed in figure 4.2. Secondly, there is only one set of relevant requirements for import: those of the European Union. For export the heterogeneous requirements of all possible destinations are relevant, in addition to the general European Union requirements. The requirements may frequently change.

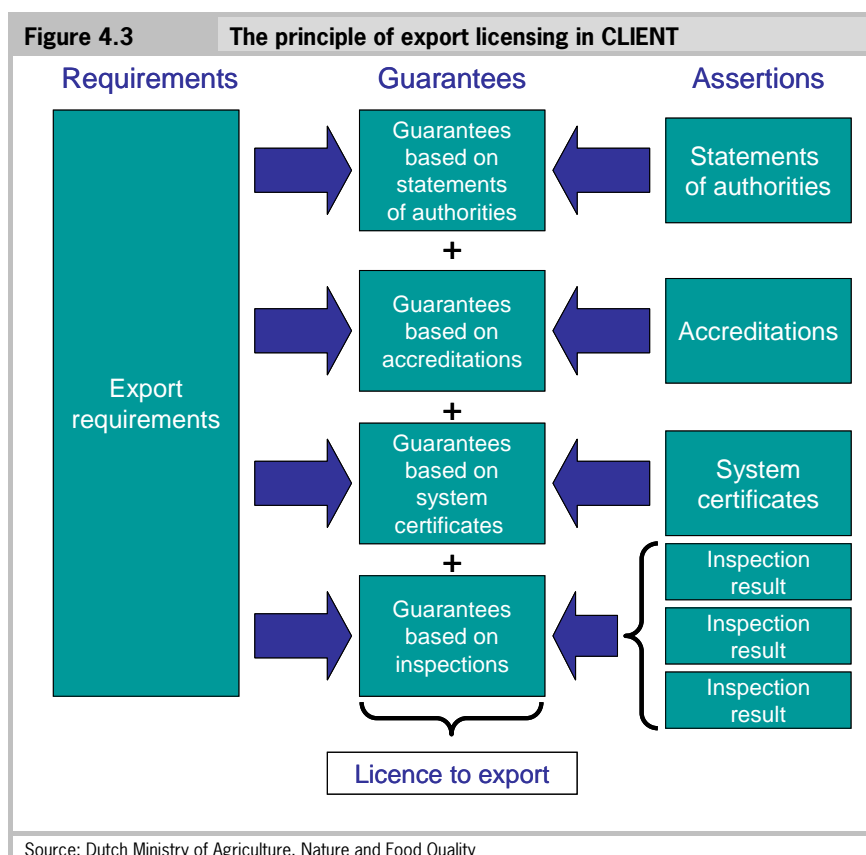
Therefore, the export subsystem has to be flexible in two respects:

- cope with heterogeneous requirements;
- cope with changing requirements.

These are additional key features of the export subsystem compared with key features listed for the import subsystem. Another key feature is: importing countries may access electronic certificates recorded in the CLIENT export system.



As stated in the previous paragraph coping with dynamic and heterogeneous sets of requirements is a key feature of the export subsystem. Figure 4.3 presents the architecture for handling the requirements. It illustrates that several mechanisms of assertion may be applied to guarantee that requirements of the importing country are fulfilled. They range from government statements (e.g., "all timber exported from our country complies with FLEGT requirements"), through system certifications by independent third parties, as are required by the Council regulation (EC) NO 2173/2005 of 20 December 2005, to inspections.



In Uganda a copy of the CLIENT export systems has been implemented for a pilot application of electronic licensing of horticulture products. The system in Uganda can be accessed by Dutch authorities through the CLIENT import sys-

tem to check certificates issued in Uganda. In the long run, document checks in import procedures can fully be automated if this pilot succeeds, thus saving transaction cost in international trade. A similar approach could be taken to implement FLEGT procedures. However, evaluations of the Uganda pilot have not been reported yet.

5 Major observations and recommendations

5.1 Major observations on current timber import procedures

The current import procedures are, generally speaking, transparent and clear for the involved companies. They understand the reasons of safety and taxation behind the measures. However, there are some questions and doubts about the effectiveness and efficiency of the procedures.

Current import procedures

- All involved parties, companies as well as Customs and other governmental institutions appreciate the transition from physical towards electronic handling of documents and procedures.
- The Sagitta system has proved to be an efficient system.
- A great majority of the cargo shipped in over sea in Rotterdam is cleared for entry within a few minutes.
- The rest is controlled by Customs in one or the other way, i.e. through document control, container scanning and physical control.
- Since the documents can be sent by e-mail the procedure for document control has been made much easier and more efficient. Documents do not get lost anymore and the control time is shorter.
- Scanning of containers take often more time than the due 24 hours, in particular when the incoming trade is large and many containers are checked.
- After scanning a physical inspection might be necessary. The forwarding agencies (*NL: expediteur*) should appreciate if the inspection could take place in the location from where the goods will be transported further, instead of the harbour of entry. That saves time, because in that case the container needs to be opened and unpacked only once and it saves the cost of renting quay space. Usually they have three days available for transporting the goods from the Customs controlled quay to their own premises.
- Forwarding agencies complain about the time that is sometimes lost because the ship broker (*NL: cargadoor*) does not inform them in time and about the extra money that is charged by the stevedores and ship brokers for the scanning.

Phytosanitary control

- There are more doubts about the usefulness of the Phytosanitary inspection and the costs of those inspections.
- The major question of the respondents is for what reason a detailed Phytosanitary inspection is required, while the goods have been inspected already in detail at the harbour of origin. They wonder, whether it would not be sufficient to control on documents only, in particular from countries with high level control standards such as the USA and Canada. They could not remember any container ever been "not accepted" because of phytosanitary reasons in the last 10 to 20 years, which is apparently due to the internationally well organized and coordinated phytosanitary control at the entry points.
- The phytosanitary control takes extra time before the container is released, which costs money. In addition, the phytosanitary control itself is costly because it has to be paid by the forwarding agencies.

