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## Economic Commission for Europe

### Committee on Forests and the Forest Industry

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Item 2 (a) of the provisional agenda

#### Forest economics and markets:

#### Deforestation-free trade dialogue

## Deforestation-free trade

### Note by the Secretariat

#### *Summary*

The following document summarizes background information for the discussion during the deforestation-free trade dialogue session on the role of deforestation in the United Nations Economic Commission for Europe member States and globally, the main drivers of deforestation, the trade values of key commodities linked to deforestation, policy measures to prevent that trade of key commodities causes deforestation in general and, in particular, the European Union Regulation “on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation”.

The deforestation-free trade dialogue offers an opportunity for cross-sectoral exchange and discussion among participants from various value chains including cattle, cocoa, coffee, palm oil, rubber, soy, and wood on deforestation free supply chains and their effective and efficient functioning.

Delegates are invited to take note of the information provided, share experiences from their countries and sectors during the dialogue session and guide the secretariat on possible next steps. A summary of the session will be included in a post-session document.

The document is submitted according to A/78/6 (Section 20); ECE/TIM/EFC/WP.2/2024/2, para 42.



## I. Introduction

1. Climate change, pollution and biodiversity loss, also referred to as the triple planetary crisis, are the three main interlinked environmental issues facing our planet. Forests, which cover nearly one-third of all land are critical for global efforts to address all of its three components. Therefore, sustaining healthy and resilient forests and halting deforestation is key also for the Sustainable Development Goals (SDG) such as SDG 15.2 which states “*By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally*”.
2. In the United Nations Economic Commission for Europe (ECE) region, countries have taken numerous actions to halt and prohibit deforestation. This includes the successful introduction of legal measures on banning illegal wood and wood products from domestic markets, such as the European Timber Regulation in the European Union (EUTR) since 2010, the 2008 amendment to the Lacey Act in the United States, the 2013 Timber and Timber Products Placing on the Market Regulations of the United Kingdom of Great Britain and Northern Ireland (UKTR) or the 2022 Timber Trade Ordinance (TTO) in Switzerland.
3. The 2022 Forest Resources Remote Sensing study of the Food and Agriculture Organization of the United Nations (FAO) highlights that the forest sector and the production of wood products are not the main drivers of deforestation globally – this is rather caused by clearing forest land for agricultural production. In particular, the study highlights cropland expansion (including oil palm plantations) as the main driver of deforestation, causing almost 50 percent of global deforestation, followed by livestock grazing, accounting for 38.5 percent. Overall, agricultural expansion, which includes these two drivers, is marked as responsible for almost 90 percent of deforestation worldwide. Oil palm plantations alone accounted for 7 percent of global deforestation in 2000–2018. To counter this, many countries are in the process of preparing or enacting legal instruments to prevent commodities such as cattle, cocoa, coffee, oil palm, soy, rubber and others having caused or leading to deforestation from entering their domestic market.
4. Data from the United Nations Statistical Database (COMTRADE) indicate that wood-based products are the most important commodity when compared to cattle, cocoa, coffee, palm oil, rubber, and soy. Wood based products constitute almost 50% by global trade value of all these commodities.
5. One of them is the soon to enter into force Regulation of the European Union (EU) “*on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation*” (EUDR). In contrast to approaches in other countries this Regulation includes wood and wood derived products. Once in force, the European Timber Regulation (EUTR) will no longer be applied.
6. The EUDR applies to market actors who import into or export from the EU or any downstream level of the production chains that use parts of cattle, cocoa, coffee, oil palm, rubber, soy and wood – the global trade of which amounts to about USD 1 trillion. The regulation puts the responsibility of proof that the products did not cause deforestation on those who place the product on the market for the first time or who want to export these products from the EU. According to the EUDR, operators and traders must exercise due diligence and take action to mitigate the risk to ensure that there is at most a negligible risk of non-compliance of relevant products. The due diligence statement is the key document of proof and needs to be obtained prior to exporting or importing relevant commodities. Several aspects of these due diligence statements seem to pose significant technical challenges for the implementation of the EUDR by key producer countries and market actors in the value chain of the various commodities.
7. While it might be too early to fully assess its scope and impact of the implementation of the EUDR on forest and forest products sector in the ECE region., the deforestation-free trade dialogues organized under the auspices of the ECE Committee on Forests and the Forest Industry can provide a valuable first glimpse. With participants from all the value chains concerned (cattle, cocoa, coffee, oil palm, soy, rubber and wood) this event presents an opportunity to explore the implications of deforestation free trade regulations and the related

current and future opportunities and challenges. This cross-sectoral dialogue platform will review and discuss options on how to best prepare for and comply with the EUDR; identify, prioritize and discuss common concerns; and exchange on practical solutions and ways to facilitate EUDR implementation across all sectors concerned.

8. The following sections give an overview on the importance deforestation<sup>1</sup> and its main drivers as well as ECE region's role in global trade of cattle, cocoa, coffee, oil palm, rubber, soy and wood.

