

**Summary for Business Entities:**  
Revised Forest Law and  
Status of Timber Legality Verification by Business Entities in China

ITTO Project PP-A/56-342B

“Analysis of Timber Legality Assurance Systems and Good Practices  
in China, Myanmar and Viet Nam for Sustainable Timber Trade”

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## **Summary for Business Entities: Revised Forest Law and Status of Timber Legality Verification by Business Entities in China**

This report was prepared by the Institute for Global Environmental Strategies (IGES) under the International Tropical Timber Organization (ITTO)'s project "Analysis of Timber Legality Assurance Systems and Good Practices in China and Viet Nam for Sustainable Timber Trade". This ITTO project was made possible by funding from the Government of Japan.

Project Executing Agency: Institute for Global Environmental Strategies (IGES)

Project number: PP-A/56-342B

Project period: February 2021 to March 2023

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## Table and Contents

1. Introduction.....	1
2. Overview of Timber Supply and Demand in China.....	2
3. Provisions of the 2019 Revised Forest Law against Illegal Logging and its Application .....	4
4. Status of Legality Verification Efforts by Timber-Related Businesses in China.....	6
Materials and methods.....	6
Results .....	7
Profile of interviewed businesses .....	7
Type of timber procured and sale destination.....	8
Status of legality verification .....	14
5. Summary and Implications for Importers of Timber Products from China .....	20

## 1. Introduction.

To promote sustainable forest management, international efforts have been made for the past several decades to control illegally harvested timber. In 2008, the United States amended the Lacey Act, followed by the EU's introduction of the EU Timber Regulation in 2010, and Australia's enactment of its Illegal Logging Prohibition Act in 2012. Japan also enacted its Clean Wood Act in 2016 and South Korea amended its Act on Sustainable Use of Timber in 2017.

As China has become a hub for global trade in timber and timber products in recent years, there has been a growing concern over the legality of timber products exported from China. In 2015, a building materials distributor in the USA that imported flooring materials from China was convicted of a felony violation of the Lacey Act for mislabeling oak, illegally harvested in Russia, as British oak. The UK's National Measurement Agency conducted a species analysis of plywood imported from China and found that the species labels on plywood imported by nine out of 13 businesses were incorrect<sup>1</sup>. In interviews with Japanese timber importers regarding legality of timber products, China is often named as one of the most difficult sources to verify, along with Russia and Viet Nam.

Meanwhile, in China, legality verification has been conducted voluntarily, mainly by businesses exporting to European and U.S. markets. The Forest Law in China was revised in 2019 to clearly prohibit the handling of illegally harvested timber.

In this project (PP-A/56-342B "Analysis of Timber Legality Assurance Systems and Good Practices in China and Viet Nam for Sustainable Timber Trade"), we attempted to clarify the status of anti-illegal logging measures under China's revised Forest Law, as well as its actual implementations by timber-related business. Details were compiled in the following two technical reports.

1) Hiromitsu Samejima. 2023. Legislation and other initiatives for legal timber trade in China. IGES on behalf of ITTO, Yokohama, Japan.

2) Hiromitsu Samejima. 2023. Status of Timber Legality Verification by Business Entities in China. IGES on behalf of ITTO, Yokohama, Japan

The purpose of this summary is to assist due diligence conducted by businesses importing timber and timber products from China by summarizing the contents of these technical reports.

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<sup>1</sup> Pillet, N., & Sawyer, M. (2015). EUTR: Plywood imported from China. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/402325/Chinese\\_Plywood\\_Research\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/402325/Chinese_Plywood_Research_Report.pdf)

## 2. Overview of Timber Supply and Demand in China

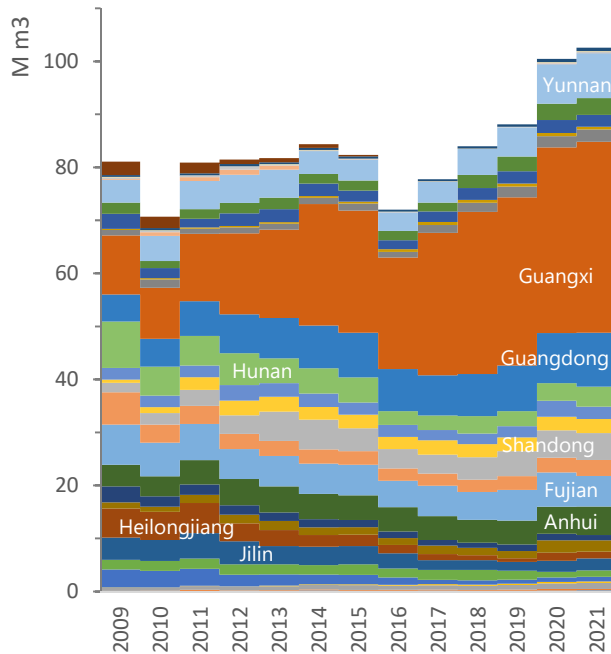


Figure 1 Round log production by province (in million cubic meters). Source: China Statistical Yearbook

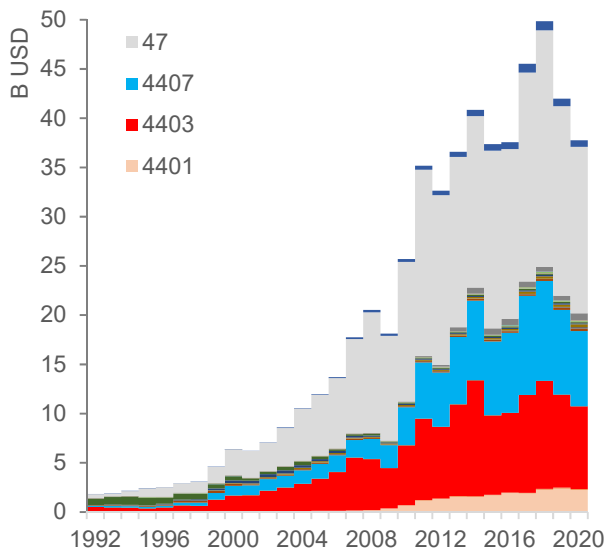


Figure 2 Trends in China's timber imports (in billions U.S. dollars). 4401: Wood Chip, 4403: Round log, 4407: Sawn timber, 47:Pulp. Source: Comtrade

Nearly 100 million cubic meters of round logs have been produced annually in China for the past decade. Since the late 1990s, policies to protect the country's natural forests have been in place and, in 2017, logging of natural forests was essentially banned throughout the country. As a result, domestic timber production has shifted from natural forest to plantations of fast-growing species (poplar, eucalyptus, etc.). In the past, the Northeast and East China regions were the main timber production areas but, in recent years, more than 30% of the nation's production has been in Guangxi, Southwest China (Fig. 1).

