



Australia-China Agricultural Cooperation Agreement (ACACA)

Building Capacity between Australia and China on Forest Certification

Summary Report of the Australian Delegation's Visit to China

August 2007

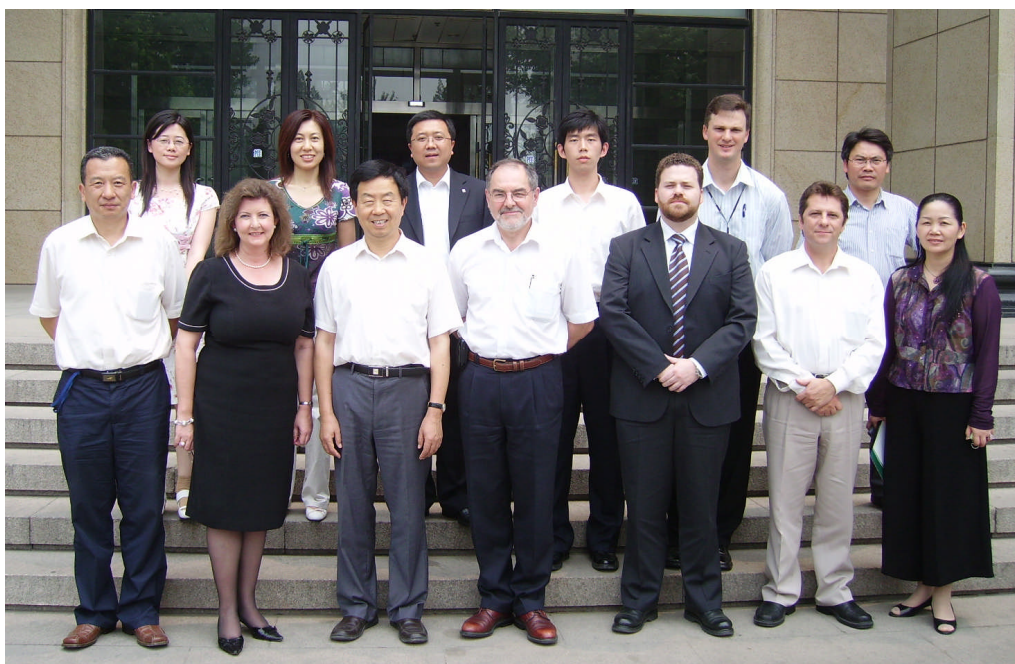
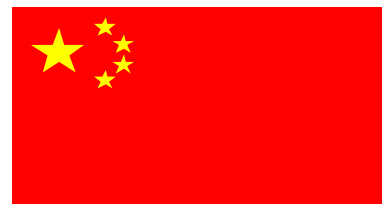


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Acknowledgements

The Australian delegation which visited China would like to acknowledge the Australia-China Agricultural Cooperation Agreement (ACACA) Programme¹ within the Department of Agriculture, Fisheries and Forestry (DAFF) for supporting the exchange visits.

The delegation would also like to express its appreciation to China's State Forestry Administration (SFA) for organising and scheduling the itinerary for the visit to China. This included a comprehensive tour of forestry areas and meetings with China's key forestry officials, institutions, forestry enterprises and timber processors and manufacturers.

¹ ACACA was signed in 1984 to enhance cooperation between Australia and China on a range of agricultural sectors, to develop the trading relationship and to provide a forum for the exchange of scientific information.

Introduction

The following report provides a summary of an exchange visit to China in June 2007 by an Australian forestry delegation funded under the ACACA Programme. The Australian delegation included representatives from the National Association of Forest Industries (NAFI), Australian Forestry Standard Ltd and the consultancy firm GHD Ltd (see Attachment 1 for further details).

The visit to China was reciprocal to an earlier visit to Australia (March/April of 2007) by a Chinese forestry delegation. The purpose of the exchange visits was for Australian and Chinese forestry representatives to gain a greater understanding of each country's forest management systems and the development of forest and chain-of-custody certification.

The overall objective of this ACACA project is to establish a pathway for achieving mutual recognition on forest certification between Australia and China. This will allow the maximisation of future trade opportunities in forest and wood products between the two countries.

While this report provides a summary of the Australian delegation's visit to China, more importantly it provides an outline of the key findings relevant to the overall objective of this project.

Background

Australia's forest industry has for some years been following the development of key issues influencing future trade in forest and wood products between Australia and China. The most significant issue relates to potential barriers to trade through imperfect communication about the sustainability of forest management practices and the origins of timber resources in Australia and China.

In dealing with such uncertainties, forest certification has rapidly emerged on a global scale over the past 10 or so years. It has largely been driven by the need for international markets to respond to issues surrounding the potential sourcing of wood products from forests which may be subject to illegal and unsustainable management practices. Certification offers consumers assurances that the wood products they are purchasing are from legally and sustainably managed forests.

The development of forest certification has mostly occurred in developed nations, many of which already have comprehensive legal and regulatory frameworks governing their forest management activities. These countries have demonstrated a greater capacity for adoption of certification than developing nations, where there is often a greater requirement for assurances over the legality and sustainability of forestry practices.

The concept of forest certification has existed in China for some time, however development and uptake of certification has not always been a high priority. To date, exposure to existing forest certification systems in China has predominantly been through the international Forest Stewardship Council (FSC) system. This has occurred largely through the advocacy of FSC by ENGOs in China.