## II. Background

9. The Intergovernmental Panel on Climate Change (IPCC) emphasizes in its sixth Assessment Report that the technical climate mitigation potential of reducing deforestation and degradation is significant and cost effective. Concretely, reducing deforestation and degradation could reduce emissions by 4.5 Giga tons of CO<sub>2</sub> per year (GtCO<sub>2</sub> yr<sup>-1</sup>) globally by 2050, of which 3.4 Giga tons of CO<sub>2</sub> per year is available at below USD 100 per tonne of CO<sub>2</sub>.

10. Over the past decade, in the tropical region, for example, hundreds of subnational initiatives on reducing deforestation related emissions have been implemented. Reduced deforestation is a significant part of the Nationally Determined Contributions (NDCs) in the Paris Agreement and its aim of keeping the temperature below 1.5°C.

11. The conservation of forests worldwide provides multiple co-benefits linked to ecosystem services, biodiversity and sustainable development. This said, ensuring good governance, accountability (e.g., enhanced monitoring and verification capacity), and the rule of law are crucial for implementing forest-based mitigation options. In many countries with the highest deforestation rates, insecure land rights often are a significant barrier for forest-based mitigation options.

12. The roughly 41% of the global forest area that is in the ECE region produces about 60% of wood used for products globally. Countries in the ECE region have a long track-record in managing their forest and tree resources in a sustainable and multifunctional way to maintain biodiversity, its productive capacities and ecosystem services for e.g. filtering air and water, wood production, other goods and services, and recreation. The region is committed to sustainable forest management (SFM) for all its forests. More than 70% of the global forest area of the region is certified for sustainable forest management by third-party organizations.

13. While the forest carbon storage situation is more reassuring in the ECE region, on the global scale, deforestation remains a source of concern driven by various factors.

14. The FAO Global Forest Resources Assessment (FRA) 2020 indicates that deforestation continues, albeit at a lower rate. An estimated 420 million ha of forest has been lost worldwide through deforestation since 1990, but the rate of forest loss has declined substantially. In the most recent five-year period (2015–2020), the annual rate of deforestation was estimated at 10 million ha, down from 12 million ha in 2010–2015. These data were confirmed by FAO's 2020 Remote Sensing Survey of the 2020 Forest Resources Assessment (FAO RSS) which concluded that annual deforestation decreased by around 29 percent – from 11 million hectares per year in the decade 2000-2010 to 7.8 million hectares per year in the period 2010-2018. Net forest area losses have more than halved during the survey period, decreasing from 6.8 million hectares per year in 2000-2010 to 3.1 million hectares per year in 2010-2018.

15. The highest deforestation in 2000-2018 occurred in South America (68 million hectares deforested), followed by Africa (49 million hectares). The top five countries with the highest absolute loss in forest accounted for the annual loss of slightly more than 4 million hectares per year (M ha/y) – slightly more than half the total loss of forests globally. They included (in decreasing order of absolute loss in forest area) Guinea (1.453 M ha/y), the

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<sup>1</sup> The assessment does not include forest degradation, due to the lack of an internationally agreed definition.

Democratic Republic of the Congo (1.101 M ha/y), Indonesia (579 M ha/y), Brazil (555 M ha/y) and United Republic of Tanzania (469 M ha/y).

16. The 2020 FAO RSS identified the global drivers of deforestation in the world between 2000 and 2018 (FAO 2022) as:

- (a) 43.1% cropland expansion (excluding conversion to palm oil plantations);
- (b) 38.5% livestock grazing;
- (c) 6.5% oil palm plantations;
- (d) 6.2% urban and infrastructure development;
- (e) 4.0% severe degradation (i.e. Forest converted to Other Wooded Land);
- (f) 1.8% dam construction and change in water courses.

17. These numbers suggest that deforestation-free supply-chains are not driven by production and extraction of wood and non-wood forest products. In fact, agricultural expansion (see above (i), (ii) and (iii)) were responsible for almost 90 percent of deforestation worldwide during that period. The FAO RSS stresses that this figure is considerably higher than in earlier analyses of deforestation drivers.

### III. International trade and deforestation

18. The economic value of the products that are subject to due diligence measures under the EUDR varies greatly. Based on trade data from the United Nations Comtrade database the value of trade of EUDR covered commodities is dominated largely by wood-based products (USD 520 billion) followed by rubber and soy which each account for around USD 150 billion in trade value. Global trade values of cattle and oil palm products both stay below USD 100 billion while cocoa and coffee with each roughly USD 50 billion are the two smallest sectors in terms of global trade values (table).