On the other hand, China is now the world's largest importer of round log and sawn timber (Fig. 2), with a timber self-sufficiency rate of 49% in 2021. The EU and New Zealand are the main source for round log, and Russia for sawn timber (Fig. 3).

Among countries known to have high levels of illegal logging, most sawn timber imported by China was from Russia (about 15 million cubic meters in 2020) and most round log from Papua New Guinea and the Solomon Islands (about 2 million cubic meters each). Imports from other tropical countries each represent less than a few percent of China's total imports. However, for many tropical countries,

China is the main timber export destination. In 2020, China imported 60% of the world's tropical round logs and 63% of tropical sawn timber (ITTO 2020).

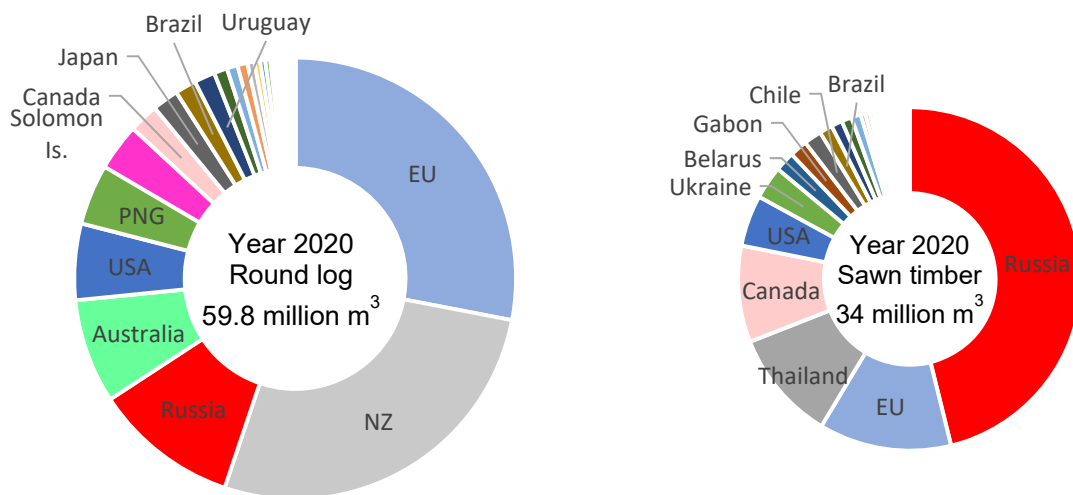
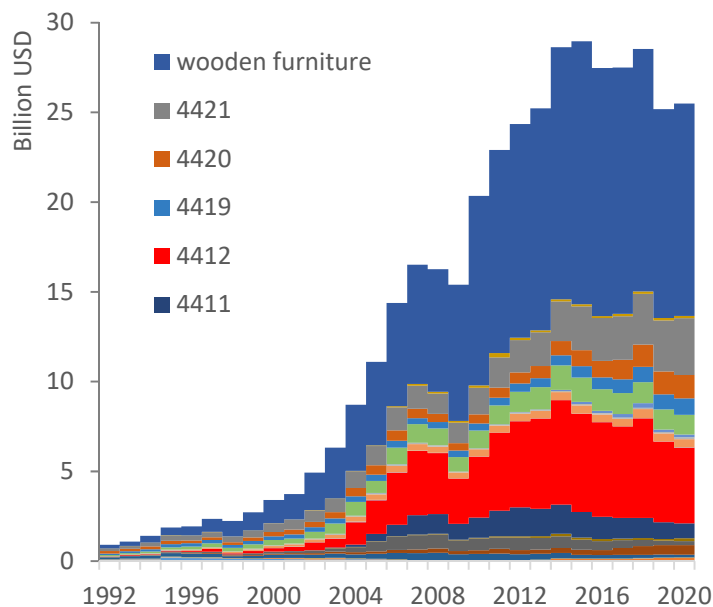


Figure 3 China's imports of round log (left) and sawn timber (right) by source country in 2020. Source: Comtrade



Plywood, furniture, and a variety of timber products are exported from China (Fig. 4). However, the majority of timber produced in, or imported to, China is consumed within China. For example, China is currently the world's largest exporter of plywood, but that volume accounts for only about 10% of domestic production.

Figure 4 China's timber and timber products exports (in billions of U.S. dollars). 4411: MDF, particleboard; 4412: (plywood, block board, etc., 4419: Wooden table and kitchenware; 4420: Wooden ornaments, etc.; 4421: Other wood products. Source: Comtrade

### 3. Provisions and Application of the 2019 Revised Forest Law against Illegal Logging

China's Forest Law was amended in 2019, and the changes were in effect from 2020<sup>2</sup>. Its Article 65 prohibited trade and processing of illegally harvested timber. Article 78 also stipulates penalties for violating Article 65:

*Article 65. Any timber operating or processing enterprise shall keep a standing book for entry and exit of raw materials and products of woods. No organization or individual may purchase, process, or transport woods in full awareness of their illegal origins such as illegal felling or wanton deforestation.*

*Article 78. Anyone who, in violation of the provisions of this Law, purchases, processes, and transports woods in full awareness of their illegal origins such as illegal felling or wanton deforestation, shall be ordered by the competent authorities of forestry of the people's government at or above the county level to cease the illegal activities and confiscate the wood illegally purchased, processed, and transported or the income from sale, and may be imposed a fine of no more than three times of the price of the wood illegally purchased, processed, or transported.*

Although the Forest Law was amended almost three years ago, regulations for its implementation have not yet been published. A draft of implementing regulations was opened for public comment in mid-2022, but without provisions related to Article 65 and therefore giving the impression that Article 65 might not yet be enforced. However, as shown below, there are already at least two cases where penalties have been imposed under Article 65 on businesses that purchase or process illegally harvested timber. The Article 65 was applied with regulations at the provincial level.

