



European Commission



**Republic of Indonesia
Ministry of Forestry**

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Press Release

Indonesia and the EU Adopt New Timber Trade Legality Rules in a Move Expected to Boost Bilateral Timber Trade

Since January 1st, 2013 Indonesia requires the export of timber products to be accompanied by V-Legal Document, assuring the legality of the products from the point of harvesting to transporting, trading and processing. On the other hand, from March 3rd, 2013, the European Union will commence implementation of Regulation (EU) No. 995/2010 laying down the obligations of operators who place timber and timber products on the market. Under the Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement (FLEGT-VPA) between Indonesia and the EU, it is expected that in the future the combined policies will boost the trade in Indonesian timber products to the European market.

While there is a gap between SVLK starting in January 2013, the EUTR in March 2013 and the VPA coming into force later in the year the regulatory framework is already favourable for EU-Indonesia timber trade and therefore we do not expect any interruption in export of legal Indonesian timber to the EU. The EUTR will not result in any additional control at EU border.

Between October-December 2012, Indonesia and several EU member states conducted a shipment test as a pilot exercise for the export of timber products with V-Legal Documents. This shipment test was largely positive – a workshop was held on 21st January 2013 to review lessons learned to adapt the system so it is ready for the VPA when it comes into force. There will be an assessment of the SVLK later in the year. A positive assessment will allow the VPA to enter into force.

The Secretary General of Ministry of Forestry of Indonesia, H.E. Mr. Hadi Daryanto and the Head of the EU Delegation for Indonesia, Brunei Darussalam and ASEAN, H.E. Ambassador Julian Wilson held a press conference on Tuesday, January 22nd, 2013. They noted that Indonesia's high-quality timber is very popular in the EU. At the same time, both sides share common interests to fight the illegal timber trade.

They welcomed the efforts undertaken by Indonesia to develop the SVLK and shared the view that the SVLK is making good progress in assuring legality of Indonesian timber. The

Ambassador welcomes the progress towards the VPA and, especially for EU timber importers, the SVLK is one of the most progressive programmes assuring timber legality in the world.

Indonesia and the EU are deepening their close partnership to promote the trade of legal timber through the development of coherent supply-side measures on the Indonesian side and demand-side measures on the EU side. Indonesia has developed the Timber Legality Assurance System, known as SVLK with the active involvement of broad stakeholders from academia, forest-related business associations, relevant ministries, and NGOs. SVLK is based on the spirit of the 2001 Bali Declaration on Forest Law Enforcement and Governance (FLEG). Export shipments verified as legal under the SVLK scheme are issued with “V-Legal” Documents. Under the same spirit, the EU has adopted legislation to ensure that only legally harvested timber is sold within the EU, as well as a framework for bilateral agreements between the EU and partner countries known as FLEGT-VPAs (Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement).

The EU and Indonesia negotiated a FLEGT-VPA between 2007 and 2011. Following the completion of the translation process into Bahasa Indonesia and 22 EU languages, the FLEGT-VPA is expected to be signed in April 2013. Both sides will then start their respective ratification procedures, which foreseeably will be completed in September 2013. The completion of the ratification process will be an important legal step as it will make the FLEGT-VPA legally binding for both Indonesia and the EU.

Once operational, the VPA will mean that licensed products from Indonesia will be considered automatically compliant with the Timber Regulation requirements, providing a clear incentive to EU buyers.

Secretary General Daryanto and Ambassador Wilson welcomed the involvement of forestry stakeholders, including civil society, in the development of SVLK, as a factor enabling buyers to have confidence in this new scheme. This is key to support legal timber trade between Indonesia and the EU – worth approximately US\$1.2 billion per annum.

Secretary General Daryanto and Ambassador Wilson underlined that Indonesia and the EU are now in a critical phase as they move towards full implementation of the new timber trade procedures and mechanisms as framed by the FLEGT-VPA. However even before the VPA with the EU is fully implemented, the underlying SVLK scheme gives Indonesia a market advantage by providing an assurance of the legality of timber, not only to the EU market but also elsewhere, due to Indonesia’s achievement in establishing and implementing the SVLK. Feedback from recent contacts with European timber buyers suggested that they are confident in the credibility of the SVLK scheme in relation to EU Timber Regulation requirements, not least because the SVLK scheme will be the foundation of FLEGT-VPA.

The EU and Indonesia are working closely to ensure that the VPA can be implemented as soon as possible. Following the successful shipment test, while waiting for the signing of the VPA followed by the ratification, a joint evaluation of the agreed system is foreseen in the near future.

Secretary General Daryanto and Ambassador Wilson agreed that the competent authorities in the EU member countries as well as importers of Indonesian timber product operators should receive an important message regarding Indonesia's accomplishment with respect to SVLK certified timber products and rapid progress towards full implementation of the FLEGT-VPA. SVLK certification will be needed before Indonesian timber can be accepted in the EU market and it is expected to be viewed as an excellent element of assurance for EU buyers.

Note to the editor

Indonesia's timber legality framework

SVLK verification is a mandatory step for the issuance of V-Legal Documents which ensure that export of timber products comply with Indonesian forest and other relevant laws and provide assurances that the products covered by the documents come from legal sources and have been logged, transported, traded and processed legally. Designed to suppress illegal logging and protect Indonesian timber industry from upstream to downstream, SVLK will increase the competitive advantage of Indonesian timber products in the global market, improve public welfare, establish a culture of using legal products, and enhance the dignity of the nation, as well as contribute to sustainable forest management. SVLK has undergone a long process of system development and represents Indonesia's initiative to answer the global need of a more responsible utilization of natural resources.

The Minister for Trade Regulation No. 64/2012 dated 22 October 2012 revised the previous Regulation No. 20/2008 which regulates the export for timber and timber products. Under this revised regulation, the export of timber products from Indonesia will have to be accompanied with V-Legal Documents from the holders of timber legality certificates certified under the SVLK scheme. This regulation harmonizes the previous regulation by the Minister for Forestry that forest business entities must hold timber legality (SVLK) certificates.

To date, almost 400 units of timber industry, including SMEs have been audited, of which around 15 units failed and could not receive timber legality certificates. There are more than 13 million hectares (around 140 management units) of forest (natural as well as plantation forests, community forests), that have been audited and are covered either by a legality or full sustainability certificate. .

FLEGT-VPA

A key element of the FLEGT Action Plan is a voluntary scheme to ensure that only legally harvested timber is imported into the EU from countries agreeing to take part in this scheme. The internal EU legal framework for this scheme is a Regulation adopted in December 2005, and a 2008 Implementing Regulation, allowing for the control of the entry of timber and timber products to the EU from countries entering into bilateral FLEGT Voluntary Partnership Agreements (VPAs) with the EU. Once agreed, the VPAs include commitments and action from both parties to halt trade in illegal timber, notably with a licence scheme to verify the legality of timber and timber products exported to the EU. The agreements also

promote better enforcement of forest law and promote an inclusive approach involving civil society and the private sector.