



**GLOBAL
FOREST
& TRADE
NETWORK**

Quarterly

Issue 4, 2007

Highlights



**Sarawak-based
Manufacturer Joins
Malaysia FTN**
(page 2)



**Private Finance for
Responsible Forest
Management in Peru**
(page 3)



**Cryntel Joins
North America FTN**
(page 3)



**Carving Out A Sus-
tainable Handicraft
Trade in Kenya**
(page 4)

...AND MORE ON GFTN'S GLOBAL PROGRESS

The Global Forest & Trade Network is WWF's initiative to eliminate illegal logging and improve the management of valuable and threatened forests. By facilitating trade links between companies committed to achieving and supporting responsible forestry, the GFTN creates market conditions that help conserve the world's forests while providing economic and social benefits for the businesses and people that depend on them. Visit www.gftn.panda.org.

This publication is made possible by the generous support of the American people through the United States Agency for International Development (USAID), as well as with support from the European Commission. The contents are the responsibility of WWF and do not necessarily reflect the views of USAID or the United States Government, or the European Commission. This publication was prepared by Kemi Abayomi.



From left to right: Spain's Environment Minister, Cristina Narbona; WWF-Bolivia's Country Representative Roger Landivar; Construmat Fair's President, Bruno Figueras; and Santa Cruz Municipality Representative Enrique Landivar.

GFTN Holds Business Roundtable and Access to Responsible Forest Markets at Construmat, Barcelona

The Bolivia Forest & Trade Network (Bolivia FTN), along with various participating companies, took part in Construmat, Barcelona—the largest construction fair in Spain, and the second largest in Europe—earlier this year. WWF-Spain in collaboration with the Bolivia FTN facilitated a business roundtable designed to encourage participants with responsibilities related to public and private wood and paper purchases to strengthen the growing trend of certified forest products.

Over 245,000 visitors passed through and over 200 million Euros in business volume was made at this fair that brought together more than four thousand international firms in the construction and furnishing sectors to present the latest developments in materials, technologies and services.

The Bolivia FTN facilitated an international seminar and business roundtable between responsible timber and wood producers and consumers to:

- Facilitate market links between responsible producers and responsible buyers interested in the Spanish market and construction companies, importers and manufacturers in Spain.
- Raise the commitment of Public Administration to certified forests products.

(continued next page)

- Promote responsible purchasing to Spanish companies and public authorities.

The roundtable attracted representatives from the forestry sector from 76 companies representing 13 countries throughout Europe, Latin America, Africa and Asia—who were interested in FSC certified products. The event allowed the Bolivia FTN to promote the use of FSC certified wood among construction companies and encourage corporate environmental responsibility policies for these companies, which allows them to contribute to the conservation of forests.

When asked about the event, several Bolivia businessmen acknowledged the preferential demand for forest products that come from legal and responsible forests, where the social and environmental values of the forest are respected.

The Bolivia FTN companies that took part in the Construmat Roundtable were: La Chonta Woods Ltda., Jolyka, and Multiagro.

Also present was the GFTN Latin America/Caribbean (LAC), who presented the supply of FTN member wood products from LAC at the Roundtable, and who held meetings with numerous Spain-based manufacturers to link manufacturers/importers and LAC suppliers.

Both WWF-Spain and the Bolivia FTN believe that celebrating this event at Construmat 2007 is a big step towards more responsible consumption in the Spanish construction industry, and a great opportunity for wood products suppliers committed to the conservation of our planet's forests.

Contact Maria del Carmen Carreras, mcarreras@wwfbolivia.org, for more information.

Sarawak-based Manufacturer Joins Malaysia Forest & Trade Network

Raya Intan Sdn Bhd (RISB) became the first Sarawak-based manufacturer to support responsible forestry by joining the Malaysia Forest & Trade Network (Malaysia FTN). The company signed a Memorandum of Understanding (MoU) signaling its commitment to purchase legal and certified timber that has been audited by a third party.

This new partnership is important for the development of a producer group partnership between responsible forests, producers and purchasers of timber and wood products. RISB has committed to a stepwise approach to responsible purchasing through its action plan, and will also support forest managers who are moving toward forest certification.