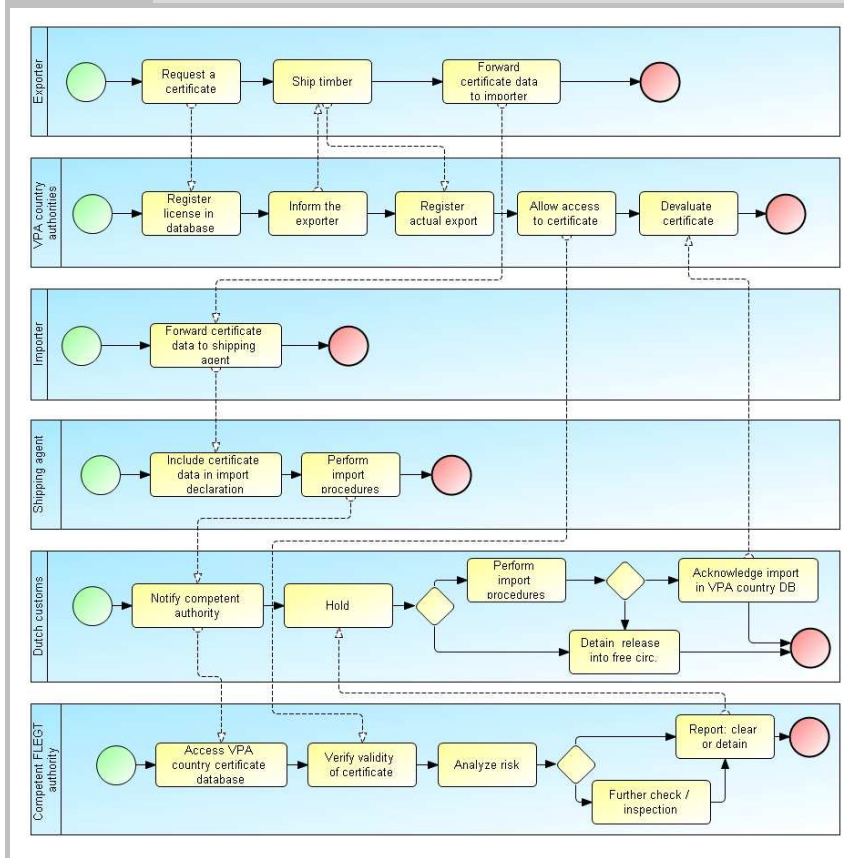
CITES

- CITES control is mainly a document control. When CITES products are imported, an export document from the country of origin should be available. In some specific cases (CITES Annex I) an import licence should also be available.
- With respect to wood en timber the respondents remember only a rare occasion of intercepted goods that were listed on the CITES lists. According to the information received in 2006 only one illegal shipment has been intercepted by Customs in the Netherlands.
- It might be that CITES is one of the reasons for a physical control by Customs, but according to the forwarding agencies, the inspectors do not have sufficient knowledge to check the wood species. It sometimes seems that the environmental NGO's are better informed and knowledgeable about the import of specific timber from specific countries than the Customs.

5.2 Recommendations for electronic handling of FLEGT import procedures

All stakeholders are in favour of an electronic system for handling the import procedures and such an approach is possible within the implementation procedures recently agreed on within the EU.

Figure 5.1 Schematic overview of import procedures for legal timber in case of an electronic certification database



Options for import procedures

A prerequisite for electronic procedures in the European Union is the implementation of an electronic certification system in the FLEGT partner countries. The basic steps in such a system would be:

- The FLEGT partner countries are establishing a certification system for timber that meets the FLEGT requirements;
- The FLEGT certificates are stored in an electronic database, which is accessible for authorized third parties;
- The exporting company will provide the importer with the required references to the certified timber shipment;

- d) The importing company will provide the responsible authorities in the importing country with the references of the timber shipment;
- e) The responsible authorities will check the certificates through cross-checking with the certificates in the database of the FLEGT partner country;
- f) If the certificates are valid, the remaining steps of the procedure for release into free circulation can be performed;
- g) At the moment of release into free circulation, the FLEGT certificate in the database is adjusted for the amount actually imported.

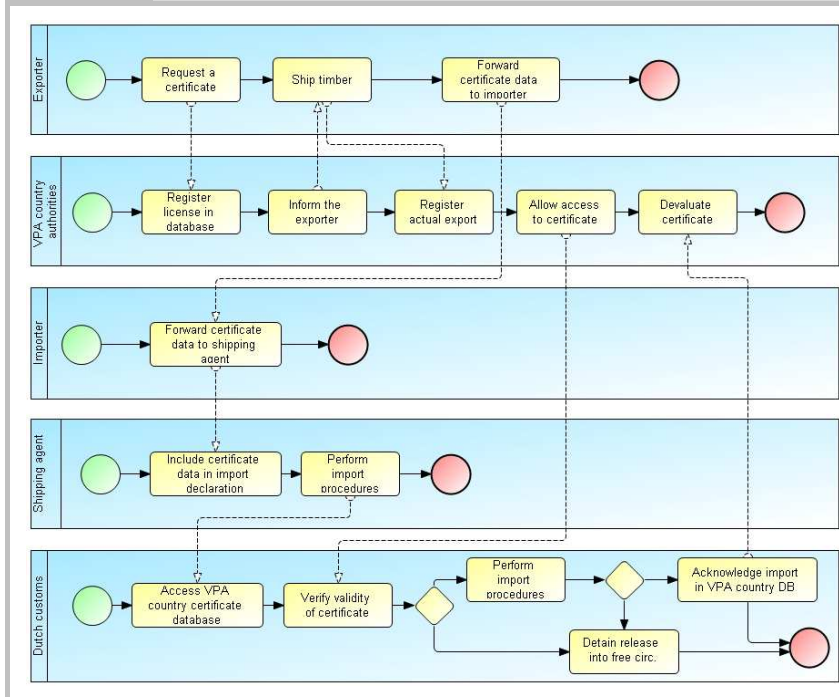
The procedure is presented in figure 5.1. Further explanation of the identified steps is given below.