In recognition of the need to develop a domestically suitable system of forest certification, and as a demonstration of their commitment to sustainable forest management, China's State Forestry Administration (SFA) and the Chinese Academy of Forestry (CAF), commenced the development of a national forest

certification standard for China in 2001. Currently in draft form, the Chinese Forestry Standard (CFS) is being progressed towards completion, however it is uncertain exactly when this will occur.

Whilst pending completion, the SFA has expressed a strong desire to gain mutual recognition or endorsement of the CFS with the Programme for the Endorsement of Forest Certification (PEFC) schemes, and by extension the Australian Forestry Standard (AFS). The Australian Government, in collaboration with the National Association of Forest Industries (NAFI), would like to assist China in achieving PEFC endorsement thus ensuring mutual recognition with the AFS.

The AFS was endorsed by the PEFC in 2005 as Australia's national forest certification standard. PEFC is the world's largest forest certification network covering around 200 million hectares of forests worldwide across 32 member countries. PEFC affiliation provides a potential mechanism for enhancing trade between Australia and China, through improved understanding and recognition of forest management practices in each country.

Project Objectives

The overall objective of this project is to build on relationships between Australia and China on forest certification as a means of progressing mutual recognition on certification between the two countries.

Achieving this objective would require:

- Exchange visits between Australian and Chinese forestry officials to examine the development and implementation of each country's forest certification and chain-of-custody systems; and
- Establishing a means for Australia to assist China in further developing and subsequently finalising their own national forest certification system, ensuring mutual recognition with the AFS under the PEFC system;

Another important objective of this project is to develop a scope for conducting a detailed benchmarking study between the draft CFS and the requirements of the PEFC system. This would aid in identifying the areas within the draft CFS in need of attention to progress towards mutual recognition under PEFC.

Achieving mutual recognition on forest certification between Australia and China will provide a mechanism for facilitating the extensive current and forecasted future trade opportunities in forest and wood products between the two countries.

Forest Certification in China

Recognition of forest certification - Awareness and demand of forest certification in China, while increasing, is comparatively low compared to Australia and other developed countries. To date there does not appear to have been a strong recognition of certified timber products within the Chinese forest industry, meaning demand for these products has remained relatively low.

While awareness on forest certification in China is increasing, there appear to be very limited market drivers which may lead to an increased rapid uptake of certification. For instance, there appears to be very few market demands within China specifying the need for wood products to be sourced from certified forests.

Procurement policies demanding certified timber, such as those which exist in many developed countries, have not yet arisen in China.

From a resource perspective, there also appear to be a number of limiting factors inhibiting the development of forest certification. For instance, it remains unclear if forest growers possess the awareness and capacity on forest certification to facilitate increased uptake. SFA indicated that they are working with China's Provinces to increase awareness of certification, however there is a considerable task ahead.

The distinction between public and private (or "collective") forest growers also presents a number of questions over the varying degrees of capacity and incentive for these growers to implement certification of their forests. With such a large proportion of China's production forests under private ownership, there are some capacity and incentive issues in terms of the ability of private growers to implement certification.

FSC in China and exclusive advocacy by ENGOs - The most prominent system of forest certification in China at present is the Forest Stewardship Council (FSC). This is largely a result of targeted efforts to promote FSC certification in China by FSC itself and supporting ENGOs, particularly WWF. For instance, The Chinese Academy of Forestry (CAF), which is responsible for developing forest certification in China, has received significant interest and subsequent funding from the WWF/World Bank Alliance to encourage the development of certification in China in accordance with the FSC system (see Attachment 1 for details).

In July 2001, the Chinese Government established the Lead Group on Forest Certification Work. WWF and international furniture retailers Carrefour, IKEA and B&Q funded several projects organised by CAF and SFA to commence development of the draft CFS. The development of the draft CFS would appear to have progressed in accordance with the FSC system, through the adoption of FSC's Principles and Criteria, as promoted by WWF.

ENGOs consistently claim that only FSC certified timber should be acceptable in the international market place. This presents a major problem for the global forest industry as only a very minor proportion of wood produced throughout the world, and in Australia, is certified under FSC. The world's largest forest certification system is PEFC, which encapsulates the vast majority of certified timber produced in Australia through its recognition of the AFS.

ENGOs have been relatively successful in establishing FSC in China as the dominant forest certification system, albeit this is only relative to the absence of alternative schemes. The overall recognition and market demand for certification in China remains low. There are still only small numbers of forest and chain-of-custody certifications, reflecting the demands and support of international companies supplying developed world markets. To facilitate the FSC program, ENGOs and international companies such as IKEA, have provided significant funding to the Chinese forestry agencies and research institutions (particularly CAF) to promote and establish FSC within China.

Some difficulties have been encountered in adopting FSC certification in China as it is based on an international framework which does not necessarily reflect local operating conditions. For example, the concept of High Conservation Value Forest (HCVF) under FSC is relatively new to China and CAF, which may present some difficulties in implementation.

The development of a national system of forest certification which better reflects China's existing legal frameworks and forest management systems may provide a valuable mechanism for dealing with these potential anomalies. It was made known to Chinese forestry officials that this process has delivered significant benefits for forestry and the industry in Australia through the development and implementation of the AFS.

The Australian delegation was advised that as of May 2007 there were 5 forest management units (Zhejiang, Guangdong, Heilongjiang, Jilin and Beijing) with around 442,500 hectares certified to FSC. There are 283 timber processing companies with FSC chain-of-custody certificates.

PEFC in China – A common expression from Chinese forestry officials during the China visit was that they had limited knowledge of alternative systems of forest certification (such as PEFC), as they had only been exposed to the FSC system. However, they did indicate their strong desire to obtain more information about PEFC, particularly given the benefits as outlined to Australia for forest certification.