*On December 2, 2021, the Forestry Bureau of Lushan County, Pingdingshan City, Henan Province, confiscated purchased timber and fined the purchaser RMB 2,432, 1.8 times the price of the timber, in accordance with Article 65 of the Forest Law and the Administrative Discretionary Standard (trial) of the Forest Law implemented by Henan Province, for purchasing illegally harvested oak.<sup>3</sup>*

*On April 15, 2022, the Natural Resources Bureau of Xianju County, Taizhou City, Zhejiang Province, issued an administrative penalty against villagers and processing business in the county*

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<sup>2</sup> The English translation of the revised Forest Law is quote from < [https://english.mee.gov.cn/Resources/laws/envir\\_relatedlaws/202102/t20210207\\_820735.shtml](https://english.mee.gov.cn/Resources/laws/envir_relatedlaws/202102/t20210207_820735.shtml)>

<sup>3</sup> <http://www.xayzthm.com/upload/files/2022/2/211965861.pdf>



*for purchasing and processing illegally harvested pine boards. The County Natural Resources Bureau conducted interviews and on-site inspections of the business and, in accordance with Article 65 of the Forest Law and the Implementation Standards for Discretionary Authority of Administrative Punishment in the Main Forestry Industry of Zhejiang Province, issued a notice of administrative punishment, ordering them to stop illegally acquiring pine logs, and to pay double the price of the illegally purchased and processed timber, a total of RMB 6,214.<sup>4</sup>*

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<sup>4</sup> [http://www.zjxj.gov.cn/art/2022/4/20/art\\_1636623\\_58972549.html](http://www.zjxj.gov.cn/art/2022/4/20/art_1636623_58972549.html)

## 4. Status of Legality Verification Efforts by Timber-Related Businesses in China

### Materials and methods

The status of legality verification efforts by timber-related businesses in China was investigated through an interview survey. The survey was conducted in cooperation with the China Timber and Wood Products Distribution Association (CTWPDA). A questionnaire was developed for the interviews, and CTWPDA staff approached businesses for the interviews (mainly via SNS and telephone).

The interview survey was conducted in two time periods in 2022 (Table 1). The targeted businesses for the first phase were selected mainly from among CTWPDA member businesses, with the majority of businesses involved in distribution or processing, such as timber imports. On the other hand, the targeted businesses for the second phase were selected from among those certified under the Japanese Agricultural Standards (JAS). Most of them were manufacturers of plywood, LVL (laminated veneer lumber), and flooring. In total, data were obtained from 72 businesses in the first and second phases.

Table 1 Interview period and targeted businesses

Phase	Interview period	Number of responding businesses	Targeted businesses
1st phase	Mar. 24, 2022 - Apr. 29, 2022	35	<ul style="list-style-type: none"><li>• Selected mainly from CTWPDA members</li><li>• Mainly importers to China and processors</li></ul>
2nd phase	Oct. 10, 2022 – Nov. 16, 2022	37	<ul style="list-style-type: none"><li>• Selected mainly from JAS-certified businesses</li><li>• Mainly plywood, LVL, flooring manufacturing and exporting (to Japan) companies</li></ul>

## Results

### Profile of interviewed businesses

The interviewed businesses were located in 15 provinces, with the largest number in Jiangsu Province (Table 2). In particular, in the second phase, 21 of the 37 companies were located in that province. Jiangsu Province has the largest volume of round log imports in China and the largest number of JAS-certified factories. Shandong Province had the next largest number.

Ten business were state-owned and 56 were privately owned. Most of the businesses were established from the late 1990s to the 2010s (Fig. 5). The number of employees ranged from 10 to several hundred (Fig. 6), and the majority of the businesses had sales of 100 million to 10 billion RMB in 2021 (Fig. 7).

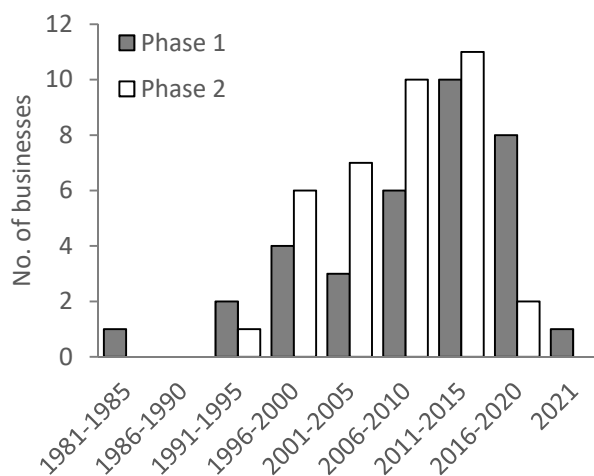


Figure 5 Number of businesses by year of establishment

Table 2 Location of businesses interviewed

Province	1st phase	2nd phase	Total
Beijing	4		4
Tianjin	1		1
Hebei		2	2
Liaoning		3	3
Heilongjiang	3		3
Shanghai	4	1	5
Jiangsu	5	21	26
Zhejiang	1	4	5
Shandong	5	4	9
Henan		1	1
Hubei	1		1
Guangdong	6		6
Guangzhou	2	1	3
Chongqing	2		2
Qinghai	1		1
Total	35	37	72

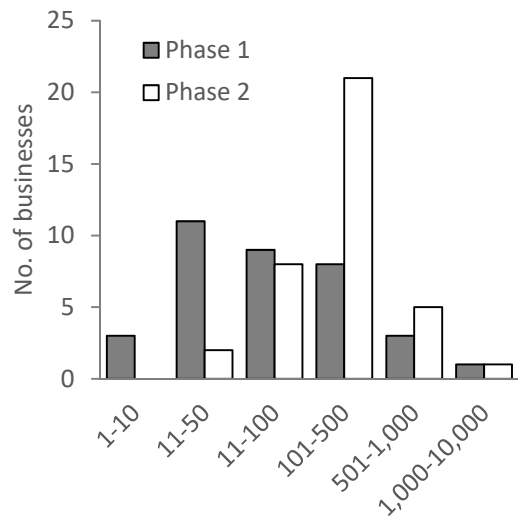


Figure 6 Number of businesses by number of employees

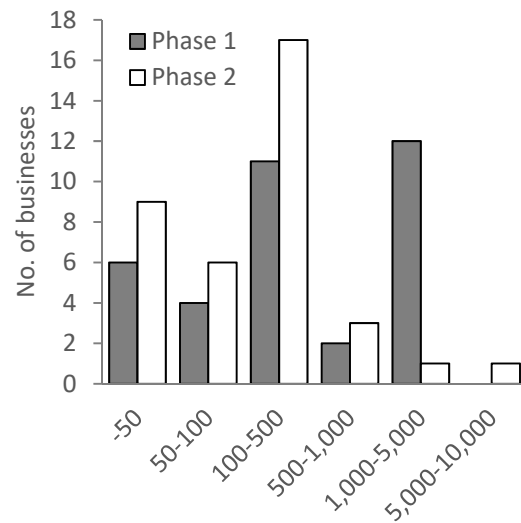


Figure 7 Number of businesses by 2021 sell (in million RMB)

#### Type of timber procured and sale destination

In the first and second phases combined, 52 businesses procured imported timber and 30 businesses procured domestic timber. Fifty-nine businesses sold in the domestic market, and 42 sold in overseas markets. The types of timber procured, and the destination patterns, obviously differed between businesses of the first and second phase. In the first phase, three-fourths of the businesses procured only imported timber and sold only on the domestic market (Table 3). On the other hand, more than 80% of businesses in the second phase procured only domestic timber or both domestic and imported timber and sold only to overseas markets or to both domestic and overseas markets (Table 4).