- Ad a. The proposed procedure does not include any physical check by the EU authorities. The FLEGT partner countries are responsible for verification of the legality of the shipments and authenticity of the related certificates. For that purpose the partner countries are expected having established schemes that guarantee the legality and reliable tracking of timber products in accordance to the requirements of the EU and settled down in the FLEGT Voluntary Partnership Agreements. According to item (6) in the 'Having regard to'-section of regulation 2173/2005 these schemes should be subject to third-party monitoring on behalf of the Commission.
- Ad b. The certificate database should be made accessible for the competent authorities that are responsible for checking the authenticity of certificates in importing EU countries.
- Ad c. The importer will usually forward the certificate data to its shipping agent that handles all formalities concerning the import
- Ad d. It is recommended that the Customs' systems for pre-arrival information will be extended to include the electronic reference to FLEGT certificates, so that electronic certificate checking and risk analysis can be completed before arrival of the ship.
- Ad e. In the Netherlands the competent authority is the Ministry of Agriculture, Nature and Food quality. If necessary this Ministry itself can carry out the required checks at import, but it is also possible to delegate that responsibility to the Customs for reasons of efficiency and cost effectiveness.
- Ad f. The two main reasons for inspection are: (1) is the certificate valid and in accordance with the product description, the quantity, and the country of origin indicated on the declaration for release into free circula-

tion, and (2) , as for any shipment of any type of goods: is the shipment in accordance with the declaration. In an electronic system, document checking of the certificates could be performed automatically. The other checks are the routine checks and physical inspections that Customs perform for release into free circulation of any goods. In order to prevent undue delays and for reasons of cost effectiveness it would be efficient for the Ministry of LNV to delegate these checks to the Customs authorities. In that case, the competent authorities for the FLEGT scheme should establish profiles for risk analysis and frequency of physical inspections. The procedures can be simplified as indicated in figure 5.2.

Ad g. It is important that at each transaction the balance of the licence will be recorded in the database in the FLEGT partner country, in order to prevent reuse or misuse of the licence.

Figure 5.2 Schematic overview of import procedures for legal timber in case of an electronic certification database and inspection by Customs only



Options for the electronic handling system

An electronic system for the FLEGT import procedures could be implemented in several ways. The alternatives for the Dutch authorities are:

1. *Application of the CLIENT System of the Ministry of LNV*

One of the alternative systems for electronic handling of FLEGT procedures is the CLIENT system that is used for entry procedures into the European Union through the Netherlands, involving veterinary or phytosanitary regulations. The CLIENT system coordinates the activities of importers, Customs, and other competent authorities and performs the information exchange among parties. Application of CLIENT could be a good option in case officials of the Ministry of LNV are actively involved in certificate checking and product inspections. The advantage of CLIENT is that coordination between Customs and other authorities and integration into Customs procedures have already been implemented and proven to be efficient. A drawback may be that importers would have to invest in CLIENT software. The CLIENT system could also be a candidate for managing the export licences in VPA countries. An implementation example is the application of CLIENT/EXPORT in Uganda, where phytosanitary procedures performed by Ugandan phytosanitary authorities are registered in a local database, which is used by Dutch authorities for efficiently handling imports of flowers through the CLIENT system. However, for application of CLIENT for FLEGT purposes and implementation of the CLIENT/EXPORT system in VPA countries, it would be necessary that (a) all EU countries accept the CLIENT/EXPORT procedures as an interface to their systems, (b) the authorities in the VPA country accept the CLIENT system for registering the licences, and (c) the required third-party monitoring organization certify the CLIENT system for FLEGT;

2. *Application of the Sagitta system of the Dutch Customs*

The second option is implementing the certificate checking in the Sagitta system of the Dutch Customs. This system has built-in functions for risk analysis and selecting shipments for special attention or physical inspection according to risk profiles. Sagitta looks to be a very efficient option for performing the FLEGT procedures though additional measures are necessary to meet the reporting requirement of the FLEGT regulations. For that purpose, the data of FLEGT imports should be forwarded to the competent authorities, either physically or by granting access to Customs' databases, or, al-

ternatively, reporting to the competent authorities according to specified formats should be delegated to Customs.

In addition, procedures should be developed and implemented to inform the competent authorities in cases that document checks or inspections reveal non-compliance with FLEGT regulations;

3. *Development of a specific FLEGT system*

Another option is to develop a system dedicated for FLEGT procedures, exchanging data and coordinating activities between Customs and FLEGT authorities. The advantage of such a system would be that the recently developed principles and standards for governmental information exchange of the shared ICT service organization for the Netherlands government (*NL: Gemeenschappelijke Beheers Organisatie (GBO)*) and ICTU (a Dutch governmental body to improve the work processes of the authorities, the service provided to society and interaction with citizens) could be applied. Furthermore, CITES procedures - for which the Ministry of LNV is the competent authority as well - could be integrated into such a system. Such a new FLEGT system should be connected to electronic licensing systems in VPA countries, so that certificate verification can be automated.

It should be noted that in any of these cases, full checking of all certificates before release into free circulation is only feasible if the VPA countries have implemented fail safe electronic licensing systems, available 24 hours year-round, and systems of EU authorities have permanent access to such systems in order to perform automated checks. As indicated before, CLIENT/EXPORT could be a candidate system for that purpose.

The overall conclusion of this study is that it is possible to integrate the FLEGT procedures into the current import control systems of Customs and the Ministry of LNV in order to check the import of legally harvested timber from countries that have concluded a FLEGT agreement with the European Union. However, the very success of this policy depends largely on the willingness and strength of the government of the FLEGT partner countries to develop and enforce a well functioning timber legality and traceability verification system.