In recognition of the need for PEFC to gain greater market presence in China, and to ensure an exclusive approach to certification is not adopted through FSC, PEFC recently established a Director's position under the new PEFC China Initiative. The role of this initiative is to promote greater awareness of PEFC in China and to encourage greater recognition, marketing and promotion of PEFC. This is intended to result in a greater uptake of PEFC affiliated forest management and the chain-of-custody certification in China.

NAFI and AFS Ltd are funding the promotional activities for PEFC in China, through the PEFC China Initiative program. The objective of which is to improve future trade in PEFC wood products (which includes AFS certified timber) with China. Funding from the Australian forest industry through NAFI and AFS Ltd for PEFC promotion in China has also been supported by funding from other PEFC countries (i.e. Canada, Sweden, Chile), who have an interest in PEFC as a means of future marketing and trade of their wood products with China.

As of May 2007, PEFC has no affiliated certified forests in China but there are 4 companies with chain-of-custody certification under PEFC.

Wood markets in China

One of the common concerns raised during the China visit was the ability of China to meet its growing wood demands resulting from a rapidly growing domestic economy. 'The demand for logs and sawnwood has increased to meet the needs of market demand, a function of China's national infrastructure developments and domestic expansion'.²

The economic growth prospects for China remain strong, given the fundamental characteristics of the economy. These characteristics include the level of foreign direct investment, the continued growth in exports, the rapidly rising level of consumer spending, government funding on major infrastructure projects, and the vast supply of relatively low-cost labour.

² Masanobu Yamane & Wenming Lu (2002). Policy Trend Report: Trends in China's forest-related policies from the perspective of the growing timber trade.

To address these concerns over wood supply, China has sought to increase the availability of its own wood resources by rapidly expanding its production forests, particularly commercial tree plantations. The Chinese Government has commenced large-scale projects such as the establishment of high yielding commercial eucalypt plantations.

Unfortunately, it would appear that the rate of annual plantation expansion in China required to meet growing wood demands has fallen short of the specified targets. Also, there appears to be some conflicting priorities between forestry and crop production, with more land being required to supply food and concerns over the area of land that is being transferred over to forestry, especially with China no-longer being self-sufficient in terms of its food supplies.

Despite China's efforts to expand its own wood resources to address increasing domestic demands, its capacity to meet these demands has steadily declined. As such, China has become increasingly reliant on log imports which have risen considerably with wood sourced from areas such as Russia, the Pacific Rim, Canada and to a lesser extent Australia.

China's wood manufacturing industry being resource constrained, has led to China becoming one of the largest importers of unprocessed wood in the world. It also has a major processing and exporting industry for finished goods. The dominance of the export market in China has led to serious concerns over the future ability of China to meet its own wood consumption requirements.

The imbalance of supply and demand within China's wood market has in turn provided extensive potential business opportunities for wood exporting countries such as Australia, which could competitively supply raw materials and finished products into the Chinese market.

Exporting Australian wood products to China, particularly eucalypt hardwood resources and a range of softwood timber products that could replace the use of traditional sawn timber products, could open up new networks for Australian suppliers. Similarly, Chinese companies importing and exporting timber products also see an opportunity to work with Australian companies on the basis of opening up new markets in Australia.

Dealing with illegal timber in China

The large size of China's import/export timber market has for some time been surrounded by a degree of uncertainty over the legality of timber sourced. For instance, the importation into China of very large quantities of unprocessed timber from various parts of the world often occurs in the absence of any legitimate and rigorous assurances over the legality of this timber. When this timber is processed and manufactured in China it is often then re-exported to various parts of the world, making it even more difficult to trace its origins to determine if it is sourced in accordance with legitimate practices.

China's significant demands for wood products indicate that its requirements may lead to increases in illegal logging activities, either directly or indirectly. For example, China's wood demands are so great that Chinese traders may be purchasing wood from legally logged sources, but then to supply other markets, opportunities may arise to obtain wood from illegally logged forests.

This has led to widespread concerns, particularly from ENGOs, over China's role in dealing with potential illegal timber imports. The Australian delegation's visit to the wood product import/export market in Guangzhou provided a valuable insight into the current awareness of forest and chain-of-custody certification, particularly with regard to imported logs entering the Chinese market. Whole logs are imported to the market from all around the world, including a significant proportion from countries in tropical south-east Asia.

The wood market at Guangzhou, and many others in China, has received widespread criticism from ENGOs over claims of illegal timber imports. The Guangdong Timber Industry Association (GTIA) indicated that the wood product market was a global responsibility in that imports come from all parts of the world and responsibility should not solely rest with the market in Guangzhou.

From this visit it became apparent that the demand for certified timber products in the Chinese timber market was not significant. GTIA acknowledged that this demand would increase in the future, particularly for finished products exported to areas such as Europe, Japan, North America and Australia. GTIA indicated their willingness to work with PEFC officials to discuss the possibility of exploring PEFC chain-of-custody certification, particularly given that a significant proportion of imported wood may be from PEFC certified forests.

It is possible that emerging timber procurement policies in areas such as Europe, Japan and North America may force suppliers of wood products to demonstrate certification of the origins of the wood they use. This has important implications for the wood growing sector, as illegal logging is estimated to deflate log prices by between 7 to 16%.³ If this is the case, then reducing the volume of illegally logged timber will raise demand, and most likely the prices, for legally-logged and certified timber resources.

Information exchange and opportunities to build capacity

During the Australian delegation's visit to China there was a considerable amount of information exchange with Chinese forestry officials and industry representatives. While the focus of exchange was on forest certification, valuable information was also gained on various aspects of the forest industry in China. This provided a valuable context for evaluating the current and predicted future scenarios for China in relation to forest certification.