Of the 52 businesses that procured imported timber, 37 imported by themselves, while 15 procured from other businesses in China (Fig. 8). About half of these businesses said that they did not know who imported the timber into China. Some said that the reason for this was simply a lack of information. Others said that, when they asked their suppliers in China, they were not told the source for fear of direct transaction, excluding the suppliers.

Table 3 Phase 1: 35 businesses

		Sales destination		
		Domestic market only	Domestic and overseas markets	Overseas markets only
Type of timber	Imported timber only	26	4	3
	Imported and domestic timber			
	Domestic timber only	2		

Table 4 Phase 2: 37 businesses

		Sales destination		
		Domestic market only	Domestic and overseas markets	Overseas markets only
Type of timber	Imported timber only	1	2	1
	Imported and domestic timber	1	10	4
	Domestic timber only		13	5

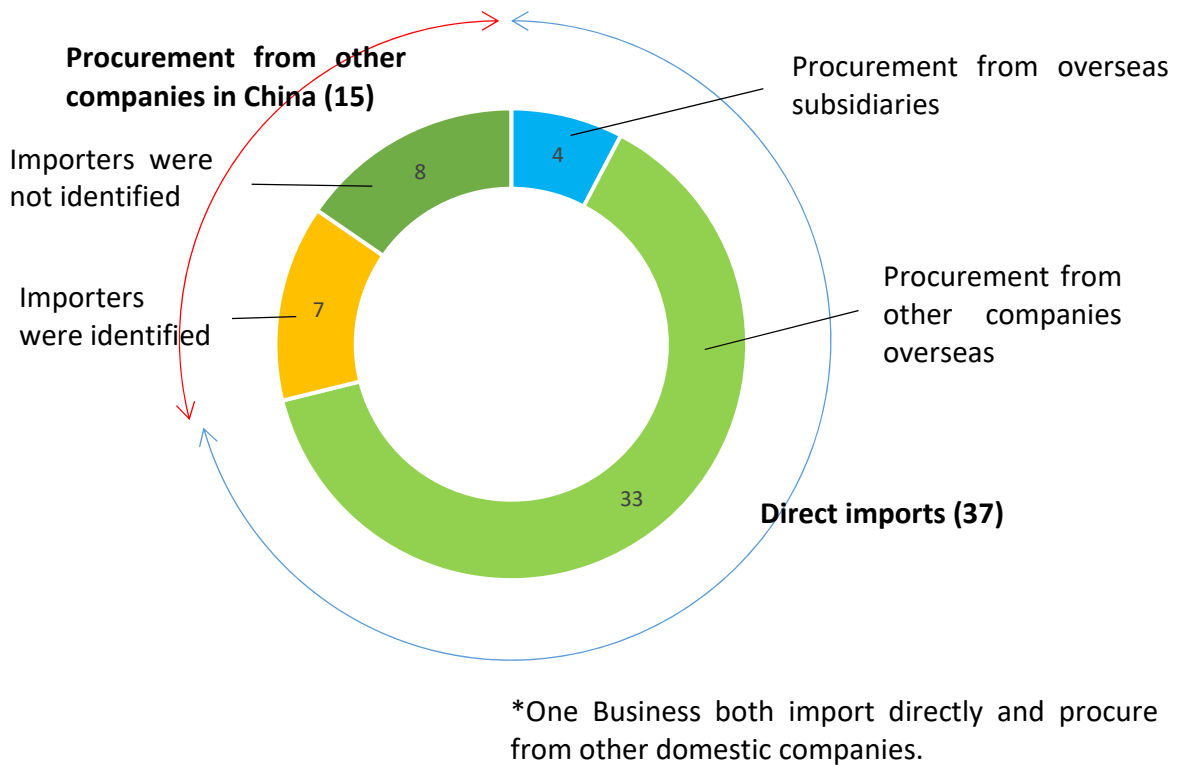


Figure 8 Number of businesses by sourcing methods for imported timber

Countries of origin and species of imported timber are listed in Table 5. Softwood and hardwood timber were sourced from a variety of regions around the world. The countries from which the largest number of businesses procured timber were New Zealand, followed by Russia, the United States, Canada, and the EU, which are the main suppliers of round log and sawn timber to China (Section 2). Among the Phase 2 businesses (JAS-certified businesses), a majority procured radiata pine from New Zealand, while they also procured Russian larch, black walnut and American cherry from the United States, and a variety of hardwoods from Africa.

Domestic timber was procured from 13 provinces (Table 6). Many of the interviewed businesses procured timber from Jiangsu and Shandong provinces where most of them were located, but there were also businesses that procured timber from inland provinces such as Jilin, Sichuan, Shaanxi, and Gansu. In terms of tree species, planted poplar and eucalyptus were most popular species procured from many provinces.