RISB, a subsidiary company of the Golden Hill Group, is based in Sarawak and is a manufacturer of outdoor furniture; RISB



From left to right: Assistant Minister in the Chief Minister's Department & Industrial Development, YB Larry Sng Wei Shien; Executive Director of Raya Intan Sdn Bhd, Mdm Wong Hie Sing; Chief Technical Officer of WWF-Malaysia, Ivy Wong; Trustee of WWF-Malaysia, YB Dato'Sri Haji Safri Awang Zaidell, at the MoU signing.

is also certified as a Forest Stewardship Council (FSC) chain-of-custody (CoC) holder. Besides producing outdoor garden furniture from Shorea species, the company also exports sawn timber and molding, exporting mainly to Europe.

Present at the MoU signing between WWF-Malaysia and RISB, were Peninsular Chief Technical Officer, Ms. Ivy Wong, and RISB Executive Director, Madam Wong Hie Sing. The signing marks RISB's participation in the Malaysia FTN, working towards WWF-Malaysia's aim of providing local companies committed to responsible purchasing and forest certification.

"We are glad to know that RISB is the first company in Sarawak to participate in the Malaysia FTN. I am certain that the program is a win-win situation," said Executive Director, Mdm. Wong.

"RISB has an environmental policy that shows our commitment not to associate with illegal logging and not to buy logs from high conservation value forests. We also received chain-of-custody certification from the Forest Stewardship Council (FSC) early this year, which is one of the most credible certification schemes," adds Wong.

"WWF-Malaysia constantly looks for ways to incorporate environmental awareness into the corporate sector by being as practical as possible. The Malaysia FTN is a means of improving business by reducing risks and by being as transparent as possible in purchasing policy," said Ivy Wong. "We hope RISB's commitment will encourage Sarawak's forest managers to look into sustainable forest management".

While healing wildlife habitats, WWF-Malaysia is also working with corporations to help them implement environmentally friendly and sustainable business practices. The Malaysia FTN is a worldwide partnership between forest and trade companies committed to eliminating illegal logging as well as improving the management of valuable and threatened forests. The Malaysia FTN provides its members with access to a vast

global network of responsible businesses, and there has been a 100% increase in trade partners recruited over the last financial year compared to the year prior.

RISB source their timber from Borneo, specifically from Sarawak, which is one of the priority eco-regions defined by WWF—an important habitat for wildlife.

Contact Audrey Lee, mflee@wwf.org.my, for more information.

Private Finance for Responsible Forest Management in Peru

Deforestation in Latin America is, in part, driven by short-term economic necessity. To counter this, alternatives to forest conversion must generate employment and earnings that compete with agriculture and cattle. Whilst responsible forest management and trade is a promising alternative, funds for such operations are difficult to obtain since forestry is often considered a high risk investment. For the small and medium-sized enterprises (SME's) who are members of the Global Forest & Trade Network (GFTN), limited access to finance is a particularly tough obstacle.

Many SME's in high-risk countries in Latin America are unable to comply with traditional requirements from private lending institutions, do not use modern accounting methods (but have little suitable collateral), or do not have a track record in the formal financial world. Because of this, national and international banks are reluctant to risk their reputation, or assets, by financing a company with non-traditional collateral, in a sector often associated (wrongly or rightly) with activities on the fringes of the law, and with little certainty regarding availability of raw materials.

To counter this, the GFTN, with support from the World Wildlife Fund/World Bank Alliance, has been working with FSC-certified companies like CFA in Peru and Multiagro in Bolivia



Illegal logging in the lowland rainforest along the Rio Las Piedras. Workers of a private rainforest conservation reserve discover illegally cut highly valued mahogany trees within the reserve.

WWF-Canon/Andre Bartischi

to identify private equity investors interested in companies committed to responsible forestry. In conjunction with Earth Assets Partnership, a U.S. based company that provides land planning and appraisal services, a Total Asset Value Protocol is being applied to define the underlying valuation of the different resources held by such companies to facilitate their acquisition of private capital.

Consorcio Forestal Amazonico (CFA) is the largest forestry concession in Peru with a total of 180,471 hectares located in the Peruvian Amazon. With a concession of over 100 species per hectare of tropical woods including commercial species such as Tornillo, Cachimbo, Mohena, Cedar and Mahogany, CFA is certified and operated under the international standards for forestry management following the principles of Smartwood, a Rainforest Alliance Program, and the Forest Stewardship Council.



According to Aaron Slater, Executive Director of CFA, "The GFTN and WWF have been instrumental in helping us develop our company. The GFTN has allowed us to connect with customers world-wide who are interested in our species. More importantly, the assistance and guidance we have received from WWF in working with the native communities has allowed CFA to continue to grow in a careful and responsible manner that benefits not only the shareholders, but the employees and the members of the native communities in the region as well. We look forward to continue working with the experienced and dedicated professionals from WWF."