During the visit, Chinese forestry officials (i.e. from SFA, CNFPFA, CAF and provincial and local forestry bureaus) indicated their strong willingness to maintain a close working relationship with Australia on forest certification. They were particularly interested in gaining assistance from Australia in further developing and finalising their own certification standard. SFA indicated that they would be willing to make available the draft CFS and supporting documentation. Further information is provided in Attachment 1 on the organisations and individuals met during the China visit and their role in relation to forest certification in China.

Following completion of the exchange visits there appear to be a number of opportunities for Australia and China to strengthen their relationships on forest

³ White, A., Sun, X., Canby, K., Xu, J., Barr, C., Katsigris, E., Bull, G., Cossalter, C. and Nilsson, S. (2006). *China and the global market for forest products – transforming trade to benefit forests and livelihoods*. From www.forest-trends.org.

certification and trade in forest and wood products. With the achievement of mutual recognition on forest certification between China and Australia being the overall objective, there appear to be a number of pathways available for progressing this outcome.

Just as ENGOs have utilised the opportunity to provide support to China in further developing certification in accordance with the FSC system, there is a number of opportunities for Australia to assist China in developing their certification systems to ensure mutual recognition. These opportunities include:

- Providing assistance to SFA and CAF in further developing and subsequently finalising the draft CFS to ensure mutual recognition with AFS through PEFC. In order to achieve this, a benchmarking study needs to occur which identifies the potential shortcomings of the draft CFS in achieving recognition under PEFC.
- The provision of aid to SFA and CAF from the Australian Government and Australian forest industry, and other potential collaborating governments and industries around the world, to allow the implementation of further R&D and training projects focussed on PEFC principles and outcomes. This could be in the form of trial PEFC implementation programs, certification audits and training on enhancing awareness of a PEFC endorsed Chinese Fortesyr Standard.
- There is also an opportunity for greater collaboration between the Chinese Government (through SFA) and the Australian Government (through DAFF) in further developing links on forest certification.

Identifying the specific areas of the draft CFS, which require further development to achieve PEFC endorsement, will provide the much needed direction required by the Chinese in finalising their standard. Finalisation of the draft CFS, and mutual recognition with the AFS through PEFC endorsement, allows the significant future trade opportunities in forest and wood products between Australia and China to be fully utilised.

Conclusion and Recommendations

The exchange visits facilitated under the ACACA Programme have provided a valuable platform for Australia to further build capacity with China on forest certification. Senior Chinese forestry officials provided a strong indication to the visiting Australian delegation that they are willing to accept assistance from Australia in further developing forest certification in China.

The Australian delegation highlighted its concerns over an exclusive approach to forest certification, as advocated by ENGOs through the FSC system. To ensure Australia's national forest certification standard, the AFS, receives mutual recognition on certification with China through PEFC, there are a number of recommendations which require consideration, including:

- NAFI should explore possible funding sources for conducting a benchmarking study between the draft CFS and PEFC requirements;
- NAFI and AFS Ltd should collaborate with the Australian Government (particularly DAFF) on the possibility of facilitating aid programs to assist

SFA and CAF on projects which enhance the development of PEFC certification systems in China; and

- Further dialogue should be maintained between Australia (i.e. NAFI, AFS Ltd and DAFF) and China (i.e. SFA and CAF) to monitor the further development of forest certification in China. Future exchange visits should be considered to achieve this, possibly funded again under the ACACA Programme.

In conclusion, this ACACA project has proved highly successful and there are significant opportunities for further enhancing cooperation. The progression of mutual recognition on forest certification between Australia and China is a long term objective which will provide long term benefits for both countries. In particular, it will assist in removing any unnecessary impediments for maximising future trade opportunities in forest and wood products.

Attachment 1: Summary of In-Country Visits

Visit to China of the Australian Delegation

Members of the Australian delegation visit to China included:

- Mrs Catherine Murphy, CEO, National Association of Forest Industries,
- Dr Hans Drielsma, Director, AFS Ltd, Executive General Manager, Forestry Tasmania,
- Mr Grant Pearce, Senior Environmental Scientist, GHD, and
- Mr David de Jongh, Senior Forest Policy Analyst, National Association of Forest Industries.

The delegation was joined for the first week of the trip by Mr Benson Yu who has recently taken up the position as Director of PEFC in China. Benson's role is to promote awareness of PEFC in China and to encourage greater recognition and uptake of PEFC through forest management and chain of custody certification.

Monday 11 June – The trip commenced with a visit to the Badaling Forest Farm. Located outside Beijing and in close proximity to the Great Wall, the forest farm is certified by the Forest Stewardship Council (FSC). A large amount of reforestation and rehabilitation work has occurred within the forest farm.

Interestingly, the forests are being managed for conservation and recreational purposes only and are excluded from timber production. It appears that the certification of these non-timber producing forests is intended to play a role in raising the profile of FSC in China. This raised the possibility of conservation forests being certified under the PEFC system, also as a means of raising its profile.



Fig.1: Reforestation at Badaling Forest Farm



Fig. 2: An inventory plot within the Badaling Forest Farm

A visit was then made to the Great Wall of China located nearby.

Dinner hosted by the State Forestry Administration.

Tuesday 12 June – A meeting was hosted by SFA at their head office in Beijing and was also attended by the China National Forest Products Industry Association (CNFPIA). The delegation was joined for the day by Mr Vincent Hudson who is employed with DAFF and is serving a term in the Australian Embassy in Beijing as Agriculture Counsellor (Policy).

