



**Report on the
Workshop on Capacity Building for the
Implementation of CITES Appendix II Listing of
Mahogany (*Swietenia macrophylla*)**

Pucallpa, Peru

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INTRODUCTION

Relevant ITTO and CITES Background to Meeting

At its 12th meeting, the Conference of the Parties to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) decided to include neotropical populations of *Swietenia macrophylla* (mahogany) in Appendix II of the Convention with the annotation 'Designates logs, sawnwood, veneer sheets and plywood'.

This inclusion came into effect on 15 November 2003; previously, mahogany logs, sawnwood and veneer had been listed in Appendix III by some range states, which meant that internationally traded mahogany in these product categories needed to be accompanied by export permits from those range states or by certificates of origin from other countries. The requirements are tighter in Appendix II: international trade of products derived from the species is only permitted if accompanied by permits or certificates issued by nominated authorities in the country of export or re-export that attest to the legality of the product and the sustainability of the species (as described in the first bullet point below).

In October 2003, the CITES Bigleaf Mahogany Working Group met in Belém, Brazil with ITTO support. It recommended (among other things – see www.cites.org) that the CITES Secretariat circulate a notification to CITES parties to clarify the practical implications of the inclusion of mahogany in Appendix II. The most salient points of the notification, which was issued on 12 November 2003, were:

- International trade in specimens of Appendix-II species may be authorised by the granting of an export permit or re-export certificate in accordance with Article IV of the Convention. An export permit may be granted only if the Management Authority (as designated by the country considering the export or re-export) is satisfied that the specimens to be exported were acquired legally and if the Scientific Authority (as designated by the country considering the export or re-export) has advised that the export will not be detrimental to the survival of the species. A re-export certificate may be granted only if the Management Authority is satisfied that the specimens were imported in accordance with the provisions of the Convention;
- Specimens transferred from one Appendix to another are subject to the provisions applying to them at the time of export or re-export. Therefore, from 15 November 2003, the requirements of Article IV shall apply to the export or re-export of logs, sawnwood, veneer sheets and plywood of *Swietenia macrophylla*. Any re-export of such specimens from that date may be authorized only under the provisions of Article IV, even if they had been imported as Appendix-III specimens in accordance with Article V;
- Certificates of origin, export permits or re-export certificates referring to *Swietenia macrophylla* as a species included in Appendix III issued in compliance with Article V may be used for export before 15 November 2003. Importing countries should accept Appendix-III documents for specimens of *Swietenia macrophylla* only if the export has taken place before that date;
- Re-export certificates issued on or after 15 November 2003 for specimens that had been imported under the provisions relating to Appendix-III species should refer to either the export permit or the certificate of origin with which the specimens concerned were imported;
- International trade of any logs, sawnwood or veneer of *Swietenia macrophylla* acquired before the Appendix-III listing took effect on 16 November 1995, or non-veneer plywood (eg blockboard) acquired before 15 November 2003 ('pre-Convention specimens') requires a special certificate that indicates the precise date of acquisition or contains a statement that acquisition occurred before the Convention became applicable to the specimen;
- CITES provides definitions of the terms 'logs', 'sawnwood', and 'veneer sheets' based on the tariff classifications in the Harmonized System (HS) of the World Customs Organization. The term 'plywood' has not been formally defined, but it is expected that the CITES Plants Committee will provide final recommendations regarding the definition of this term based on the HS definition at its meeting in February 2004. The preferred unit of measure for plywood is square metres, since it usually only contains one outer veneer of mahogany;
- Confiscated specimens of mahogany should be disposed of in the best manner possible to benefit enforcement and administration of the Convention. Steps should be taken to ensure that the person responsible for the offence does not receive financial or other gain from the disposal;
- Specimens of *Swietenia macrophylla* that have been confiscated as a result of attempts to import or export them illegally and that have subsequently been sold by the Management Authority, having satisfied itself that this would not be detrimental to the survival of the species, should, for the purposes of issuing export permits or re-export certificates, be deemed to have been obtained in accordance with the provisions of the Convention and with the laws of the state for the protection of fauna and

flora. Such permits and certificates should clearly indicate that the specimens are confiscated specimens.

At its Thirty-fifth Session (3-8 November 2003), the ITTC noted the imminent entry into force of the Appendix II listing of mahogany and heard concerns expressed by both importers and exporters of mahogany regarding the effective implementation of the listing, particularly the ability of exporters to issue reliable non-detriment findings. Council decided (through Decision 4(XXXV) – see Annex 1) to sponsor a meeting of all stakeholders to facilitate effective implementation of the Appendix II listing.