Working with Steve Gretzinger, Coordinator for the GFTN Latin America & Caribbean, CFA is working to build and maintain strong relationships with native communities in the region.

CFA offers a large range of products, such as veneer, modular decking, laminated beams, rough lumber, and moldings amongst many others.

Contact Steve Gretzinger, sgretzin@wwfca.org, for more information.

Cryntel Joins the North America Forest & Trade Network



Hollywood, Florida-based wood flooring company, Cryntel recently became the newest NAFTN member. Cryntel has made commitments to source legal and responsibly managed wood from Borneo, Sumatra, and the Amazon, where forests are important to the

local economy as well as the global environment. Cryntel, a major supplier to Lowe's do-it-yourself home improvement stores, currently purchases finished wood flooring products from Java and from Kalimantan in Indonesia and continually looks for sources worldwide which can provide Cryntel with products that meet the forestry standards of the GFTN.

In a public written statement of policies and practices relevant to its operations for the promotion of responsible forestry and wood sourcing, Cryntel said, "As a matter of public disclosure, it is our dedicated policy to take the necessary steps to purchase wood flooring products from Asian manufacturers who practice good and safe forestry, and who are involved in acceptable reforestation processes within their chain-of-supply," said Barron Frith, Cryntel's VP of Operations. "This is our mission and such is the case with our Indonesian manufacturers, who are working contemporaneously with Cryntel Enterprises and the Indonesia Forest & Trade Network (IFTN) to ensure that all Global Forest & Trade Network (GFTN) requirements are met," adds Mr. Frith.

Within the next 5 years, Cryntel hopes to see that at least 80% of their purchases of Asian wood flooring are from manufacturers who operate within the requirements set forth by the GFTN. Working closely with the GFTN, Cryntel will see that their suppliers comply in a timely and open manner.

"In a mutually cooperative spirit, Cryntel is committed to working closely with our clients, such as Lowe's, as well as their end-user customers to understand the importance of environment, safety and humanity which compels us all to adhere to WWF standards," states Cryntel's President, Steven Dreyer. "Such standards should be passed down the chain to our manufacturers as well as up the chain to retail and wholesale sellers who need to do their part, and hopefully commit to credible certification," Mr. Dreyer further emphasized.

"Cryntel has made a strong commitment to leverage its influence in the marketplace to promote the responsible management of forests," added Jessica McGlyn, WWF's North America Forest & Trade Network Senior Program Officer. "WWF will work closely with Cryntel to support healthy forests, thriving forest-dependent communities, and a promising future for the species that live in forests."

Contact Jessica McGlyn, jessica.mcglyn@wwfus.org, for more information.

Carving Out A Sustainable Handicraft Trade in Kenya

The woodcarving industry in Kenya supports up to 60,000 carvers and their dependants, and generates an income of over \$10 million (US) per year, but has contributed to the decline of threatened hardwoods and the degradations of the globally important

East African coastal forests. The Good Woods project, launched in Kenya in 2000, therefore aims to conserve these forests by encouraging wood carvers to shift from traditionally preferred and depleted hardwoods such as ebony and mahogany to sustainable produced farm trees such as Neem and Mango, thus providing livelihoods for carvers and tree owners.

As part of the project, WWF help set up a farmers group and support an FSC group certification for the Neem trees produced by the participating farmers. These farmers now sell their logs to two local handicraft associations, both of which have received FSC Chain-of-Custody certification, thus opening up a totally new income source for the farmers and enabling the carvers to reach environmentally aware international markets with their FSC-certified carvings.



A Neem farmer in Malindi, Kenya.

WWF-Kenya

The main challenges so far have been to ensure a big enough market for certified carvings, to provide the incentive for carvers and farmers to comply with the certification rules and to bear the costs of certification. The main benefit of FSC certification for their carvers (and thus, indirectly, for the farmers) is that it can help them recapture some market share by enabling them to differentiate their certified products from cheaper, and often better designed, wooden crafts from Asia. On the other hand, they have yet to see any real price premiums for their FSC certified carvings, even though this is one of the oft-cited benefits of FSC certification.



A Kenyan wood carver at work.

WWF-Kenya

The main conservation benefit however is clear to see, as 20,000 indigenous trees have been conserved in natural forests as a result of using natural species.