Mr Zhang Sen Lin, President of the CNFPPIA, gave a presentation on the situation of the forest industry in China. CNFPPIA was formed in 1988 and has over 1000 members (including 10 forest products associations) most of whom are involved in wood product manufacturing. CNFPPIA provides a link between these manufacturers and government and is affiliated with SFA which provides direct guidance on its business activities. More details on CNFPPIA can be found at <http://www.cnfpia.com.cn/index.php>.

CNFPPIA indicated that the awareness of certified timber in China is growing both within the industry and to a lesser extent amongst consumers. To date the industry in China has only really been exposed to the FSC system of forest certification and there is limited knowledge on any alternatives including PEFC and what it may offer the industry in China.

The CNFPPIA and SFA have a shared alliance with regards to promoting forest certification in China. CNFPPIA provided the example of how international furniture retailer IKEA, have worked together with FSC and SFA to raise the awareness of forest certification to consumers. Whilst FSC is well established, the CNFPPIA and SFA, expressed a desire to see the promotion of PEFC in China as another option to FSC.

CNFPPIA indicated that they were interested in knowing more about PEFC and are willing to work closely with Mr Benson Yu in his position promoting PEFC in China. CNFPPIA see competition amongst forest certification as healthy for the Chinese forest industry. They indicated that there was an excellent opportunity for PEFC in China, particularly given that a large proportion of wood imported into China is likely to be from PEFC certified forests (i.e. from Sweden and Finland for example).

A meeting was also held with the Chinese Academy of Forestry (CAF) at the Academy in Beijing. Professor Lu Wenming, Director of the Division of International Cooperation at CAF, gave an overview of the Academy's history and its current activities. CAF was established in 1958 and is a comprehensive research institution for forestry which is affiliated with SFA. More info on CAF can be found at <http://www.caf.ac.cn/newcaf/english/main1.cfm>.

CAF has been working on forest certification since 2001. In July 2001, SFA established China's Leading Group on Forest Certification Work, which marks the formal launching of the forest certification process in China by the Government. As such a Forest Certification Division was established with SFA. In 2002, CAF was commissioned by SFA to develop a national forest certification standard for China.

CAF has also received a significant amount of sponsorship from the WWF/World Bank Alliance in progressing R&D on forest certification. Involvement of the Alliance and FSC to date has included:

- (May 2001) - Establishment of an informal "Working Group on Forest Certification" with sponsorship from the WWF/World Bank Alliance.
- (2004) - Carried out the project "publicity of forest certification newsletter" which was founded by WWF.
- (January 2005) - FSC Regional Forest Certification Standard for Forest Areas in Northeast China and Inner Mongolia (Draft) was completed.
- (March 2005) - WWF launched China's Forest and Trade Network.

- (2005) - Carried out the project “capacity building for setting the China forest certification standard” which was founded by WWF/Alliance and Ford, known as the FSC China Working Group.
- (2005) - Carried out the project “forest certification training” which was founded by the Rainforest Alliance.
- (March 2006) - FSC China-National Initiative Process was launched and the meeting of the Council for this Process was held with CAF taking the role as the host institution.
- 2006 - WWF project on China Forest Certification Website.
- (March 2007) - FSC China Working Group applied for FSC accreditation.
- (2007) - WWF/Tetra Pak project on forest certification demonstration.

CAF are planning to develop the FSC China Forest Certification Standard. The Academy takes part in the pre-assessment, main assessment and annual audit of certification for the 4 companies which have obtained FSC certification in China.

CAF will also carry out a series of workshop on forest certification in cooperation with WWF-China, SFA and other stakeholders. The Academy will also carry out a project entitled “Rainforest Alliance training on forest certification”.

Some difficulties have been encountered in adopting FSC certification in China. For example, the concept of High Conservation Value Forest (HCVF) is new to China and CAF. It is an issue which needs to be dealt with if more widespread adoption of FSC is sought.

As of May 2007, there are 5 forest management units (Zhejiang, Guangdong, Heilongjiang, Jilin and Beijing) with about 442,500 ha certified to the FSC. There are 283 timber processing companies with FSC Chain of Custody (CoC) certificates. PEFC has no certified forests in China and there are 4 companies with PEFC CoC certification.

Dinner Hosted by CAF.



Fig.3: Meeting with SFA and CNFPIA

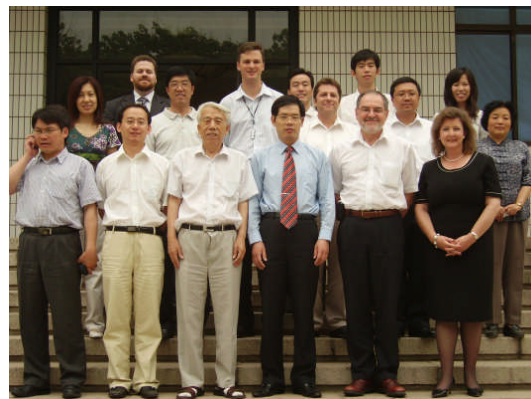


Fig. 4: Participants in the meeting with CAF

Wednesday 13 June – Visit Summer Palace and Forbidden City, Beijing.

Dinner Hosted By SFA (Mr Su Ming, Deputy Director General, International Forestry Cooperation Centre).

Thursday 14 June – A meeting was held with GHD at their office in Beijing. Mr Peter Wood, Director of GHD’s Beijing operations gave an outline of the organisation’s

establishment and development in China. The focus of GHD's activities in China so far has been in the areas of:- buildings, urban development, water, management consulting, environment, energy and transportation.

