



Annual Meeting of the International Family Forestry Alliance (IFFA)

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Overview of trade issues relevant for the EU forestry sector

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Overview

1. Important ongoing market access cases
 - a) Russia – birch logs export quotas
 - b) Russia – export tariff-rate quotas (TRQs) for spruce and pine
 - c) Belarus – wood export restrictions
 - d) Ukraine – wood export ban
2. New opportunities – EU-Canada and EU-Japan trade agreements
3. Selection of EU FTA negotiations
4. China



1.a) Russia – birch logs export quotas (1)

- Based on a draft Decree published in November 2017, the Russian Federation intends to introduce export quotas for birch logs, initially foreseen to start 1 January 2018, limited to a period of 6 months.
- EU is very concerned about the introduction of these export quotas, various letters sent (e.g. recently by Trade Commissioner Malmström to Trade Minister Manturov on 21 December 2017).
- Volume of the quotas mentioned in the draft Decree amounts to 567.000 m³ for six months, which would represent a reduction of approx. 1/3 of Russia's average export volume for six months over the period 2014-2016.



1.a) Russia – birch logs export quotas (2)

- Most recent information received from EU DEL in Moscow: For "**technical reasons**", the implementation of the quotas will not start before March/April 2018, and there may be a short transition period.
- Although the quotas are labelled as "temporary" and indeed limited to 6 months, there's still the risk of (repeated) prolongation, i.e. the problem could persist beyond this year.
- Moreover: EU concerned about exact scope of the export quotas, notably with regard to precise definition of "birch logs"; risk of confusion at customs (e.g. with regard to "birch veneer logs" / "birch pulp logs").



1.a) Russia – birch logs export quotas (3)

- Russian authorities are arguing that the export quotas would be necessary to respond to growing exports of birch logs from Russia and their consequences for the domestic Russian market.
- However, Russian exports of birch logs to the EU have remained stable over the period 2014-2016. Furthermore, the EU is not aware of any domestic limitations applying to birch log-using Russian plywood producers who actually export most of their production.
- The EU will continue to raise this case with Russian authorities at all appropriate levels.



1.b) Russia – export tariff-rate quotas (TRQs) for spruce and pine

- Based on bilateral EU-Russia Wood Agreement concluded ahead of **Russia's** WTO accession (2012), plus respective commitments enshrined in **Russia's** WTO Schedule for Goods. **Russia's** export duty rate is reduced within the TRQs (to 15% for spruce and 13% for pine).
- Situation since opening of TRQs in late 2012: Very low utilization rate of both quotas, i.e. around 10-15% at best.
- Most exports (at least 80%) of spruce and pine under the quotas go to Finland. Some limited exports go to Sweden, Germany, Latvia, Estonia and Romania.



1.c) Belarus – wood export restrictions (1)

- BY has officially applied an export ban on unprocessed wood (HS 4403) since 1 January 2016, as per Decree of the President of Belarus No. 211 of 20 May 2015.
- Export ban has now been replaced by an export licencing scheme (Resolution of the Belarussian Council of Ministers No. 532 of 14 July 2017) which took effect on 1 August 2017 initially for a 6-months period, until 31 January 2018. Current situation unclear: Further extension?
- The new export licencing regime covers primarily raw wood (HS 4403) but also so-called hoopwood (HS 4404).
- General or single licences are issued by the Belarussian Ministry of Trade in coordination with the Ministry of Forestry.



1.c) Belarus – wood export restrictions (2)

- In 2016, EU imports of raw wood (HS 4403) from BY had a value of approx. 91 million €, with most imports going into PL (approx. 34 million €), followed by RO (approx. 24 million €) and LV (approx. 13 million €).
- Hoopwood (HS 4404) imports into the EU from BY are less commercially relevant (approx. 18 million € in 2016).
- BY is still in the process of joining the WTO, its export licencing scheme for wood products should thus be made WTO compatible already at the pre-accession stage. The EU reminded BY officials accordingly at the recent 3rd EU-BY Trade Dialogue held in BXL on 18 December 2017, and again at a bilateral meeting held on 28 February 2018.