Table 5 Origin and species of imported timber (52 businesses)

Country of origin of imported	1st phase	2nd phase	Tree species
NZ	10	12	辐射松 (Radiata pine)
Russia	13	4	樟子松 (European red pine) 落叶松 (Russian larch) 白松 (White pine?) 杨木 (Poplar) 桦木 (Birch) 柞木 (Oak)
USA	10	3	南方松 (Southern yellow pine: <i>Pinus palustris</i> , <i>P. elliotii</i> , <i>P. echinate</i> , <i>P. taeda</i> ) 花旗松 ( <i>Pseudotsuga menziesii</i> ) 铁杉 ( <i>Tsuga</i> spp.) 黑胡桃 (Black walnut) 樱桃 (American cherry) 红橡 (Red oak) 白橡 (White oak) 黄杨 ( <i>Liriodendron tulipifera</i> ) 白蜡 (Maple?)
Canada	12		南方松 (Southern yellow pine) 花旗松 ( <i>Pseudotsuga menziesii</i> ) 铁杉 ( <i>Tsuga</i> spp.) SPF (Spruce, pine, fir)
EU (Germany, France, Sweden, Finland, Croatia etc.)	9	1	云杉 ( <i>Picea</i> spp.) 樟子松/赤松 (European red pine) 白橡 (White oak) 桦木 (European beech)
Africa (Cameroon, Gabon, Liberia, Mozambique, Madagascar etc.)*	5	4	奥坎 ( <i>Cylicodiscus gabunensis</i> ) 阿尤斯 ( <i>Triplochiton scleroxylon</i> ) 沙比利 ( <i>Entandrophragma cylindricum</i> ) 缅茄木 ( <i>Azelia bipindensis</i> , <i>A. pachyloba</i> ) 绿柄桑 ( <i>Piptadeniastrum africanum</i> ) 非洲柚木 ( <i>Pericopsis elata</i> ) 菠萝格 ( <i>Intsia bijuga</i> ) 小斑马 ( <i>Microberliniac brazzavillensis</i> ) 奥古曼 ( <i>Aucoumea klaineana</i> )
Japan	6	1	柳杉 (Japanese cedar)

Ukraine, Belarus	6		白松 (White pine?) 云杉 ( <i>Picea</i> spp.) 赤松 (Red pine) 樟子松 (European red pine) 落叶松 (Russian larch)
Brazil	6		火炬松 ( <i>Pinus taeda</i> ) 湿地松 ( <i>Pinus elliottii</i> )
Chile	6		湿地松/火炬松 ( <i>Pinus elliottii</i> , <i>P. taeda</i> ) 辐射松 (Radiata pine)
Thailand	2	2	橡胶木 (Rubber tree)
Uruguay	2		火炬松 ( <i>Pinus taeda</i> )
Colombia, Venezuela	2		松木 ( <i>Pinus</i> spp.)
PNG, Solomon Is.	2		香柏木 (cedar)
South Africa	1		肉豆蔻 ( <i>Myristica fragrans</i> )
Philippines	1		唐木 ( <i>Pometia</i> spp.)
Total	33	18	



Table 6 Origin and species of domestic timber (30 businesses)

Province	Number of businesses	Tree species
Hebei	1	桦木 (Birch), 杨木 (Poplar)
Inner Mongolia	1	樟子松 / 赤松 (European red pine)
Jilin	2	桦木, 水曲柳 (Ash), 榆树 (Elm), 松木 (Pine)
Heilongjiang	1	云杉 ( <i>Picea asperata</i> )
Jiangsu	18	桐木 (Paulownia tree), 杨木, 桉木, 桦木, 水曲柳, 松木
Zhejiang	1	杨木, 桉木
Jiangxi	1	杨木, 桉木
Shandong	9	杨木, 桦木, 松木
Henan	2	杨木
Guangxi	4	桉木
Sichuan	2	桉木
Shaanxi	1	云杉
Gansu	1	云杉

Japan was the country to which the largest number of businesses exported (35 businesses) (Fig. 9). Others included the United States, EU & UK, Australia, and South Korea, all of which have laws and regulations against illegal harvested timber, including the Clean Wood Act of Japan.

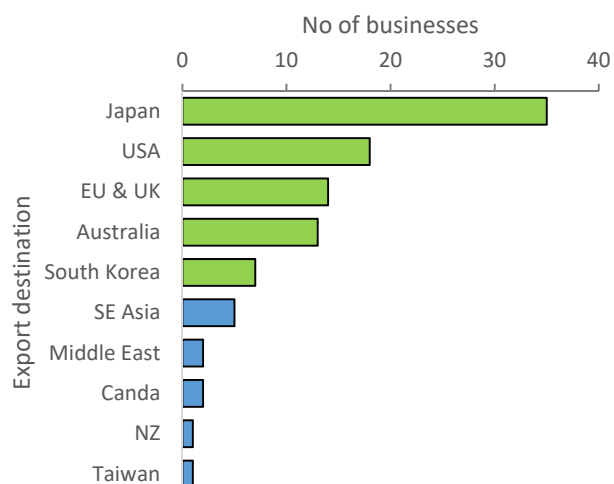


Figure 9 Number of businesses by export destination. Green bars show countries with laws and regulations against illegal harvested timber

### Status of legality verification

Out of 72 businesses surveyed, 70 said that they have a due diligence system for legality and sustainability of timber and provide related information to customers. The Forest Law revised in 2019 requires that all timber distribution and processing businesses establish an own standing book for entry and exit of timber and timber products. Of the 72 businesses, 70 also said that they already have a standing book. Sixty-six said that their standing book included information related to the legality of timber.

During the second phase, respondents were asked whether they require their suppliers to provide documentation on legality or sustainability. Of the 18 businesses that procure imported timber and the 31 businesses that procure domestic timber, all said that they require such documentation.

Due to the circumstances of the COVID-19, the author did not visit the businesses to interview them and is thus not able to confirm whether these businesses were implementing as they claimed. However, it can be said with certainty that many businesses in China are aware of their obligation to verify legality when procuring timber and timber products and to provide relevant information to their customers, regardless of whether the timber and timber products are imported or domestically produced, and whether the customers are inside China or overseas.

Nevertheless, not all the businesses interviewed had obtained proof of legality for their entire procurement. Figure 10 shows the percentages of businesses that obtained legality certification document for their entire procurement volume and those that obtained it for only a portion, by imported or domestic timber, and sales destination. All businesses, however, obtained one legality certification or another.

With the exception of two businesses that procure only domestic timber and sell only to the domestic market, about half of the businesses in all categories reported that they had obtained legality certification for all procurements. We had expected that a higher percentage of businesses selling to overseas markets would have obtained legality certification for all volumes than those selling to the domestic market, but there was no significant difference. We also expected that more businesses would have obtained legality certification for the entire amount of procurement for domestic timber than those for imported timber, but there was also no significant difference between them.