Currently, the project's main goal is to scale up the lessons learnt into other regions and industries as well as contribute to the development of national certification standards for Kenya and Tanzania.

Contact David Maingi, dmaingi@wwfkenya.org for more information.

China Forest & Trade Network Update

The China FTN recently welcomed two new participants: Dongfanghong Forest Bureau and Mu Ling Forest Bureau, which manage a 280,000ha and 267,530ha forest concession respectively in the Heilongjiang Province. By joining the China FTN, these companies have made public commitments to producing and purchasing responsible forest products. Since the launch of the China FTN in April 2005, member companies have already created 20 trading relationships with China FTN participants, with a combined value of over 20 million USD. All of these companies export to environmentally sensitive markets in Europe and North America, and have a number of trading relationships with existing FTN participants managed by WWF offices across the globe.



- Forest industry investment guidelines
- Joint bank/forest industry working group
- Progressive finance facilities

Forest certification is a promising market instrument that can help in managing risks inherent in exposure to the forest industry. However, private sector uptake of forest certification in Malaysia has been slow and there are a number of pitfalls for the unwary lender.

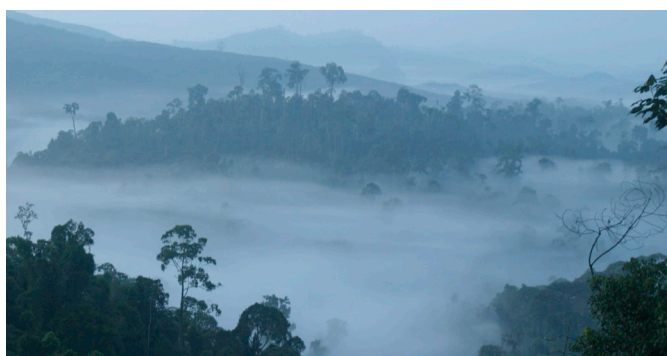


Dawn over a tropical rainforest in Northern Malaysia.

WWF-Canon/A. Christy Williams

Natural Capital: Financing Forest Certification in Malaysia

A new report from the WWF/GFTN, *Natural Capital—Financing Forest Certification in Malaysia*, released this September ahead of the second Malaysia Forest Dialogue meeting in Kuala Lumpur, attempts to highlight key challenges and opportunities involved in financing forest certification in Malaysia.



WWF-Canon/A. Christy Williams

Dense forest landscape of the northeast tip of Borneo, in the Malaysia state of Sabah, the habitat of the endemic Bornean Pygmy elephant. Sabah, North Borneo, Malaysia.

The report provides recommendations in five key areas in order to stimulate the growth of forest certification:

- Improved market information flows
- Market research on certification feasibility

Drawing from forty-four separate discussions with timber companies, investment consultants, lenders and government departments, the report explores some economic and market aspects of responsible forestry and certification as well as the current relationship between the financial sector and the forest industry in Malaysia.

“The report concludes that the reputational risks associated with exposure to the forest industry in Malaysia and the complexities involved in managing those risks are high,” says co-author Darius Sarshar. “Banks and other financial institutions that identify suitable qualified partners to help them both understand and manage the risks involved stand to prosper at the expense of those that do not,” he adds.

WWF’s Global Forest & Trade Network, with its affiliate, the Malaysia Forest & Trade Network, uniquely placed to assist banks and investors that choose a partnership approach.

Contact Darius Sarshar, darius@slbconsulting.net, for more information.

Russia and China FTN's Create Joint Strategy on Responsible Timber Trade From Russia To China

The Chinese and Russian Forest & Trade Networks form two crucially important components of the Global Forest & Trade Network (GFTN). The scale, abundance, diversity and geographical location of forest resources in Siberia and the Russian Far East continue to play an important role in the future supply of raw wood material to China's large and growing industries. In turn, China's wood processing industries have become the "factory of the world" and will continue to play a significant role in bringing Russian timber to the world market.

The GFTN's protocol of working with whole supply chains to drive forest certification in valuable and threatened forests often requires a number of Forest & Trade Networks (FTN's) to co-operate closely in the targeting of Participants and in the



making and strengthening of market links. The high degree of interdependence of both the Russian and Chinese FTNs requires that they jointly agree to a strategy to maximize their effectiveness and achievements.