GHD are currently not involved in projects within the forestry sector, however Mr Wood indicated that the organisation would have a future interest in exploring opportunities for involvement within this sector. Mr Wood stated that local contacts are the key for becoming established within any sector in China. Mr Pearce and Mr Wood indicated that they would work closely to explore opportunities for GHD within China's forestry sector.

The delegation, along with representations from SFA and CAF departed Beijing for Hefei in Anhui Province.

Dinner Hosted by Anhui Forestry Bureau.

Friday 15 June – A meeting was held with the Anhui Forestry Bureau at their head office in Hefei. Mr Cheng Peng, Vice President of the Forestry Department of Anhui Province, gave an overview of forestry and the industry within Anhui Province. The province is a key area for 'collectively (private) owned' forests which incorporate a large amount of integration with other agricultural land uses.

The Anhui Forestry Bureau is currently exploring opportunities for progressing certification of its forests under the guidance of SFA. Difficulty has been encountered in progressing uptake of forest certification as most forests are 'collectively owned' and demand for certification amongst landholders is low. The Bureau is working with these landholders to encourage acknowledgement and recognition of the benefits of forest certification.

Two pilot projects on forest certification have been established within Anhui Province. One exists in a 'collectively owned' forest and the other exists in a 'state owned' forest. Anhui Forestry Bureau was interested in learning of Australia's experiences with forest certification to guide their own implementation of certification. As such an outline was provided by Mrs Murphy and Dr Dreilmsma.

Dr Drielsma and Mr Benson Yu left the delegation following this meeting to travel home due to conflicting work commitments.

The delegation then travelled to Taiping in the Huangshan area. Upon arrival dinner was hosted by the Huangshan Local Council.



Fig. 5: Meeting with the Anhui Forestry Bureau in Hefei

Saturday 16 June – The Australian delegation was invited to speak at an assembly held by the Anhui Forestry Bureau in Taiping. The assembly was aimed at better informing local forestry officials on forest certification through the pilot programs which are occurring within Anhui Province. Mrs Murphy provided an outline of the situation with forest certification in Australia and Mr de Jongh gave a presentation on this topic.



Fig. 6: Catherine Murphy addresses the certification assembly in Taiping



Fig. 7: Attendees of the assembly

Following this a visit was made to a nearby forest where reforestation work has occurred through government support and funding. The forest is currently managed for environmental protection purposes and timber production is excluded. A visit was then made to the International Network for Bamboo and Rattan Centre which is involved in R&D for activities such as introducing new fast-growing Bamboo species to China from around the world.

A visit was then made to the Huangshan Forest Farm. This farm is 3400ha in size and includes 1200ha of plantations available for timber production while the remaining area is natural forest set aside for conservation purposes.

A visit was then made to a Bamboo flooring manufacturing company. The company currently produces around 150,000m² of bamboo flooring for export to countries such as USA, Canada, Australia and Turkey and is looking to expand its production.

Bamboo flooring is sold in Australia at around a quarter to a third of the price of locally produced sawn hardwood flooring.



Fig. 8: Recently harvested site at Huangshan Forest Farm



Fig. 9: Bamboo manufacturing in Taiping

Sunday 17 June – Visit Huangshan Mountains. Travel to Huangshan City.

Monday 18 June – The delegation travelled to the city of Guangzhou, Guangdong Province in southern China. Upon arrival dinner was hosted by the Research Institute of Tropical Forestry (RITF) which is a division of CAF.

Tuesday 19 June – A meeting was held with RITF. Mr Wu Zhongmin gave a briefing on RITF which is one of the regional scientific research institutions within CAF and under SFA. The mission of RITF is to conduct research to support the development of forestry in tropical and subtropical southern China.

Professor Bai Jiayu, Chief Scientist of RITF, and Mr Xu Jianmin outlined the cooperation on research into eucalypt tree breeding and silviculture which has occurred between Australia and China over the past 20 or more years. The Australian Government has provided support to China through various aid programs and the assistance of organisations such as CSIRO.

This has led to the development of highly advanced fast growing and high-yielding eucalypts and hybrids with eucalypt seed originally imported from Australia. This superior genetic material has meant that the mean annual increment (MAI) for eucalypt plantations has at least doubled and in some cases tripled in China over the last 20 years or less.

Mass production of genetically improved fast growing trees (mostly eucalypt hybrids) has occurred mostly through tissue culture. The resulting stock has been deployed for widespread plantation establishment throughout China, mostly in the southern tropical areas but also in other parts of China.

The Australian delegation also gave a presentation on the forest industry, forest management and certification in Australia.



Fig. 10: Meeting with RITF in Guangzhou

Wednesday 20 June – A visit was made to the wood product market in Guangzhou. The delegation was informed that it is the largest wood product market in China in terms of timber volume and perhaps the largest in the world. A presentation was made by Mr Zhang Jianmin, Chairman of the Guangdong Timber Industry Association. All timber manufacturers and retailers at the market are members of this association.

Whole logs are imported to the market from various parts of the world, including a significant proportion from countries in tropical south-east Asia. When questioned over what measures are taken to ensure that the timber imports are from legally and sustainably managed forests, Mr Zhang responded by saying that all timber imports are legal and that the importers have a good relationship with their suppliers.

Mr Zhang stated that the product market received a lot of criticism from ENGOs over claims of illegal timber imports, which he felt was undeserved. Mr Zhang indicated that the wood product market was global in that imports come from all parts of the world and responsibility should not solely rest with the market in Guangzhou.