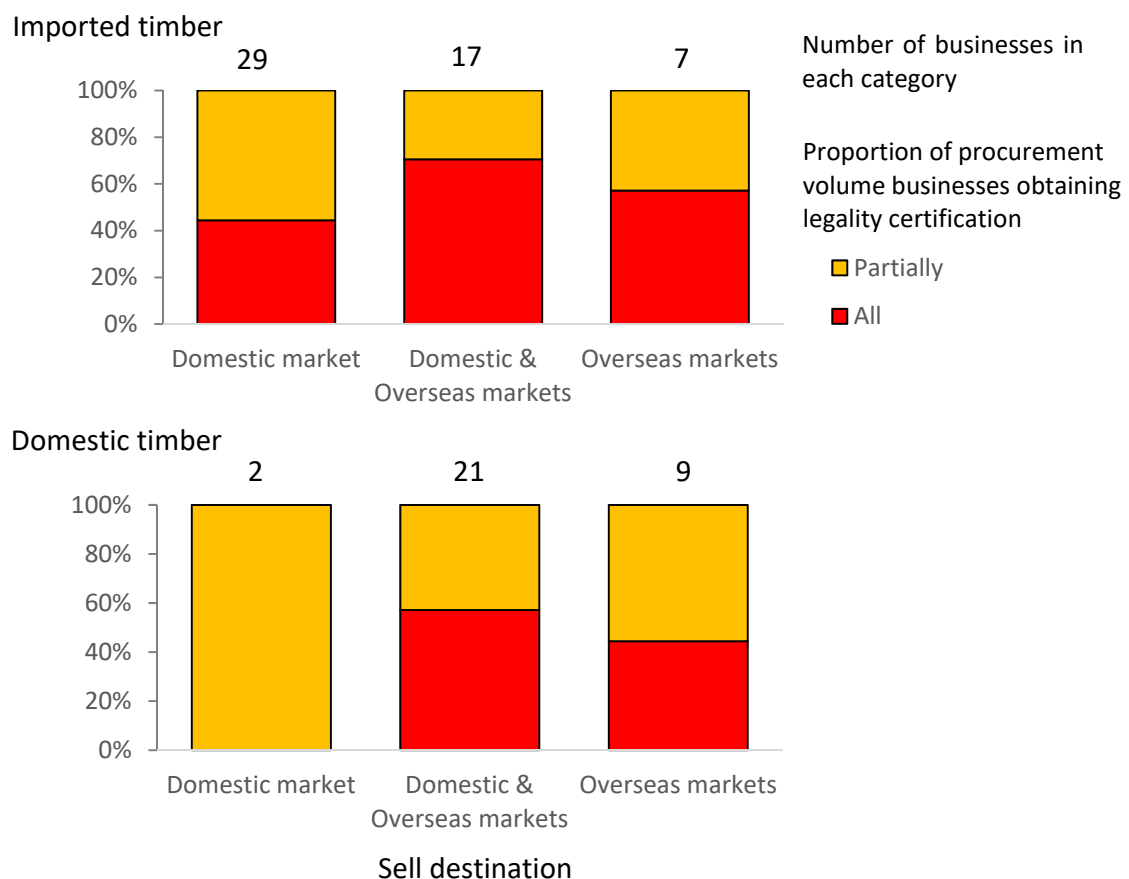


Figure 4 Proportions of businesses that obtained legality certification for all/part of their procurement volume

In terms of the reasons for businesses required legality certification from their suppliers, the largest number of them cited the revised Forest Law and other domestic laws and regulations in China (Fig. 11). This was particularly prominent among businesses that sell in the domestic market, but even among those that sell overseas, many cited this as the reason, especially for domestic timber. In addition, marketing in overseas markets or requirements from customers were also cited by many businesses as the reason for requiring legality certification from suppliers.