Recognizing the desirability of close co-operation, the Russia and China Forest & Trade Networks have therefore agreed:

- to actively recruit new members that have trade interests
- to actively assist each other in establishing market links between participating countries
- the Russia FTN will take into account the needs of Chinese buyers when choosing local companies for recruitment and the China FTN will take into account the needs of Russian producers when choosing companies for recruitment.
- both the Russia and China FTN will organize joint workshops, meeting, tours, and visits for interested companies from both sides to promote contacts and market links.

Contact Alexander Voropaev, avoropaev@wwf.ru or Zhonghao Jin, zhjin@wwfchina.org, for more information.

GFTN at a Glance

GFTN participants...



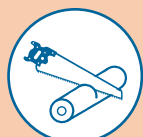
...have annual forest products sales exceeding \$44.6 billion per year



...are engaged in 160 trading deals with other GFTN participants



...manage over 27 million ha. of forests in progress to certification



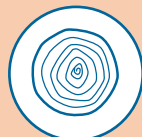
...buy or sell in excess of 193 million cubic meters of forest products per year



...employ over 1.4 million people globally



...support 670 families in community operations



...trade almost 11% of the global harvest of industrial roundwood



...trade over 12% of the value of internationally traded forest products



...trade over 30 million cubic meters RWE of credibly certified forest products

figures current as of October 2007

Faces of GFTN

Darius Sarshar

Role: Responsible Forestry Coordinator, WWF-Malaysia

Based in Malaysia, Darius Sarshar is an independent consultant who has worked for WWF's Global & Forest Trade Network since 2002. His forestry career began whilst working for the Commonwealth Development Corporation in Tanzania, learning the ropes of tropical plantation management.



With WWF, Darius has overseen the expansion of the GFTN into 20 producer countries in Asia, Africa, Latin America and Eastern Europe, where GFTN participant companies now control over 25 million hectares of forest lands. Approximately half of this is uncertified tropical forest "in progress" to credible certification.

Darius has a BA (Hons) in Zoology from the University of Cambridge and an MSc in Forestry from the University of Oxford. In his free time, Darius enjoys playing with his children, climbing mountains, scuba diving, skiing, watching wildlife, and from afar, his beloved football team Manchester United.

Lily Lee

Role: Timber Conservation Officer, WWF-Hong Kong

Lily Lee joined WWF-Hong Kong in 2003, after obtaining her Bachelor's degree in Earth Sciences from the University of Hong Kong. Lily is primarily responsible for managing the China Forest & Trade Network (CFTN) in relation to Hong Kong and Mainland China. In her role, Lily aims to help increase market demand for responsible forest products by facilitating trade links between members of Buyer Groups and Producer Groups, and by forming partnerships with interested commercial sectors around the region.



Lily has been involved in organizing various activities such as a series of seminars to Hong Kong SAR Government departments and large construction developers to promote sustainable timber procurement. She has also provided technical support to the Architectural Services Department for the review of its specifications as it relates to the procurement of timber.

In her spare time, Lily enjoys walking amongst nature with friends, reading, and savoring international cuisines.

Steve Gretzinger

Role: Coordinator, GFTN Latin America & Caribbean

Since 2005, Steve Gretzinger has served as the Coordinator for the Global Forest & Trade Network, Latin America & Caribbean, based in Costa Rica. In this role he coordinates activities in Latin America, focusing on the Amazon, to access markets for responsibly produced wood products in Europe, North America and Asia. Steve is also responsible for developing private financial mechanisms for channeling capital to responsible forest managers and wood product manufacturers in Latin America.



Prior to his current role, Steve served as Forest Director, Central America at WWF-US.

Steve has a BS (Hons) in Geography from Oregon State University and an MS (Honors) in Forestry from North Carolina State University. When he isn't building working value chains between forest landowner and manufacturers, or providing technical assistance to private companies, communities and non-governmental partners on forest management, Steve enjoys mountain biking, dancing to soca music, and planting trees on his land in Costa Rica.