Mr Zhang said that the demand for certified timber products sold through the market was not significant, however he acknowledged that this demand would increase in the future. Mr Zhang indicated his willingness to meet with Mr Benson Yu of PEFC to discuss the possibility of exploring PEFC CoC certification uptake, particularly given that a significant proportion of imported wood may be from PEFC certified forests.



Fig.11: Tropical hardwood logs imported from Thailand to the wood market in Guangzhou



Fig. 12: Manufactured tropical hardwood flooring at the wood market

Thursday 21 June – A visit was made to the Dragon Pearl Island (DPI) Sandalwood Research Base in Guangdong Province. Around 300 ha of Sandalwood (*Santalum album*) are currently planted at the research base and the long term plan is to establish around 500 ha. Funds for the establishment of sandalwood plantations are mostly sought through small private investors.

The cost of establishing sandalwood plantations in China was reported to be around AUD \$5000/ha. The research base also includes a nursery for Sandalwood and other specialty species and the main objective of research is to explore the selection of fast growing and high yielding varieties of trees.

A visit was also made to look at ‘mixed horticulture’ forestry which involves a mixture of tree species (i.e. eucalypts, casuarinas etc) grown in conjunction with agricultural crops. These forests are all ‘collectively owned’ with some contributions from private investors, apparently including some interest from Australian forestry companies.



Fig. 13: 4 year old Sandalwood plantation at the DPI Sandalwood Research Base



Fig. 14: Agro-forestry in Guangdong Province

A visit was then made to the Dinghushan Nature Reserve which was the first dedicated nature reserve in China. Signage at the reserve indicated that it is managed in accordance with the ISO 14000 series of environmental management standards. This highlighted the relative simplicity with which the reserve could achieve certification under a scheme affiliated with PEFC as has occurred with protection forests certified under the FSC system in China.

Overnight in Gaoyao.



Fig. 15: Dinghushan Nature Reserve



Fig. 16: Natural forest in Dinghushan Nature Reserve

Friday 22 June – A visit was made to eucalypt and acacia plantations. At these sites research trials for different eucalypt hybrid clones have taken place. Information from these trials is being gathered and dispensed to local 'collective' forest growers to improve the growth rates and performance of their plantations.

A visit was also made to the Zhenhai Forest Farm which includes a clonal forestry facility. The facility currently mass produces around 15 million clones (mostly eucalypt hybrids) per year with an anticipated expansion to 50 million clones by 2008. These clones are produced through tissue culture techniques ready for early growth in a nursery, followed by deployment for establishment in plantations throughout China.

The Zhenhai Forest Farm, which covers 4000 ha consists of half of the area available for timber production. The forest farm also includes some demonstration trials of a range of different species from around the world.

A visit was made to some historic building sites in Kaiping, followed by an overnight stay in Kaiping.



Fig. 17: 4 year old *Eucalyptus urophylla* x *grandis* plantation near Gaoyao, with an MAI of around 35 m³/ha/yr



Fig. 18: Mass production of eucalypt hybrid clones at Zhenhai Forest Farm

Saturday 23 June – A visit was made to a medium density fibreboard (MDF) plant (Foshan Nanhai Jaishun Woods Co. Ltd) in Foshan, Guangdong Province. Locally grown timber is used to manufacture MDF, however the company is exploring the possibility of importing timber from Indonesia and possibly Australia, although the main restriction is high shipping costs.

The capacity of the plant is currently 400,000m³ per annum with an annual turnover of AUD \$75 million making it the largest MDF operation in Guangdong Province. The company is looking to expand its capacity and adopt some technological improvements. 55% of wood is derived from residues of forest harvesting operations and the remaining 45% is from residues of other product manufacturers such as furniture.

A visit was then made to the furniture manufacturing district of Foshan, accompanied by a representative of the Shunde Lecong Furniture Association. This Association represents the significant amount of furniture manufacturers and retailers in the local area.

A tour of the display site of the Foshan Shunde Weistrong Furniture Co. was provided. This company designs, processes, manufactures and exports its own furniture. Most of the exterior timber used in the furniture is imported while the interior material (generally MDF) is locally produced. Export destinations for the furniture include middle eastern countries, Russia, UK and Europe.

The furniture company indicated that demand for certified timber used in furniture is very low to non-existent. As such, none of the timber used in their furniture carries labels demonstrating certification.

Overnight in Guangzhou.



Fig. 19: Processed wood fibre ready for pressing at MDF plant

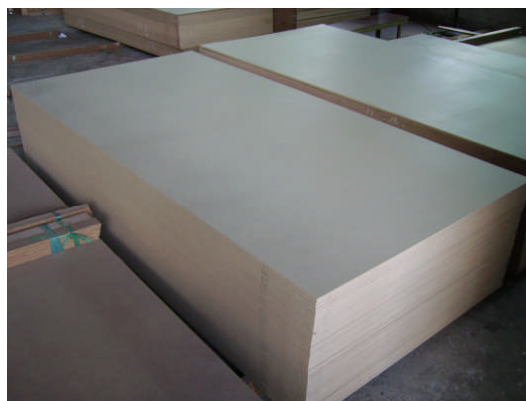


Fig. 20: Finished MDF ready for the market

Sunday 24 June – Return to Australia.

Visit to Australia of the Chinese Delegation

Members of the Chinese delegation visit to Australia China included:

- Mr Mr Li Mingqi, Deputy Director General, Center of Science and Technology Development, State Forestry Administration,
- Ms Li Qing, Director, Division of Forest Certification, Center of Science and Technology Development State Forestry Administration,
- Ms Yu Ling, Deputy Director, Forest Certification Division, Science & Technology Development Center, State Forestry Administration,
- Professor Zheng Xiaoxian, Natural Resource and Environmental College, Forest Management, Beijing Forestry University, and
- Mr Yu Yue, Programme Officer, Bilateral Division, International Forestry Cooperation Center, State Forestry Administration.