1.d) Ukraine – wood export ban (1)

- Rada adopted wood export ban on "unprocessed wood" (HS 4403), entered into force in November 2015.
- Export ban to be in place for 10 years and to cover all wood types except (initially) pine, starting from 1 November 2015; pine exports now also banned since 1 January 2017.
- According to the Ukrainian government, the measure is aimed at developing the wood processing industry in Ukraine, creating new jobs and raising the supply of raw material for domestic firms.
- Clear violation of Ukraine's WTO and DCFTA commitments!



1.d) Ukraine – wood export ban (2)

- COM has raised this issue many times with UKR authorities at different levels, including at the recent EU-UKR Association Committee in Trade configuration which took place in BXL on 28-29 September 2017.
- We keep insisting with UKR that they finally lift the wood export ban, thereby following up on President Poroshenko's commitment made at the EU-UKR Summit of July 2017 to solve the matter during the subsequent 3-4 months.
- COM currently looks into possible next steps (including bilateral Dispute Settlement under the DCFTA).



2. New opportunities – EU-Canada and EU-Japan trade agreements

- EU-Canada:
 - CETA (Comprehensive Economic and Trade Agreement) has entered into force provisionally on 21 September 2017.
 - Full tariff liberalisation for wood products (HS 44) as of entry into force.
 - CETA includes a new EU-Canada Forestry Dialogue. Institutional structures are currently still being put into place. First meeting /videoconference in coming months.
 - Moreover: CETA also establishes commitments to sustainable management of forests and encourages EU-Canada cooperation on these matters.



2. New opportunities – EU-Canada and EU-Japan trade agreements

- EU-Japan (1):
 - Negotiations concluded on 8 December 2017, now legal scrubbing and translation. COM will then submit the agreement for approval to the EP and EU MS, aiming for its entry into force before the end of the current mandate of the COM in 2019.
 - Tariffs on all wood products will be fully eliminated, with seven years staging (i.e. phasing out) for the most important priorities. Most tariffs on wood products will be dropped immediately, with some less important tariff lines being scrapped after 10 years.



2. New opportunities – EU-Canada and EU-Japan trade agreements

- EU-Japan (2):
 - Chapter on TSD (Trade and Sustainable Development) includes in Article 7 commitments of both parties regarding “**Sustainable** management of forests and trade in timber and timber **products**”.
 - Important: Article 7 para. 2 (b) of the TSD chapter: “**The** parties shall contribute to combating illegal logging and related trade, including as appropriate with respect to the trade with third countries.”



3. Selection of EU FTA negotiations (1)

- EU-Mexico: All tariffs on wood products (HS 44) already eliminated by means of original EU-Mexico FTA. Now merely re-negotiation. No sectoral annex on forestry products foreseen. Hopefully conclusion of revamped agreement soon.
- EU-Mercosur: Difficult end-game of FTA negotiations, prospects for quick conclusion unclear. EU aims at fully eliminating remaining tariffs on wood products (HS 44), already at entry into force to the extent possible, otherwise by means of staging (i.e. phasing out over several years).



3. Selection of EU FTA negotiations (2)

- EU-Indonesia: 4th round of negotiations held in Indonesia in February 2018. With regard to wood products (HS 44), the EU is aiming at the elimination / reduction of existing Indonesian export duties to the extent possible.
- EU-Malaysia: Negotiations are currently still suspended. Currently both sides are assessing whether there is enough common ground to re-launch the negotiations in due course.
- EU-ASEAN: prospects for region-to-region agreement still being assessed.



4. China

- No FTA negotiations between China and the EU, but ongoing negotiations of a comprehensive EU-China Investment Agreement.
- COM aware of important issue of growing EU exports of raw wood to China during recent years. Trend to continue? Problems for EU wood-processing industry?
- More generally: Which are the most important concerns of IFFA and its members regarding China and EU-China trade?



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