The resulting workshop on capacity building for implementation of the CITES Appendix II listing of mahogany (*Swietenia macrophylla*) was convened on 17-21 May 2004 in Pucallpa, Peru (a key mahogany processing and transit point) with the assistance of the Peruvian National Institute for Renewable Resources (INRENA). The agenda of the workshop, which provided for presentations by main exporting/importing countries, the trade and NGOs as well as working groups to focus on specific objectives, is included in Annex 2. This report details the key findings and recommendations of the workshop.

Objectives of the Meeting

The overarching purpose of the workshop was to encourage and inform practical action with respect to the formulation of non-detriment findings for mahogany exports, focused on the key mahogany producing countries, and drawing on the cooperative efforts of exporters, importers, governments and the NGO community. The workshop was based on the understanding that the determination of non-detriment findings is an individual country's role and that the criteria for that determination will be set by each country. The workshop provided a forum for countries to share their early experiences in implementing the Appendix II listing and allowed a review of capacity in key range states to effectively implement CITES obligations with respect to mahogany.

Specific objectives of the workshop included:

- identifying monitoring activities countries may find useful, including approaches, technologies and timing for effective monitoring (e.g., monitoring of the trade stream from harvest to processing or export);
- describing current conditions in markets for mahogany;
- identifying actions that the private sector (industry and NGOs) can take to reinforce and support efforts to use CITES to manage trade in mahogany;
- identifying opportunities for coordination across agencies (within producing countries) with relevant responsibilities, e.g., mapping out and identifying the roles for agencies that can contribute to effective implementation of CITES obligations;
- identifying regional cooperation activities to aid implementation, including technical assistance and resources available (emphasizing intra-regional exchange and cooperation to seek efficiencies and synergies);
- identifying areas of need for technical assistance: capacity building/training, laws, policies and regulations; institutional reinforcement; public outreach; stakeholder processes; etc.;
- sharing of information on issues of relevance to importing countries: paperwork requirements, communication issues, capacity building/training, public outreach including to industry, stakeholder processes, etc.; and
- sharing of information on relevant international developments within the CITES framework, CBD Global Strategy for Plant Conservation, etc.

Participants/Stakeholders Represented

Over 80 participants were involved in the workshop. These represented 7 countries (including the major mahogany exporting and importing nations), 7 NGOs, 12 trade/business concerns, and 4 international organizations (including representatives of the ITTO and CITES Secretariats). The full list of participants is contained in Annex 3.

Structure of Report

The remainder of this report contains an overview of current market conditions for mahogany (based on papers presented at the workshop) and the conclusions and recommendations of the workshop. The country and other papers contained in Annex 4 contain more details of experiences in implementing the Appendix II listing to date, many of which contributed to the workshop conclusions and recommendations.

MARKET REVIEW

This section contains a synthesis of information contained in the country (or in some cases trade) papers collated in Annex 4. For more details, please refer to the original papers in Annex 4.

Bolivia

Bolivia currently has 7 996 065 hectares (SIF 2003) of natural forests under forest management plans. Of this area, approximately 60% is under forests considered to be, or to have been, mahogany production areas. Since 1998 the Forest Superintendence (SIF) has authorised mahogany volumes to be logged mainly on the basis of management plans for four kinds of users: forest concessions, native community lands, private properties and long-term contracts. Although there are variations in the annual volume figures, in the past few years (2001 to 2003) the volume has been approximately 10 000 m³.

Summary of volumes (m³) of mahogany production approved by SIF 1998-2003

	1998	1999	2000	2001	2002	2003
Volume authorised	6806.3	12 151.8	5212.7	10 574	8524	11 698
Number of trees	1193	2122	1055	1111	1332	3656

Source: SIF 2004

The annual average export volume between 1998 and 2003 was 9786 m³, almost twelve times lower than exports before the entry into force of the new Forestry Law (1997). The number of certificates or permits issued by CITES has not shown significant variations over the past four years.

Summary of volume (m³) of mahogany exported by Bolivia and number of permits issued by CITES.

	1998	1999	2000	2001	2002	2003
Export volumes	14 460	8520	10 492.5	7405.1	8333.7	7116.1
No. of Certificates issued	249	69	113	86	116	130

Source: CITES 2004

Although no data are available for illegal mahogany trade estimates, the situation has greatly improved since the implementation of the new Forestry Law. CITES and Bolivian data are very similar for the last two reporting periods, proving that there is a healthy level of coordination between both institutions. However, it must be taken into account that mahogany is one of the most sought-after timber species because of its price in the domestic and international markets.