Appendix 1

Council Regulation (EC) No 2173/2005

Council Regulation (EC) No 2173/2005 of 20 December 2005 on the establishment of a FLEGT licensing scheme for imports of timber into the European Community

Official Journal L 347, 30/12/2005 P. 0001 - 0006

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 133 thereof,

Having regard to the proposal from the Commission,

Whereas:

- The Council and the European Parliament welcomed the Communication from the Commission to the Council and the European Parliament on an EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT) as a first step towards tackling the urgent issue of illegal logging and associated trade.
- The Action Plan puts emphasis on governance reforms and capacity building, supported by actions aimed at developing multilateral cooperation and complementary demand-side measures designed to reduce the consumption of illegally harvested timber and contributing to the wider objective of sustainable forest management in timber-producing countries.
- The Action Plan identifies the setting up of a licensing scheme as a measure to ensure that only timber products that have been legally produced in accordance with the national legislation of the producing country may enter the Community, and emphasises that that licensing scheme should not impede legitimate trade.
- Implementation of the licensing scheme requires that imports of relevant timber products into the Community be made subject to a system of checks and controls seeking to guarantee the legality of such products.

- To this end the Community should conclude voluntary Partnership Agreements with countries and regional organisations, which are to place a legally binding obligation on a partner country or regional organisation to implement the licensing scheme within the schedule stipulated in each Partnership Agreement.
- Under the licensing scheme, certain timber products exported from a partner country and entering the Community at any customs point designated for release for free circulation should be covered by a licence issued by the partner country, stating that the timber products have been produced from domestic timber that was legally harvested or from timber that was legally imported into a partner country in accordance with national laws as set out in the respective Partnership Agreement. Compliance with those rules should be subject to third-party monitoring.
- The competent authorities of the Member States should verify that each shipment is covered by a valid licence prior to releasing the shipment covered by that licence for free circulation in the Community.
- Each Member State should determine the penalties applicable in the event of infringements of this Regulation.
- The licensing scheme should initially cover a limited range of timber products. When agreed, the range of products could be extended to other product categories.
- It is important to revise the Annexes specifying the countries and products covered by the licensing scheme promptly. Those revisions should take into account the progress in implementation of Partnership Agreements. A partner country may be added to Annex I after it has notified the Commission and the Commission has confirmed that this partner country has put in place all the controls needed to be able to issue licences for all the products listed in Annex II. A partner country may be removed from Annex I either when it has given one year's notice of its intention to terminate its Partnership Agreement or with immediate effect, in the case of suspension of its Partnership Agreement.
- Annex II may be amended after the Commission and all partner countries have agreed to such amendment. Annex III may be amended after the Commission and the partner country concerned have agreed to such amendment.
- The amendments to Annexes I, II and III would be implementing measures of technical nature and in order to simplify and expedite the procedure, their adoption should be entrusted to the Commission. Such amendments should comprise commodity codes, at four-digit heading level or six-digit subhead-

ing level of the current version of Annex I to the Harmonised Commodity Description and Coding System.

- The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission [1] with a distinction being made between those measures which are subject to the regulatory committee procedure and those which are subject to the management committee procedure, the management committee procedure being in certain cases, with a view to increased efficiency, the more appropriate.

HAS ADOPTED THIS REGULATION:

CHAPTER I SUBJECT MATTER AND DEFINITIONS

Article 1

- This Regulation establishes a Community set of rules for the import of certain timber products for the purposes of implementing the FLEGT licensing scheme.
- The licensing scheme shall be implemented through Partnership Agreements with timber producing countries.
- This Regulation shall apply to imports of timber products set out in Annexes II and III from partner countries listed in Annex I.

Article 2

For the purposes of this Regulation the following definitions shall apply:

- 'Forest Law Enforcement, Governance and Trade licensing scheme' (hereinafter referred to as FLEGT licensing scheme) means the issuing of licences for timber products for export to the Community from partner countries and its implementation in the Community, in particular in Community provisions on border controls;
- 'partner country' means any State or regional organisation that enters into a Partnership Agreement, as listed in Annex I;
- 'Partnership Agreement' means an agreement between the Community and a partner country by which the Community and that partner country undertake to work together in support of the FLEGT Action Plan and to implement the FLEGT licensing scheme;
- 'regional organisation' means an organisation consisting of sovereign states that have transferred competence to that organisation, granting it the capac-

- ity to enter into a Partnership Agreement on their behalf, in respect of matters governed by the FLEGT licensing scheme, as listed in Annex I;
- 'FLEGT licence' means a shipment-based or market participant-based document of a standard format which is to be forgery-resistant, tamper-proof, and verifiable, and which refers to a shipment as being in compliance with the requirements of the FLEGT licensing scheme, duly issued and validated by a partner country's licensing authority. Systems for issuing, recording and communicating licences may be paper-based or based on electronic means, as appropriate;
 - 'market participant' means an actor, private or public, involved in forestry or transformation or trade of timber products;
 - 'licensing authority(ies)' means the authority(ies) designated by a partner country to issue and validate FLEGT licences;
 - 'competent authority(ies)' means the authority(ies) designated by Member States to verify FLEGT licences;
 - 'timber products' means the products set out in Annexes II and III, to which the FLEGT licensing scheme applies, and which, when imported into the Community, cannot be qualified as 'goods of a non-commercial nature' as defined in point 6 of Article 1 of Commission Regulation (EEC) No 2454/93 of 2 July 1993 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code [2];
 - 'legally produced timber' means timber products produced from domestic timber that was legally harvested or timber that was legally imported into a partner country in accordance with national laws determined by that partner country as set out in the Partnership Agreement;
 - 'imports' means the release for free circulation of timber products within the meaning of Article 79 of Council Regulation (EEC) No 2913/1992 of 12 October 1992 establishing the Community Customs Code [3]
 - 'shipment' means a shipment of timber products;
 - 'export' means the physical leaving or taking out of timber products from any part of the geographical territory of a partner country to bring them into the Community;
 - 'third-party monitoring' means a system through which an organisation that is independent of a partner country's government authorities and its forest and timber sector monitors and reports on the operation of the FLEGT licensing scheme.

CHAPTER II FLEGT LICENSING SCHEME

Article 3

- The FLEGT licensing scheme shall apply only to imports from partner countries.
- Each Partnership Agreement shall specify an agreed schedule for implementing the commitments entered into by that Agreement.