Table

**Global trade of commodities covered by the EUDR (cattle, cocoa, coffee, oil palm, rubber, soy and wood) [USD billion] and the share of ECE member States and non-ECE countries in global exports and imports [percent]**

		<i>Global trade primary value [USD billion]</i>	<i>Share of global exports value [percent]</i>		<i>Share of global imports value [percent]</i>	
			<b>from ECE total</b>	<b>From ECE to non-ECE</b>	<b>to ECE total</b>	<b>to ECE from non-ECE</b>
<b>Cattle</b>	<b>Live cattle</b>	8.6	65.9%	4.2%	75.3%	13.6%
	<b>Meat of cattle</b>	69.1	46.3%	14.9%	46.1%	14.7%
	<b>Raw hides</b>	3.2	81.1%	40.5%	42.9%	2.2%
	<b>tanned hides</b>	3.8	39.6%	19.9%	35.7%	16.0%
	<b>Leather*</b>	8.0	53.6%	15.0%	48.1%	9.5%
	<b>total</b>	92.6	<b>24.8%</b>	<b>7.5%</b>	<b>24.2%</b>	<b>6.9%</b>
<b>Cocoa</b>		52.8	<b>65.6%</b>	<b>9.1%</b>	<b>77.0%</b>	<b>20.6%</b>
<b>Coffee</b>		40.1	<b>37.7%</b>	<b>3.7%</b>	<b>81.2%</b>	<b>47.2%</b>
<b>Oil Palm</b>		78.5	<b>12.2%</b>	<b>1.7%</b>	<b>35.0%</b>	<b>24.5%</b>
<b>Rubber</b>	<b>Natural rubber</b>	19.4	2.9%	0.1%	35.9%	33.1%

	Global trade primary value [USD billion]	Share of global exports value [percent]		Share of global imports value [percent]	
		from ECE total	From ECE to non-ECE	to ECE total	to ECE from non-ECE
<b>New tyres</b>	90.1	46.9%	7.2%	70.4%	30.7%
<b>other rubber products</b>	48.7	59.2%	14.5%	63.7%	19.0%
<b>total</b>	158.1	<b>22.6%</b>	<b>4.3%</b>	<b>32.1%</b>	<b>13.7%</b>
<b>Soy</b>	<b>144.3</b>	<b>36.8%</b>	<b>27.5%</b>	<b>21.5%</b>	<b>12.0%</b>
<b>Wood</b>					
<b>Wood products</b>	189.1	66.4%	14.0%	65.0%	12.6%
<b>Pulp and paper</b>	255.4	66.3%	16.8%	59.0%	9.6%
<b>Furniture**</b>	73.3	44.4%	4.3%	81.4%	41.1%
<b>Prefabricated houses***</b>	2.0	66.3%	16.8%	59.0%	9.6%
<b>total</b>	<b>519.8</b>	<b>31.6%</b>	<b>7.0%</b>	<b>32.2%</b>	<b>7.6%</b>

Notes: Annual average trade values based on primary value for 2021 and 2022.

\* For further processing.

\*\* Wooden furniture, annual average 2020 and 2021.

\*\*\* Prefabricated wooden houses.

Source: The United Nations Comtrade database 2024

19. Many countries in the ECE region are of global importance for the transformation of primary materials (from domestic production or from imported raw materials) into higher value-added products. ECE member States are also major producers of cattle, soy and wood and therefore also competing on global markets with producers from outside the region. The raw materials cocoa, coffee, oil palm, rubber are not produced in the ECE region. They are imported as raw material for further processing into value added products. The most striking example of the transformation of an imported commodity into high value-added products is cocoa. ECE member States account for almost 2/3 of global exports by value although there is no domestic cocoa production.

20. ECE's sourcing and trade patterns in these global commodities are complex. In addition to direct and indirect sourcing, each commodity sector has its own pattern of importing and exporting from or to countries with or without deforestation, various degrees of processing and value-adding and re-exporting of transformed products. The value per unit of traded commodities varies greatly and strongly influences the sectors' capacities to comply with the due diligence requirements of the EUDR regulation.

#### IV. Deforestation-free trade instruments and legislation

21. The potential negative impact of international commodity and wood trade on deforestation and forest degradation was recognized in the 2021 "Glasgow leaders' declaration on forests and land use". In this declaration, countries committed to strengthening their shared efforts to (i) Conserve forests and other terrestrial ecosystems and accelerate their restoration; and (ii) Facilitate trade and development policies, internationally and domestically, that promote sustainable development, and sustainable commodity production and consumption, that work to countries' mutual benefit, and that do not drive deforestation and land degradation.

22. Other efforts to encourage the trade in legally and sustainably sourced products and commodities include amongst others the Lacey Act in the United States, the Timber and Timber Products Placing on the Market Regulations of the United Kingdom of Great Britain and Northern Ireland (UKTR) or the Swiss Timber Trade Ordinance (TTO). Several

countries are currently working on similar extensions of their legislation to prevent that the import of various commodities lead to deforestation in other parts of the world.

23. It is in this global context, that the European Union adopted the Regulation<sup>2</sup> (EU) 2023/1115 on Deforestation-free products on 29 June 2023. This Regulation is one of the most ambitious, far-reaching approaches to date, and holds the potential to significantly impact the production and trade of cattle, cocoa, coffee, oil palm, rubber, soya and wood.

24. Therefore, the preparations for and the compliance with the EUDR is a key issue for forest products markets in the ECE region and beyond.

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<sup>2</sup> Regulations of the EU have binding legal force throughout every Member State and enter into force on a set date in all the Member States ([https://european-union.europa.eu/institutions-law-budget/law/types-legislation\\_en](https://european-union.europa.eu/institutions-law-budget/law/types-legislation_en)).