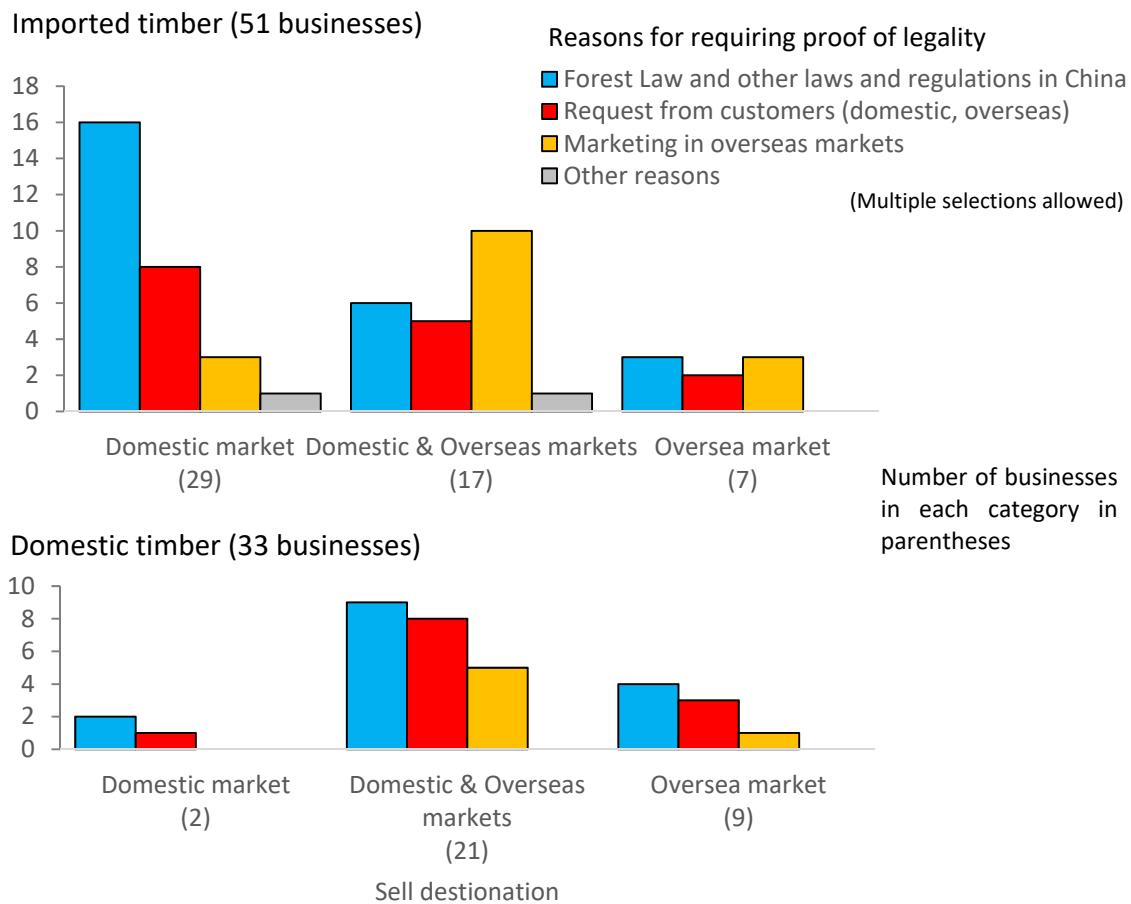


Figure. 5 Reasons for requiring legality certification from suppliers

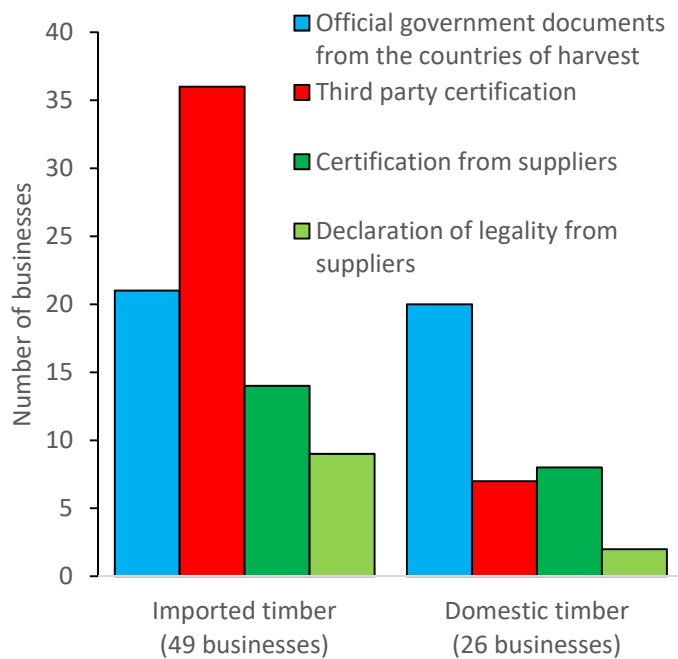


Figure 6 Legality certification documents required from suppliers

The businesses were also asked which documents they required from their suppliers as evidence of the legality (Fig. 12). It is possible that some businesses provided responses based on the documents they requested, regardless of whether they obtained them or not, while others could have provided answers based on the documents they actually obtained, regardless of whether they had requested them or not.

For imported timber, the largest number of businesses used third-party certifications such as forest certification while, for domestic timber, the largest number of businesses used harvesting permits from local governments.

Regarding challenges the businesses encountered in obtaining these legality certifications, about 30% reported having no particular challenges for imported and domestic timber respectively (Fig. 13), while 60-70% of businesses encountered some challenges for both imported and domestic timber. For imported timber, the most common challenges reported by businesses directly importing timber was the absence or ignorance of legality certification systems in the countries of harvest. Meanwhile, the most common challenge reported by businesses that procure imported timber from other businesses in China was that their suppliers are not logging companies.

As for domestic timber challenges, many businesses said that the supply chain is complicated and that some suppliers do not have legality certificates. In particular, some business reported that harvesting permits are not available for timber harvested around farmers' houses because such areas are not covered by the certification system.

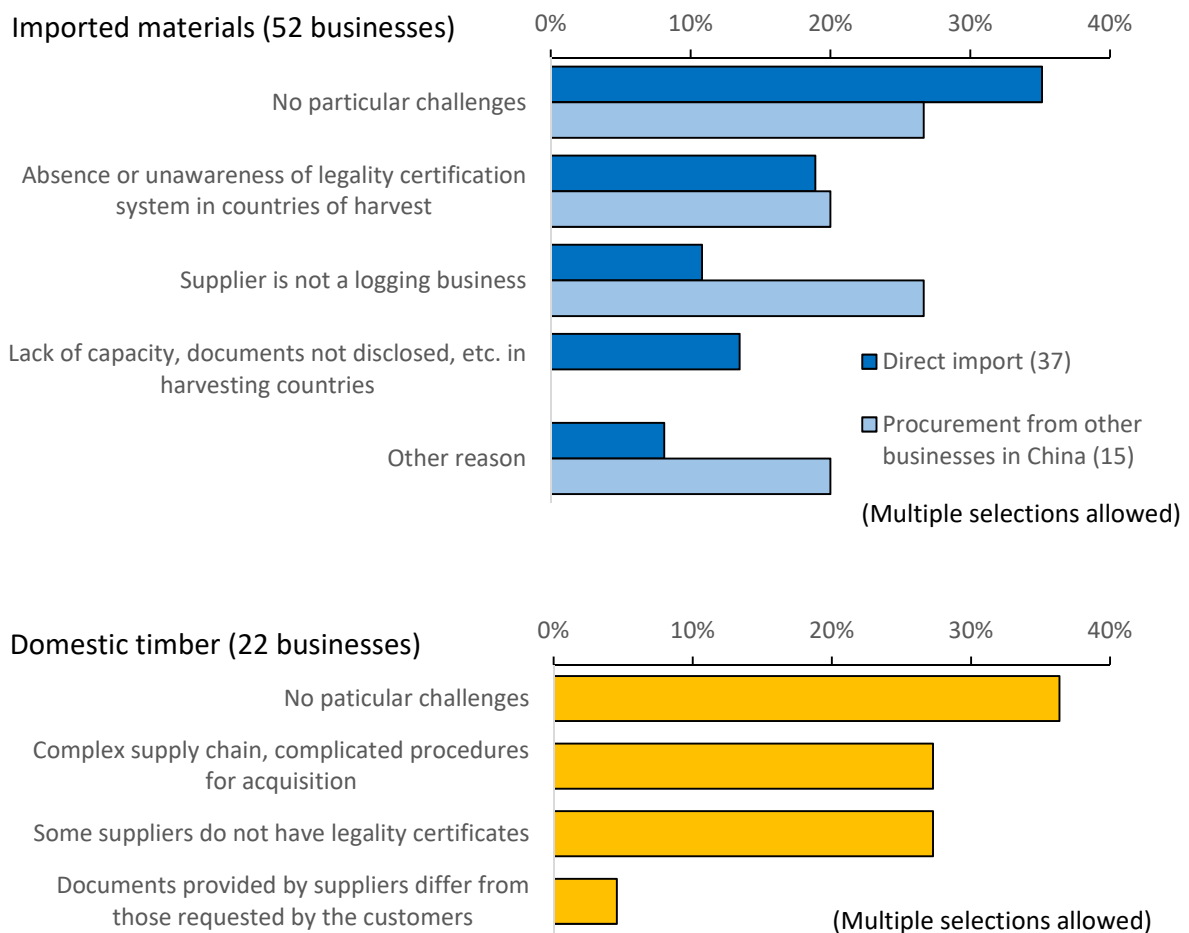


Figure 7 Proportion of businesses that encountered challenges in obtaining proof of legality

In terms of measures taken to ensure the legality or sustainability of timber at the time of harvest, the largest number of businesses, both imported and domestic, cited changing suppliers (business or country) with traceable supply chains (Fig. 14). The CTWPDA also indicated that they have supported their members to conduct this measure.