Article 4

- Imports into the Community of timber products exported from partner countries shall be prohibited unless the shipment is covered by a FLEGT licence.
- Existing schemes that guarantee the legality and reliable tracking of timber products exported from partner countries may form the basis of a FLEGT licence on condition that those schemes have been assessed and approved in accordance with the procedure referred to in Article 11(2), in order to provide the necessary assurance as to the legality of the timber products concerned.
- Timber products of species listed in Annexes A, B and C to Council Regulation (EC) No 338/97 of 9 December 1996 on the protection of species of wild fauna and flora by regulating trade therein [4] shall be exempt from the requirement laid down in paragraph 1 of this Article. The Commission shall review this exemption, in accordance with the procedure referred to in Article 11(3), by 30 December 2010.

Article 5

- A FLEGT licence covering each shipment shall be available to the competent authority at the same time as the customs declaration for that shipment is presented for release for free circulation in the Community. The competent authorities shall keep a record - in electronic or paper format - of the original FLEGT licence together with the corresponding customs declaration. Import of timber products under a FLEGT licence issued to a market participant shall be accepted as long as the market participant's licence remains valid.
- The competent authorities shall provide the Commission, or persons or bodies designated by the Commission, with access to the relevant documents and data, should problems arise which impair the effective operation of the FLEGT licensing scheme.
- The competent authorities shall grant to the persons or bodies designated by partner countries as being responsible for the third party monitoring of the FLEGT licensing scheme access to the relevant documents and data, but

- the competent authorities shall not be required to provide any information which they are not permitted to communicate pursuant to their national law.
- The competent authorities shall decide on the need for further verification of shipments using a risk-based approach.
 - In case of doubt as to the validity of the licence, the competent authorities may ask the licensing authorities for additional verification and seek further clarification, as set out in the Partnership Agreement with the exporting partner country.
 - Member States may collect fees to cover the necessary expenses arising from official acts by competent authorities required for control purposes under this Article.
 - Customs authorities may suspend the release of or detain timber products where they have reason to believe that the licence may not be valid. Costs incurred while the verification is completed shall be at the expense of the importer, except where the Member State concerned determines otherwise.
 - Each Member State shall determine the penalties to be imposed where the provisions of this Regulation are infringed. Such penalties shall be effective, proportionate and dissuasive.
 - The Commission shall adopt detailed requirements for application of this Article in accordance with the procedure referred to in Article 11(3).

Article 6

- If competent authorities establish that the requirement laid down in Article 4(1) is not fulfilled, they shall act in accordance with national legislation in force.
- Member States shall notify the Commission of any information suggesting that the provisions of this Regulation are being, or have been, circumvented.

Article 7

- Member States shall designate the competent authorities responsible for implementing this Regulation and for communicating with the Commission.
- The Commission shall provide all competent authorities of the Member States with the names and other relevant details of the licensing authorities designated by partner countries, authenticated specimens of stamps and signatures attesting that a licence has been legally issued, and any other relevant information received in respect of licences.

Article 8

- Member States shall be required to submit by 30 April an annual report covering the previous calendar year, which shall include the following:
 - quantities of timber products imported into the Member State under the FLEGT licensing scheme, as per HS Heading specified in Annexes II and III and per each partner country;
 - the number of FLEGT licences received, as per HS Heading specified in Annexes II and III and per each partner country;
 - the number of cases and quantities of timber products involved where Article 6(1) has been applied.
- The Commission shall lay down a format for annual reports in order to facilitate monitoring of the FLEGT licensing scheme.
- The Commission shall prepare by 30 June an annual synthesis report based on the information submitted by the Member States in their annual reports covering the previous calendar year and shall make it accessible to the public in accordance with Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents [5].

CHAPTER III GENERAL PROVISIONS

Article 9

Two years after the entry into force of the first Partnership Agreement the Commission shall present the Council with a report on the implementation of this Regulation, based in particular on the synthesis reports referred to in Article 8(3) and on the reviews of Partnership Agreements. This report shall be accompanied, where appropriate, by proposals for improvement of the FLEGT licensing scheme.

Article 10

- The Commission may amend the list of partner countries and their designated licensing authorities as set out in Annex I in accordance with the procedure referred to in Article 11(3).
- The Commission may amend the list of timber products as set out in Annex II to which the FLEGT licensing scheme applies in accordance with the procedure referred to in Article 11(3). Those amendments shall be adopted by the Commission taking into account the implementation of the FLEGT Partnership Agreements. Such amendments shall comprise commodity codes, at

four-digit heading level or six-digit subheading level of the current version of Annex I to the Harmonised Commodity Description and Coding System.

- The Commission may amend the list of timber products as set out in Annex III to which the FLEGT licensing scheme applies in accordance with the procedure referred to in Article 11(3). Those amendments shall be adopted by the Commission taking into account the implementation of the FLEGT Partnership Agreements. Such amendments shall comprise commodity codes, at four-digit heading level or six-digit subheading level of the current version of Annex I to the Harmonised Commodity Description and Coding System and shall only apply in relation to the corresponding partner countries as set out in Annex III.

Article 11

- The Commission shall be assisted by the Forest Law Enforcement Governance and Trade (FLEGT) Committee (hereinafter referred to as the Committee).
- Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.
The period laid down in Article 4(3) of Decision 1999/468/EC shall be set at three months.
- Where reference is made to this paragraph, Articles 5 and 7 of Decision 1999/468/EC shall apply. The period laid down in Article 5(6) of Decision 1999/468/EC shall be set at three months.
- The Committee shall adopt its Rules of Procedure.

Article 12

This Regulation shall enter into force on the day of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 20 December 2005.

For the Council
The President
M. Beckett

- [1] OJ L 184, 17.7.1999, p. 23.
 [2] OJ L 253, 11.10.1993, p. 1. Regulation as last amended by Regulation (EC) No 883/2005 (OJ L 148, 11.6.2005, p. 5).
 [3] OJ L 302, 19.10.1992, p. 1. Regulation as last amended by Regulation (EC) No 648/2005 of the European Parliament and of the Council (OJ L 117, 4.5.2005, p. 13);
 [4] OJ L 61, 3.3.1997, p. 1. Regulation as last amended by Commission Regulation (EC) No 1332/2005 (OJ L 215, 19.8.2005, p. 1).
 [5] OJ L 145, 31.5.2001, p. 43.