From 1998 to 2003 the United States has been the main buyer of mahogany timber from Bolivia, consuming 87% of mahogany exports under CITES certificates. Other exports of large volumes of mahogany went mainly to the Dominican Republic, Argentina and Chile. However, the table below shows that Argentina has not bought mahogany in the last few years, mainly as a result of the economic crisis affecting the country. The other countries together, including Europe, only imported 1% of the total volume of Bolivian mahogany.

Volumes (m³) of mahogany exported to various countries with CITES permits and certificates.

Country	1998	1999	2000	2001	2002	2003	TOTAL
United States	13 566.6	7751.7	8508.3	5690.7	6957.2	8615.2	51 089.8
Dominican Republic	38.7	601.6	1420.7	1368.3	1121.7	662.3	5213.4
Argentina	739.4	98.5	113.9	29.7			981.5
Chile	36.1	37.3	289.4	64.6	254.7	128.6	810.6
Mexico	50.7			192.5			243.2
Denmark	28.0		90.8				118.8
Spain				27.5		80.0	107.5
Barbados		30.6	49.5				80.1
Great Britain			20.0	31.9			51.9
Other countries						17.5	17.5
TOTAL	14 459.5	8519.7	10 492.5	7405.1	8333.7	9503.7	

Source: CITES 2004

Brazil

Due to the ban on logging mahogany in Brazil, no market data was provided.

Peru

Mahogany sawnwood production was maintained at less than 10 000 m³ in the 1950's, and slowly but progressively increased until 1974. Then, from 1975 to 1993, production levels varied between 15 000 and 57 000 m³. From 1994, it experienced an accelerated growth, peaking in 1995 with a record production of 101 386 m³ before falling in 1997 to 48 000 m³, when only the export of parts and pieces was allowed. Between 2001 and 2003, reported mahogany sawnwood production levels fell to around 30 000 m³.

Sawnwood represents the main export product of the country's forest industry, accounting for about two-thirds of the foreign exchange earnings from the export of timber over the last few years. Exports increased steadily to over 50 000 m³ worth almost \$47 million up to the year 2000, when with the promulgation of the Forestry and Wildlife Law (Law No. 27308) new regulations were introduced, including bans on the harvesting of mahogany in several watershed areas.

Mahogany represents 80% of the total value of all sawnwood exports of the country. Due to the high international prices paid for this species, this percentage has increased over the last few years. Export volumes of mahogany sawnwood dropped to under 43 000 m³ in 2003, but values remained high at over \$47 million.

The United States is the main mahogany sawnwood importing country, accounting for 85% of exports in 2002. It is closely followed in importance - but very distant in volume - by the Dominican Republic, at around 13%. In 2002 the total volume of imports by the USA was 43 835 m³, the Dominican Republic imported 6946 m³; Denmark, 273 m³; Sweden, 214 m³; and Mexico 193 m³. Another five countries imported 410 m³ (0.8% of the total).

After a mahogany export boom in 2002 when sawnwood exports grew to almost 53 000 m³ worth over \$55 million (a result from the export ban imposed by Brazil and the high prices of Bolivian mahogany), exporters have increased their influence over all mahogany producing areas, as a result of their increased influence in all marketing and financing levels. They are now at the top of an economic pyramid supported by transactions and exchanges of all types, including fair and equitable practices, but also abusive and corrupt practices, where the lower social classes only benefit from the opportunity to work under very unfavourable conditions. The table below shows the main Peruvian mahogany exporters in 2003.

Major Peruvian mahogany exporters (2003)

Exporter	Volume (m3)	FOB Value (US \$)
Maderera Bozoviich SAC	9 770	9 896 966
Maderera Vulcano SAC	8 374	10 499 326
Transforestal C.C.C. SAC	4 631	4 578 875
Procesos Industriales Madereros SAC	3 927	4 381 695
Others	16 142	17 706 581
Total:	42 844	47 063 443

Canada

Swietenia macrophylla, previously listed in Appendix III since 1995 is, for the most part, imported to Canada in the form of sawnwood that is re-exported from the United-States. It is the view of most Canadian observers and CITES Authorities that the listing of *Swietenia macrophylla* in Appendix II has not posed any new enforcement problems.

With regard to Canadian trade in *Swietenia macrophylla*, quantities traded have, between 1998 and 2002, been variable, with a low figure of approximately 127 m³ imported in 2002, declining from a high of approximately 3859 m³ in 1998. Sawnwood is the major import form, with limited veneer quantities also received. In 2002, it was estimated that Canada imported roughly 1% of the total global *Swietenia macrophylla* trade.

Spain

Spain mainly imports *Swietenia macrophylla* as sawnwood and to a much lesser extent as veneer and plywood. The countries that export this timber to Spain are basically Brazil, Nicaragua and Peru. Practically all the imported timber goes to the national market or to the European Union market, and the timber is not re-exported.