Other measures were also taken by many businesses for imported timber. Some businesses importing from Cameroon, Gabon, and Russia reported acquiring their own logging concessions or establishing own plantations. Some also reported supporting their suppliers to obtain certification on legality and sustainability. For example, one business mentioned that they helped their domestic suppliers of New Zealand radiata pine to obtain Chain of Custody (CoC) certification.

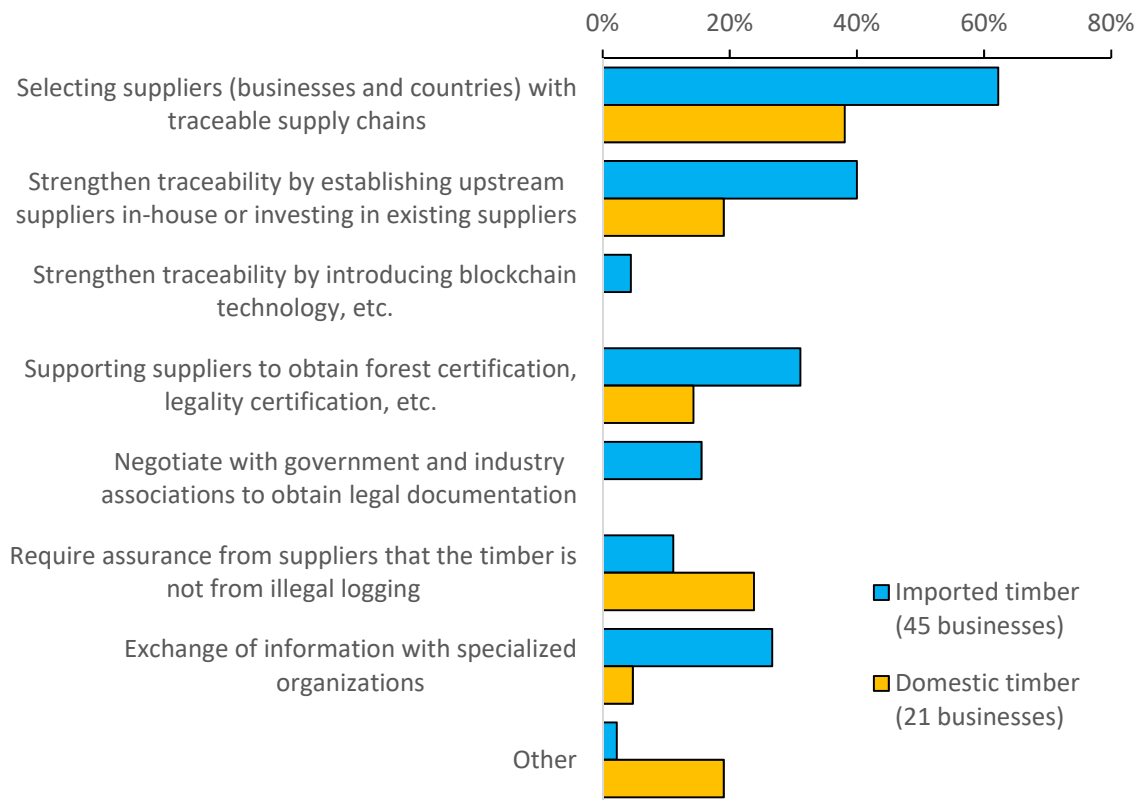


Figure 8 Measures taken to ensure the legality or sustainability of timber

During the first and second phases of the [project name] project, different questions were asked in the documentation provided to the customers. In the first phase, businesses were asked whether their customers requested proof of legality, with 22 out of 35 businesses responding affirmatively. However, even among those who answered negatively, some provided proof of legality to their customers, and at least 11 businesses offered FSC certification information. In the second phase, businesses were asked what documents they provided to their customers as proof of legality. Out of the 22 businesses that responded, 10 reported official documents like logging permits from the government of the country of harvest (or local government for domestic timber), while 9 offered third-party certifications, such as forest certification.

## 5. Summary and Implications for Importers of Timber Products from China

In China, Article 65 of the Forest Law, which was amended in 2019, clearly prohibits the purchasing, processing, and transporting of timbers in full awareness of their illegal origins such as illegal felling or wanton deforestation. Although the implementing regulations for this revised law have not yet been published, Article 65 is already in effect along with local government-level regulations.

The results of the interview survey indicated that most of the timber-related businesses in China are aware of their responsibility to verify legality of procured timber, regardless of whether it is imported or domestically produced and whether it will be sold domestically or overseas. The largest number of businesses cited the revised Forest Law and other laws and regulations in China as the reason for confirming legality. These results were contrary to the expectation that businesses in China would only conduct legality verification for the sake of marketing and demand from Western customers and that it would mainly be exporters that would do so.

The results of this study provide some suggestions. Timber product importers from China can negotiate with their suppliers based on the assumption that they are obligated not to handle illegally logged timber under the revised Forest Law and other regulations in China, regardless of the timber's origin and sales destination. To efficiently confirm legality, importers can check how suppliers confirm legality according to Article 65 of the revised Forest Law.

On the other hand, it is important to note that the Chinese government and businesses may prioritize their own standards (e.g., stable supply of timber to China) in terms of which product types and tree species they require to meet which legality standards (rather than those of their customers). For this reason, it is important to importers to confirm whether there are any



differences between their own standards and those of their Chinese suppliers and, if so, in what respects.

Moreover, this study also shows that not all businesses in China have fully achieved their responsibility to confirm legality. Only 40-70% of businesses said that they had obtained legality certification for all the timber they procure, and 60-70% of businesses reported some difficulty in verifying the legality of imported and domestic timber. Nonetheless, many businesses are making efforts to ensure legality and sustainability, such as changing procurement sources and investing in upstream activities.

To ensure sustainable procurement of legal timber products from China, it is necessary to understand the challenges faced by Chinese timber businesses to procure legal timber and verify legality, and to support their efforts to ensure legality.