ANNEX I
PARTNER COUNTRIES AND THEIR DESIGNATED LICENSING AUTHORITIES

ANNEX II

Timber products to which the FLEGT licensing scheme applies irrespective of the partner country

HS heading	Description
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared
4406	Railway or tramway sleepers (cross-ties) of wood
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm
4408	Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for other similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm
4412	Plywood, veneered panels and similar laminated wood

ANNEX III

Timber products to which the FLEGT licensing scheme applies only in relation to the corresponding partner countries

Partner country	HS heading	Description

Appendix 2

Respondents

- ADCO shipping & forwarding:
Jeroen Vreuls
- Belastingdienst, Douane:
Ed Reinders, Rianne Adriaans, Nico Perdijk
- Deli Universal, Central Import Panel products:
Ton Kolvoort
- Hoogendoorn Transport B.V:
Maarten Hoogendoorn
- Koninklijke Houthandel G. Wijma & Zonen B.V.:
Mark Diepstraten, J.P.C. van Rooijen
- Ministerie van Landbouw, Natuur en Voedselkwaliteit:
Flip van Helden, Rob Busink
- Ministerie van Landbouw, Natuur en Voedselkwaliteit, Client:
Frederik Heijink, Patrick Laenen
- Plantenziektenkundige Dienst:
Torwald Geuze, Alwyn de Haas
- Wood Products Logistics (WPL):
Cor Pak, Jolanda van der Woude, Fred van Lammeren

Appendix 3

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Appendix 4

Links

Asia Forest Partnership	www.asiaforests.org
AVIH, De Algemene Vereniging Inlands Hout	www.avih.nl
Bomenstichting	www.bomenstichting.nl/
Bosschap	www.bosschap.nl
CEW, Cameroon Environmental Watch	www.aedev.org/cew/
CITES, Convention on International Trade in Endangered Species of Wild Fauna and Flora	www.cites.org
Centrum Hout	www.centrum-hout.nl
Collaborative Partnership on Forests	www.fao.org/forestry/cpf
Congo Basin Forest Partnership	www.cbfp.org
European Union FLEGT	http://ec.europa.eu/environment/forests/flegt.htm
European Union FLEGT	http://ec.europa.eu/development/Policies/9Interventionareas/Environment/forest/Forestry_intro_en.cfm
EU-The forest-based industries	http://ec.europa.eu/enterprise/forest_based
EPV, Nederlandse Emballage- en Palletindustrie Vereniging	www.epv.nl/
FERN	www.fern.org
Food and Agriculture Organization of the United Nations	www.fao.org/forestry
Forest Title Legal Review and Conversion Process	www.rdc-conversiontitresforestiers.org
FSC, Forest Stewardship Council, Nederland	www.fscnl.org
FWG, Forest Watch Ghana	www.forestwatchgh.org
GLFPSF, Ghana Land and Forest Policy Support Facility	www.ghana-psf.org
Global Timber	www.globaltimber.org.uk
Global Witness	www.globalwitness.org
Illegal Logging Info	www.illegal-logging.info

International Tropical Timber Organization	www.itto.or.jp
IPPC, Integrated Pollution Prevention Control	www.ippc.int
Irish Tax and Customs, Revenue	www.revenue.ie
Loggingoff	www.loggingoff.info
Ministerial Conference on the Protection of Forests in Europe	www.mcpfe.org
Netherlands Customs/Douane	www.douane.nl
Netherlands Friends of the Earth/Milieu Defensie	www.milieudefensie.nl
Netherlands Ministry van Agriculture, Nature and Food Quality	www.minlnv.nl
Netherlands Ministry of Foreign Affairs	www.minbuza.nl/
Netherlands Ministry of Housing, Spatial Planning and Environment	http://international.vrom.nl
Netherlands Phytosanitary Service/Plantenziektkundige Dienst	www.minlnv.nl/pd
Netherlands Society for Nature and Environment/Natuur en Milieu	www.snm.nl
NATA, Nederlandse Vereniging van Houtagenten	www.nata-timberagents.nl
Nederlandse Bond van Timmerfabrikanten (NBVT)	www.nbvt.nl
Nederlands Emballage- en Palletindustrie Vereniging (EPV)	www.epv.nl
PEFC, Programme for the Endorsement of Forest Certification schemes	www.pefc.org
PHN, Platform Hout in Nederland	www.probos.net
Portail Environnement et Forêt en Afrique Centrale	www.pefac.net
Programme on Forests	www.profor.info
Resource Extraction Monitoring	www.rem.org.uk
Rotterdam Port Portal	www.portofrotterdam.com
SKH, Stichting Keuringsbureau Hout	www.skh.org
Stichting Keurhout	www.keurhout.nl
UK Forest Law Enforcement and Governance Programme	www.illegal-logging
United Nations Forum on Forests	www.un.org/esa/forests
United States President's Initiative Against Illegal Logging	www.usaid.gov
Vereniging Milieudefensie	www.milieudefensie.nl

VVNH, Vereniging van Nederlandse Houtonder- mingen	www.vvnh.nl
Wageningen University and Research Centre	www.wur.nl
WNF, Wereldnatuurfonds/	www.wnf.nl
World Bank	www.worldbank.org
World Bank/WWF Alliance	www.forest-alliance.org
World Rainforest Movement	www.wrm.org
World Wildlife Fund	www.panda.org

Appendix 5

Glossary

Shipping terms

Authorised Economic Operator (AEO)

From 1 September 2007, the Dutch business sector can apply for the status of Authorised Economic Operator (AEO) to the Customs. The Customs grants various facilities for physical customs inspections to enterprises that have this status. Enterprises that would like to qualify must meet a number of criteria. The AEO status and the guidelines for granting the status are based on the Community Customs Code and the related implementing regulation.