Monday 26 March – The Chinese delegation arrived in Melbourne. They were met by Mr Dan Firth of DAFF and Mr David de Jongh of NAFI. The remainder of the day was allocated to resting and a short period for sightseeing.

Tuesday 27 March – The delegation was met in Melbourne by Mr Wenbin Chen, Forests Standards Coordinator for VicForests, who is originally from China and was able to communicate fluently with the delegation in Chinese. The group then travelled to VicForests regional office in Alexandra.

Mr Bruce McTavish, VicForests Forest Operations Manager in Alexandra, provided the delegation with an overview of forest management in Victoria's Central Forest Management Area (CFMA). An explanation was also provided on how VicForests achieved forest certification under the AFS across its forest estate.

Field visits were then made to nearby state forests under the management of VicForests. Issues examined during the visits included forest harvesting, operational planning, silviculture, environmental management and monitoring, OH&S, log grading and segregation and burning activities.

Overnight in Marysville.



Fig. 21: VicForests inform the Chinese delegation on forest management activities and certification in the CFMA



Fig. 22: Recently thinned regrowth Mountain Ash forest in the CFMA

Wednesday 28 March – Another field visit was made to state forest nearby to Marysville to view a commercial thinning operation of 30-year old Mountain Ash (*Eucalyptus regnans*) forest.

The delegation then travelled to the Toolangi Forest Discovery Centre and were met by Mr Pat Groenhout, VicForests' Director of Strategy and Planning. Mr Groenhout gave an overview of VicForests' corporate structure and its forest management and timber marketing activities in Victoria. An overview was also provided on the steps taken and costs associated with achieving AFS certification by VicForests of their forests.

Travel to Melbourne for flight to Canberra.

Thursday 29 March – A meeting was held at DAFF to exchange information on the state of forest management and certification systems in Australia and China. A presentation was given by Mr Mark Edwards, Executive Officer of AFS Ltd. Mr Edwards provided an overview of the AFS, its technical aspects and its development and uptake in Australia.

Mr Tony Bartlett, General Manager of DAFF's Forest Industries Branch gave a national overview of forestry and the forest industry in Australia. Mr David de Jongh, NAFI's Senior Forest Policy Analyst, gave an overview of NAFI and its activities in representing Australia's forest industry.

Mr Grant Pearce, Senior Environmental Scientist with GHD, provided an overview of GHD's activities and its involvement in work on forest certification. Mr Neil Fisher, CEO of A3P, gave a presentation on A3P's activities and the section of the forest industry it represents.

Mr Li Mingqi gave a presentation on the situation with forestry and forest certification in China. Mr Li indicated that in the development and subsequent finalisation of China's draft forest certification standard, China will strive to ensure mutual recognition with all credible third-party certification schemes including the AFS and PEFC systems.

The delegation then travelled to A3P's office to meet with the Directors of the AFS Ltd Board who had just completed their board meeting.

The delegation then travelled to the Chinese Embassy in Canberra for a meeting with Mr Liu Zuozhang, Minister Counsellor, and Mr Li Bo, First Secretary. In the evening the Embassy also hosted the visiting delegation and representatives from NAFI, AFS Ltd, GHD and DAFF for dinner.



Fig. 23: The Chinese delegation meet to discuss forestry and certification with Australian forestry officials at DAFF

Friday 30 March – Travel to Melbourne.

Saturday 31 March – Sightseeing in Melbourne.

Sunday 1 April – The delegation travelled to Hobart and were met by Mr Sandy Chen, Forestry Tasmania’s Export Manager.

Monday 2 April – The delegation travelled to Forestry Tasmania’s Huon District Office in Geeveston. A presentation was provided by Forestry Tasmania’s John Hickey on the organisation’s forest management activities. A number of forest sites were also visited, including research trials, recently harvested areas and plantation and native forest areas.

A visit was also made to Forestry Tasmania’s tourism and recreational facility, the Tahune Airwalk. This was followed by a visit to the Huon Wood Centre to view the development of modern integrated timber processing facilities.

Tuesday 3 April – The delegation met with Dr Hans Drielsma, Forestry Tasmania’s Executive General Manager, at their head office in Hobart. Dr Drielsma provided a briefing on the legal and regulatory framework applying to forestry activities in Tasmania. An overview was also provided on Forestry Tasmania’s environmental management systems and forest certification under the AFS.

The delegation then travelled to visit the Weilangta state forest on the east coast of Tasmania. Visits were made to harvesting sites to examine threatened species management and the application of the Forest Practices Code. Private property forest management was also examined.

Wednesday 4 April – The delegation departed Hobart for Launceston to visit Gunns Ltd where they were provided with an overview of the company’s AFS forest certification and chain of custody systems. Site inspections of timber processing and forest management sites were also conducted to view the AFS forest certification and chain of custody procedures adopted by Gunns.

Travel to Sydney.

Thursday 5 April – The delegation met with Forests NSW at their head office in West Pennant Hills. Forests NSW provided the delegation with an overview of their environmental management systems and their adoption of forest certification under the AFS.

Friday 6 April – The delegation visited the Royal Easter Show in Sydney including the woodchopping and forestry displays.

Saturday 7 April – Day free for sightseeing.

Sunday 9 April – Depart Sydney for Beijing.