

Japan's new law fails to meet G7 commitment to halt trade in illegal timber: Government must ensure robust regulations and broad industry participation

May 25, 2016

Dear Prime Minister Shinzo Abe:

We are writing to highlight serious weaknesses in Japan's new law intended to stop the trade in illegal timber and urge you to ensure this law has a positive impact. Last month in Niigata, G7 Agriculture Ministers pledged to take measures to eliminate illegal logging and its associated trade, reaffirming previous commitments made by the G7. Japan's law falls well short of these commitments by creating a voluntary registration system that requires only registered companies to check the legality of their timber supply.

To ensure the new law has an impact, the Japanese Government must secure the participation of all Japanese companies buying timber where there is a risk of illegal logging, establish robust due diligence standards for verifying legality, and closely monitor and report on the effectiveness of the law in reducing Japan's trade in illegal timber.

Illegal logging has a devastating impact on the world's forests and the people who depend on them. In 2005, the G8 acknowledged "the impacts that illegal logging has on the livelihoods of many in the poorest countries..., on environmental degradation, biodiversity loss and deforestation and hence global sustainable development."ⁱ Illegal logging accounts for over 20% of the global timber trade and between 50 to 90% of logging in key tropical countries. It also fuels international crime and generates over 30 billion USD in criminal proceeds a year.ⁱⁱ

Japan is the world's fourth largest importer of wood products and a major market for illegal timber. Recent estimates indicate 12% of Japan's timber imports are at high risk of being illegal.ⁱⁱⁱ In 2006, Japan established a policy prohibiting public procurement of illegal timber but it did not apply to 95% of Japan's timber market and established extremely weak standards for verifying legality. Evidence indicates the policy has had no meaningful impact on its trade in illegal timber.^{iv}

Japan's recent promulgation of the *Law to Promote the Distribution and Use of Legally Logged Wood* on May 20th recognizes these shortcomings, but falls far short of what is necessary to tackle the illegal timber trade. By requiring only the companies that voluntarily register with the Government to have measures to ensure the legality of the timber they buy, companies that choose not to participate can continue to deal in illegal timber with impunity.

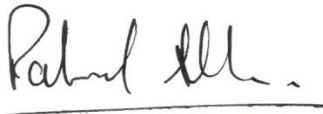
As such, Japan's new law fails to meet the standards already adopted by its G7 peers which explicitly prohibit the trade in illegal timber and impose hefty penalties for violations.^v Major timber-consuming countries including 28 EU Member States, Norway and Australia also require all importers and equivalent domestic companies to conduct robust due diligence on their supply chains.^{vi} Moreover, Japan's new law is unlikely to fulfil Japan's recent commitments to combat and prevent illegal timber harvest and trade under the Trans-Pacific Partnership.^{vii}

Unless all companies sourcing timber from high-risk sources are required to conduct robust due diligence on their timber supply chains, Japan's new law risks giving the appearance of action while allowing Japan's illegal timber trade to continue. The Japanese Government must take the following measures to ensure this law has any meaningful impact:

- *Coverage*: ensure all companies importing timber from sources where there is a risk of illegal logging are registered.
- *Due Diligence*: stipulate robust due diligence standards that are proportionate to the risk of illegal logging in the supply chain and, where risks are significant, require companies to obtain credible independent information to verify legality where existing information is not sufficient or reliable.
- *Monitoring and Enforcement*: regularly assess and report on due diligence measures taken by companies, paying close attention to those dealing in timber with a high risk of being illegal, and promptly delist and publish the names of any registered companies that do not comply with the law.
- *Reporting*: gather information from all companies on sourcing practices to enable regular reporting of the impact of the law in reducing Japan's trade in illegal or high risk timber.

As one of world's largest markets for illegal timber and a leading member of the G7, Japan must do its part to stop the devastating impacts of illegal logging and associated trade. We urge you to ensure the Japanese Government undertakes the measures outlined in this letter to address the serious weaknesses in its new law, in keeping with its international commitments to halt the trade in illegal timber.

Sincerely,



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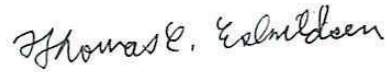
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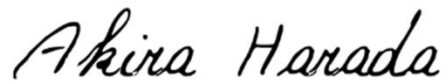
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ⁱ G8 Gleneagles Summit Communique, para. 36

ⁱⁱ INTERPOL/UNEP, *Green Carbon, Black Trade: Illegal Logging, Tax Fraud and Laundering in the Worlds' Tropical Forests. A Rapid Response Assessment*, 2012

ⁱⁱⁱ Momii M., Chatham House, *Trade in Illegal Timber: The Response in Japan*, November 2014

^{iv} See, for example, Global Witness, *Willful Ignorance*, April 2016; Markets for Change, *Forests to Floor*, March 2016, Environmental Investigation Agency, *Open Door*, 2014

^v US: Lacey Act Amendment 2008, EU: EU Timber Regulation 2010, Canada: Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act (amended 2010).

^{vi} EU and Norway: EU Timber Regulation 2010; Australia: Illegal Logging Prohibition Act 2014.

^{vii} Trans-Pacific Partnership, Article 20.17