Bill of lading (B/L) (cognossement)

The bill of lading is a legal document, issued to a shipper by a carrier that describes the goods to be shipped, acknowledges their receipt and states the terms of the contract for their carriage. This document must accompany the shipped goods and must be signed by an authorized representative from the carrier, the shipper and the receiver. The carrier provides a copy of the bill of lading to the exporter before departure, as evidence of the transfer of goods from the exporter to the carrier. A copy of the bill of lading is also forwarded to the importer, to arrange for the pick-up of the goods, and a third copy is kept for the carrier's records.

The original bill of lading always stipulates the contract of carriage. The possession of the original bill of lading at destination entitles the bearer to the goods. Sometimes the original bill of lading is sent to a financial institution that represents the shipper and the financial institution remits the original bill of lading to the importer once all financing and other obligations are met. In that case the transfer of goods is based on a Letter of Credit (L/C)

Commercial Invoice

A commercial invoice is the basic document from which the buyer or importer pays the vendor or exporter. The commercial invoice serves a dual purpose: to enable the exporter to collect his/her money and to assist the importer in clearing the goods through Customs.

The commercial invoice does not have a fixed format, but it should include the data elements prescribed by Customs, such as

- exporter name and address
- consignee name and address
- description of the goods
- net and gross weights
- unit price
- extended price
- currency of settlement
- terms of delivery and terms of payment
- date
- reference numbers
- import licences
- freight included or exclude

Consignee

The person or firm named in a freight contract to whom goods have been consigned or turned over. For export control purposes, the documentation differentiates between an intermediate consignee and an ultimate consignee.

Consignment

Delivery of merchandise from an exporter (the consignor) to an agent (the consignee) under agreement that the agent sell the merchandise for the account of the exporter. The consignor retains title to the goods until sold. The consignee sells the goods for commission and remits the net proceeds to the consignor.

Cost and Freight (C&F)

Cost and Freight (CFR) to a named overseas port of import. Under this term, the seller quotes a price for the goods that includes the cost of transportation to the named point of debarkation. The cost of insurance is left to the buyer's account. (Typically used for ocean shipments only. CPT, or carriage paid to, is a term used for shipment by modes other than water.) Also, a method of import valuation that includes insurance and freight charges with the merchandise values.

Cost, Insurance and Freight (CIF)

Cost, insurance, and freight (CIF) to a named overseas port of import. Under this term, the seller quotes a price for the goods (including insurance), all transportation, and miscellaneous charges to the point of debarkation for the vessel. (Typically used for ocean shipments only. CIP, or carriage and insurance paid to, is a term used for shipment by modes other than water.)

Delivery Instructions

Provides specific information to the inland carrier concerning the arrangement made by the forwarder to deliver the merchandise to the particular pier or steamship line. Not to be confused with Delivery Order which is used for import cargo.

Demurrage

Excess time taken for loading or unloading a vessel, thus causing delay of scheduled departure. Demurrage refers only to situations in which the charter or shipper, rather than the vessel's operator, is at fault.

Duty

A tax imposed on imports by the customs authority of a country. Duties are generally based on the value of the goods (ad valorem duties), some other factors such as weight or quantity (specific duties), or a combination of value and other factors (compound duties).

Free On Board (FOB)

Common price term used in international trade meaning seller's responsible for the cost of goods is to the point of loading it to the vessel deck or aircraft loading deck. The risk of loss of or damage to the goods is transferred from the seller to the buyer when the goods have been so delivered. FOB normally comes with port of loading either airport or sea port.

Freight Forwarder

An independent business which handles export shipments for compensation. At the request of the shipper, the forwarder makes the actual arrangements and provides the necessary services for expediting the shipment to its overseas destination. The forwarder takes care of all documentation needed to move the shipment from origin to destination, making up and assembling the necessary documentation for submission to the bank in the exporter's name. The forwarder arranges for cargo insurance, makes the necessary overseas communications, and advises the shipper on overseas requirements of marking and labeling.

Intermediate Consignee

An intermediate consignee is the bank, forwarding agent, or other intermediary (if any) that acts in a foreign country as an agent for the exporter, the purchaser, or the ultimate consignee, for the purpose of effecting delivery of the export to the ultimate consignee.

Letter of Credit

A financial document issued by a bank at the request of the consignee guaranteeing payment to the shipper for cargo if certain terms and conditions are fulfilled. Normally it contains a brief description of the goods, documents required,

a shipping date, and an expiration date after which payment will no longer be made. An Irrevocable Letter of Credit is one which obligates the issuing bank to pay the exporter when all terms and conditions of the letter of credit have been met. None of the terms and conditions may be changed without the consent of all parties to the letter of credit. A Revocable Letter of Credit is subject to possible recall or amendment at the option of the applicant, without the approval of the beneficiary. A Confirmed Letter of Credit is issued by a foreign bank with its validity confirmed by a U.S. bank. An exporter who requires a confirmed letter of credit from the buyer is assured payment from the U.S. bank in case the foreign buyer or bank defaults. A Documentary Letter of Credit is one for which the issuing bank stipulates that certain documents must accompany a draft. The documents assure the applicant (importer) that the merchandise has been shipped and that title to the goods has been transferred to the importer.

Manifest

Document that lists in detail all the bills of lading issued by a carrier or its agent or master for a specific voyage. A detailed summary of the total cargo of a vessel. Used principally for Customs purposes. Manifest. A copy, known as the outward manifest is kept with the Customs authorities at the port of loading. Another copy, known as the inward manifest is kept at the discharge port.

Packing List

A shipping document issued by shipper to carrier, Customs and consignee serving the purposes of identifying detail information of package count, products count, measurement of each package, weight of each package, etcetera.

Pro Forma Invoice

An invoice provided by a supplier prior to the shipment of merchandise, informing the buyer of the kinds and quantities of goods to be sent, their value, and important specifications (weight, size, and similar characteristics). When an importer applies for Letter of Credit as the means of payment, a Pro Forma Invoice from the beneficiary of such Letter of Credit, usually the exporter, is required by the L/C issuing bank.

Stevedore

One who is employed in the loading or unloading of ships.

To load or unload the cargo of (a ship) or to engage in the process of loading or unloading such a vessel.