There has been an increase in recorded import volumes in recent years. However, this is probably not due to an increase of imports in real terms, but rather to improved control systems and, therefore, to improved recording procedures for real imports.

UK

The availability of statistics on mahogany trade is poor. The species is hidden under broader categories in the UK's Customs and Excise import statistics. Currently a Traffic-Europe study funded by the EC is examining UNEP-WCMC statistics regarding CITES timber species coming into the EU. The UK CITES authority (DEFRA) obtains the most accurate import figures.

The UK used to be the main market for *Swietenia macrophylla* in Europe and the main supplying country was Brazil. Imports peaked at the end of the 1980s and early 1990s at about 100 000 m³ of sawnwood. From then on they declined continuously to 4000 m³ after Brazil's ban on mahogany exploitation in 2001. According to UNEP-WCMC, total EU imports in the years 2000 - 2001 were less than 7000 m³. Currently, imports into the UK are as low as only several hundred cubic meters. According to DEFRA, since 15 November 2003 they have received three import applications with a total volume of less than 100 m³. The few UK companies that still offer mahogany mainly rely on their own older stock.

The decline in the UK's imported volumes of mahogany is largely due to increased prices. Limited availability pushed *Swietenia macrophylla* prices to about US\$ 1200 per cubic meter. Current prices are generally not attractive to the UK market and most of the recent exports are destined for the US. According to traders' views in Britain, the restricted availability and high prices are not likely to change and the remaining growing stock of mahogany is not of a commercially interesting magnitude. Therefore most of the British trade sees little or no potential for *Swietenia macrophylla* trade in the near future.

Regardless of CITES certification, the reputation of mahogany in terms of environmental concerns is controversial or embodies reputational risk to UK merchants. Most of the companies formerly involved in the *Swietenia macrophylla* trade have changed to sapele (*Entandrophragma cylindricum*) from Western and Central Africa.

To compete on the European market, timber products need to comply with the following requirements: (1.) prices are attractive, (2.) the timber is fit for purpose, and (3.) the species satisfies environmental and reputational concerns. If all these three issues were satisfied, complying with CITES paperwork and administration would not constrict the trade in mahogany. If CITES documentation would satisfy (3.), species traded with CITES certificates would gain easier access to the European market than without. Markets for tropical timber are increasingly demanding verified sustainability, in particular independent verification. At the moment, the trade relies on certification schemes, notably FSC regarding the tropical regions. Obtaining appropriate CITES documentation does not exclude reputational risk for an importing company of mahogany as for other CITES listed species to date.

USA

The U.S. CITES Management Authority reviews import documents endorsed at the ports by USDA-APHIS or DHS when imports arrive. Such trade monitoring is a critical component of the implementation of CITES. As of 15 May 2004 approximately 204 shipments of bigleaf mahogany had been imported since 15 November 2003, the effective date of the Appendix II listing. While data on volumes of bigleaf mahogany imported into the United States in this period are not yet available, it is known that 120 of these shipments had an export date of 15 November 2003 or later and were exported under CITES Appendix II. Twenty-one of these were from Bolivia, two from Brazil, and 60 from Peru. The remaining 37 shipments were from Belize, Guatemala, Honduras, Mexico, and Nicaragua. The rest of the shipments were exported prior to 15 November 2003 under CITES Appendix III. In reviewing these Appendix II and Appendix III documents there were only three instances of apparent confusion related to the transition in documentation between Appendix III and Appendix II. Each of these involved a different issuing country.

CONCLUSIONS AND RECOMMENDATIONS

Participants in the workshop recognized that it had provided an excellent opportunity for dialogue and interaction between all stakeholders related to the management and trade of mahogany. The background papers presented (Annex 4) and the working groups convened during the workshop had greatly facilitated the sharing of experiences on the implementation of, and concerns about, the CITES Appendix II listing of mahogany.

The workshop participants also highlighted the strong synergies between the work of CITES and ITTO, and provided direction for continuing and strengthening such synergies. All participants expressed their shared commitment to the successful implementation of the Appendix II listing of mahogany and on-going efforts towards SFM in general.

In this context, the workshop identified the following conclusions and recommendations for consideration and early action as appropriate by national governments, the private sector (trade and NGOs), international organizations and other stakeholders. The workshop also endorsed two resolutions tabled at its closing session and contained in Annex 5: one by the representatives of the three main exporting countries (Annex 5.1) and the second by the trade (Annex 5.2).