Audrey Lee

Role: Program Officer, Malaysia Forest & Trade Network

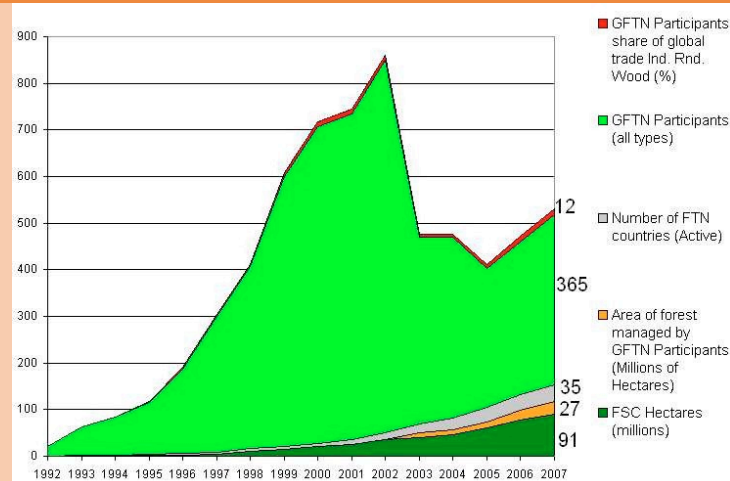
Conservation work is a passion and a calling for Audrey Lee, who currently works as a Program Officer for the Malaysia Forest & Trade Network. A graduate of the University of Technology, Malaysia, where she majored in Industrial Biology, Audrey works with timber industry representatives, government officials and community officials to help them with better forest management. Audrey works alongside a fantastic team, lead by Responsible Forestry Coordinator Darius Sarshar and WWF-Malaysia's Responsible Forestry Manager Ivy Wong, to educate the masses and support advocacy work.



"I focused on river pollution during my university years, and learned that with a bit of effort, things can change. It's gratifying to see that forests and their integrity are getting the attention they deserve," says Lee.

Blessed with incredible biodiversity, Audrey spends her free days roaming the jungles, beaches or mountains of Malaysia. In her spare time, Audrey is an avid backpacker, having backpacked throughout countries like Cambodia and Thailand. She also enjoys mountain climbing, diverse cultures and savory cuisines.

Growth of the GFTN from 1992 to 2007



GFTN Global Totals as of October 2007

GFTN Hectares/Percentage of GFTN Hectares that are FSC certified

360 Participants (Legal Entities) in 34 countries



FSC Certified Area by Continent

North America
28.9 million Hectares

South America & Caribbean
9 million Hectares

Africa
2.5 million Hectares

Europe
48.3 million Hectares

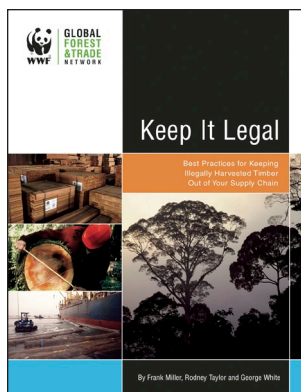
Asia
1.6 million Hectares

Oceania
1.3 million Hectares

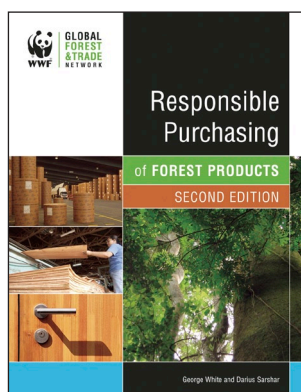
Total FSC Certified Area 91.6 million Hectares

For more information, visit www.fsc.org

GFTN Resources



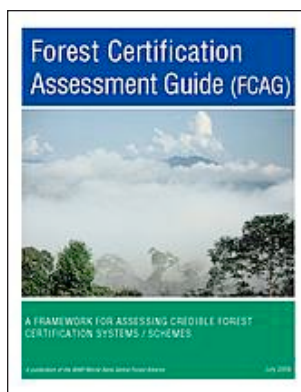
Keep It Legal—Best Practices
for Keeping Illegally Harvested
Timber Out of Your Supply Chain



**Responsible Purchasing
of Forest Products**—Second
Edition



**The Global Forest & Trade
Network**—Solutions for
Committed Companies



**WWF/World Bank's Forest
Certification Guide**



WHO TO CONTACT

Secretariat

Bruce Cabarle, Interim Head

Tel: +1 202 822 3450 Email: bruce.cabarle@wwfus.org

Hisayo Fujikawa, Operations Manager

Tel: +1 202 861 8340 Email: hisayo.fujikawa@wwfus.org

Darius Sarshar, Responsible Forestry Coordinator

Tel: +44 1865 427719 Email: dsarshar@yahoo.com

George White, Responsible Purchasing Coordinator

Tel: +44 1394 420 518 Email: georgecwhite@btinternet.com

WWF's Global Forest & Trade Network welcomes your
comments. Contact us at gftn@wwf.panda.org.