Ship broker

An agent for the ship owner; obtains cargo and may arrange for its loading or discharge

Shipper

Someone who prepares goods for shipment, by packaging, labeling, and arranging for transit, or who coordinates the transport of goods.

Transshipment

Transshipment refers to the act of sending an exported product through an intermediate country before routing it to the country intended to be its final destination.

Ultimate Consignee

The ultimate consignee is the person located abroad who is the true party in interest, receiving the export for the designated end-use.

Appendix 6

CITES tree species

Source: <http://www.fws.gov/citestimber/timber/treespecies.html>

The following table gives an overview of tree species listed in one of three appendices of the CITES convention. Not all CITES-listed tree species are traded as timber; some are traded as medicinal or horticultural specimens (for example, *Taxus* and palms).

Current CITES Listings of Tree Species

APPENDIX I		
Species	Common Name	First Listing Date
<i>Abies guatemalensis</i>	Guatemalan fir	7/1/75
<i>Araucaria araucana</i>	Monkey-puzzle tree	7/1/75
<i>Balmea stormiae</i>	Ayuque	7/1/75
<i>Chrysalidocarpus decipiens</i>	Butterfly palm	2/4/77
<i>Dalbergia nigra</i>	Brazilian rosewood	6/11/92
<i>Fitzroya cupressoides</i>	Alerce, Chilean false larch	7/1/75
<i>Pilgerodendron uviferum</i>	Pilgerodendron	7/1/75
<i>Podocarpus parlatorei</i>	Parlatore's podocarp, Monteromero	7/1/75

APPENDIX II			
Species	Common Name	CITES Annotation	First Listing Date
<i>Aquilaria malaccensis</i>	Agarwood, Aloewood	#1	2/16/95
<i>Aquilaria</i> spp.	Agarwood	#1	1/12/05
<i>Beccariophoenix madagascariensis</i>	Manarano palm		2/13/03
<i>Caryocar costaricense</i>	Ajo	#1	7/1/75
<i>Gonystylus</i> spp.	Ramin	#1	8/6/01
<i>Guaiacum officinale</i>	Commoner lignum vitae	#2	6/11/92
<i>Guaiacum sanctum</i>	Hollywood lignum vitae	#2	7/1/75
<i>Guaiacum</i> spp. (all species except those with earlier date in Appendix II)	Lignum vitae	#2	2/13/03
<i>Gyrinops</i> spp.	Agarwood	#1	1/12/05
<i>Lemurophoenix halleuxii</i>	Red-lemur palm		2/13/03
<i>Marojejya darianii</i>	Ravimbe palm		2/13/03
<i>Neodopsis decaryi</i>	Triangle palm	#1	7/1/75
<i>Oreomunnea pterocarpa</i>	Gavilan	#1	7/1/75

APPENDIX II			
Species	Common Name	CITES Annotation	First Listing Date
<i>Pericopsis elata</i>	Afrormosia, African teak	#5	6/11/92
<i>Platymiscium pleio-stachyum</i>	Cristobal, Granadillo, Ca-chimbo	#1	7/1/75
<i>Podophyllum hexandrum</i>	Himalayan may-apple	#2	1/18/90
<i>Prunus africana</i>	African cherry, Stinkwood	#1	2/16/95
<i>Pterocarpus santalinus</i>	Red sandalwood, Red-sanders	#7	2/16/95
<i>Ravenea louvelii</i>	Lakamarefo palm		2/13/03
<i>Ravenea rivularis</i>	Gora palm		2/13/03
<i>Satranala decussilvae</i>	Satranabe palm		2/13/03
<i>Swietenia humilis</i>	Pacific coast mahogany	#1	7/1/75
<i>Swietenia macrophylla</i>	Bigleaf mahogany	#6	11/16/95
<i>Swietenia mahogoni</i>	Caribbean mahogany	#5	6/11/92
<i>Taxus chinensis</i>	Chinese yew	#10, 10	1/12/05
<i>Taxus cuspidata</i>	Japanese yew	#10, 10	1/12/05
<i>Taxus fuana</i>	Chinese yew	#10, 10	1/12/05
<i>Taxus sumatrana</i>	Chinese yew	#10, 10	1/12/05
<i>Taxus wallichiana</i>	Himalayan yew	#10	2/16/95
<i>Voaniola gerardii</i>	Voanioala palm		2/13/03

APPENDIX III				
Species	Common Name	Listing Country	CITES Annotation	First Listing Date
<i>Cedrela odorata</i>	Spanish cedar	Populations of Colombia (Colombia); Populations of Peru (Peru)	#5	6/12/01
<i>Dipteryx panamensis</i>	Almendro	Costa Rica		2/13/03
<i>Magnolia ilicifera</i> var. <i>obovata</i>	Giogi, Champak	Nepal	#1	11/16/75
<i>Podocarpus neriifolius</i>	Black pine podocarp	Nepal	#1	11/16/75
<i>Tetracentron sinense</i>	Tetracentron	Nepal	#1	11/16/75

CITES Annotations:

- #1 Designates all parts and derivatives, except: (a) seeds, spores and pollen (including pollinia); (b) seedling or tissue cultures obtained *in vitro*, in solid or liquid media, transported in sterile containers; and (c) cut flowers of artificially propagated plants.
- #2 Designates all parts and derivatives, except: (a) seeds and pollen; (b) seedling or tissue cultures obtained *in vitro*, in solid or liquid media, transported in sterile containers; (c) cut flowers of artificially propagated plants; and (d) chemical derivatives and finished pharmaceutical products.
- #5 Designates logs, sawn wood, and veneer sheets.
- #6 Designates logs, sawn wood, veneer sheets, and plywood.
- #7 Designates logs, wood-chips, and unprocessed broken material.
- #10 Designates all parts and derivatives except: (a) seeds and pollen; and (b) finished pharmaceuticals products.
10 Whole artificially propagated plants in pots or other small containers, each consignment being accompanied by a label or document stating the name of the taxon or taxa and the text 'artificially propagated', are not subject to the provisions of the Convention.

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