General Conclusions/Recommendations

- 1) Control systems (including management plans and licensing systems) need to be simple, inexpensive, easily applicable as well as efficient and reliable.
- 2) Communications among national forestry authorities, users, producers, exporters and importers should be improved to ensure transparency in the control process.
- 3) National forestry authorities should concentrate first on applying control systems in situations involving high conservation risks in areas where mahogany is present when resources are limited.
- 4) The academic and scientific communities should be encouraged to continue playing major roles in undertaking research necessary for proper forest management (i.e. by developing volume or yield tables, etc.).
- 5) Existing chain of custody tracking tools should be employed to facilitate monitoring of traded mahogany.
- 6) National authorities should make resources available to establish databases on the management of mahogany and other species. Such databases should be accessible to the public.
- 7) Countries should seek technical assistance for developing and implementing control systems for mahogany from CITES, ITTO, FAO, TRAFFIC and/or other relevant organizations.
- 8) Communications among the CITES scientific and administrative authorities in Bolivia, Brazil and Peru, should be enhanced within the framework of the regional coordination which has been established.
- 9) Within the framework of national policies, synergies should be enhanced and autonomies recognized between CITES scientific and administrative authorities.
- 10) Regional agreements already reached and connections already established should serve as the framework for joint actions by the countries implementing the Appendix II listing of mahogany.
- 11) Importing countries and markets should be made more aware of CITES and its rules related to promoting the sustainable trade of mahogany, as well as the importance of sustainable forest management in general.
- 12) Countries should share forest management and control systems/software with each other.

Specific Recommendations

- 1) Governments in range states should immediately declare forest development a subject of national interest affecting society as a whole, with a special focus (including national campaigns) on the issue of the illegal logging. National programs and bilateral/multilateral agreements should be employed (as appropriate) to achieve this.
- 2) Forest management plans (and, as appropriate, utilization plans) for all areas where mahogany production occurs (including agricultural and indigenous holdings) should be based on accurate data including forest inventories, diversity, density and ecology of mahogany, consistent with national practices and legislation.
- 3) Shipping documents for all traded wood products (including those not in CITES Appendices) should list scientific names as well as customs codes.
- 4) Forestry development programs should be defined and implemented jointly with native communities.
- 5) Countries should simplify, make more transparent and publicize their legal requirements for the extraction, transformation, transportation and export of wood products.
- 6) Management plans should incorporate data relevant to the diversity of distribution, density, and ecology of mahogany populations.
- 7) Shipping documents for forest products should be designed so as to make it difficult for them to be changed, forged or counterfeited.
- 8) Tax collection authorities should detect and prevent false price quotations for the purpose of tax evasion.
- 9) On-site inspection of mahogany management should be increased as a means of control.
- 10) Charges and penalties for violations of mahogany regulations, as well as the procedures through which they are imposed, should be clearly defined and widely publicized.
- 11) National forestry authorities and the international community should consider incentives for mahogany concessionaires who stay within the terms of the law and produce sustainably.
- 12) The private sector should play a role in strengthening both the CITES Management Authorities and Scientific Authorities in countries. Particular attention should focus on the Scientific Authorities and developing their information systems and operational capabilities by:
 - a) providing direct financial assistance and political support; and
 - b) working through the national authorities and the CITES Secretariat to provide information to improve implementation of the listing.
- 13) Recognizing the role of the CITES Secretariat as a focal point and source of technical assistance, the private sector should provide information on problems in implementation and assist in identifying needs for technical assistance for national CITES authorities.
- 14) The private sector should strengthen or develop effective voluntary codes of conduct, with particular attention to the participation of exporters in the range countries.
- 15) The private sector should contribute to sustainable management of mahogany and other species by increasing efficiency through training (for loggers, mills, etc.), technology transfer, and facilitating inventory work.
- 16) Voluntary formal coalitions of buyers, sellers and NGOs should be used to reinforce national laws including those related to CITES.

- 17) Additional workshops on mahogany should be convened, especially at the national and sub-national level, to continue and extend interaction and cooperation among the commercial private sector, NGOs and national authorities (including representatives of foreign affairs departments as appropriate). Such workshops should consider, *inter alia*, implementation of these recommendations.
- 18) The CITES secretariat should provide training for authorities implementing CITES listings upon request as appropriate. Such training should include an information program to make CITES known to all stakeholders.
- 19) CITES should discuss a revision of CITES listing procedures so as to adapt them to the specific needs of timber species. Bolivia, Brazil and Peru should propose such a discussion.
- 20) The workshop report (including all papers presented) should be widely disseminated and results of the workshop should be communicated to relevant fora, particularly the 36th session of the International Tropical Timber Council (20-23 July 2004) and COP 13 of CITES (2-14 October 2004).