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Background to the research

This country note presents Chatham House's assessment of the likelihood of illegality in the supply chains of the main wood-based products exported by Brazil. It was prepared to inform our analysis of illegal trade at the international level which has been published as part of the report '[Establishing fair and sustainable forest economies: lessons learned from tackling illegal logging](#)'. This is the most recent in a series of reports on governance and legality in the forest sector in the forest sector, an issue that Chatham House has been monitoring since 2008.

The country note has been published as a background document to explain how the international estimates of illegal trade were made. Thus, it is not intended to provide a comprehensive review of all the available data and information on forest sector legality for Brazil. International and national experts in Brazil's forest sector provided feedback on preliminary versions of the country note.

Overview of exports

The great majority of Brazil's exports of wood-based products derive from plantations. Exports of pulp to China and, to a lesser extent, the EU28 (now EU27) account for most of the strong growth in those exports. Brazil's exports of sawnwood and plywood of plantation-grown coniferous species are large and rapidly increasing, having declined steeply 10 years previously. Brazil's exports of tropical timber declined likewise during the second half of the 2000s; this was accompanied by an increase in the consumption of tropical timber on the domestic market. However, in contrast to plantation-grown timber, exports of tropical timber have rebounded to much less than their previous level. Most of that tropical timber is destined for the EU-28 and US. Brazil's exports of paper are destined primarily for countries in South America and have changed little in quantity for more than a decade.

The Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA) has a well-designed electronic system, SINAFLOR¹, to control the legal authorization process for forest exploitation, as well as transportation, conversion, use and storage of timber and lumber in Brazil. Each step of the production chain is recorded electronically, meaning there is information from the tree in the forest, its transportation and processing, until its arrival at its final destination.

¹ SINAFLOR: National System for the Control of the Origin of Forest Products (Sistema Nacional de Controle da Origem dos Produtos Florestais), see, Ministry of the Environment (undated), 'Sistema Nacional de Controle da Origem dos Produtos Florestais', <http://ibama.gov.br/sinaflor>.

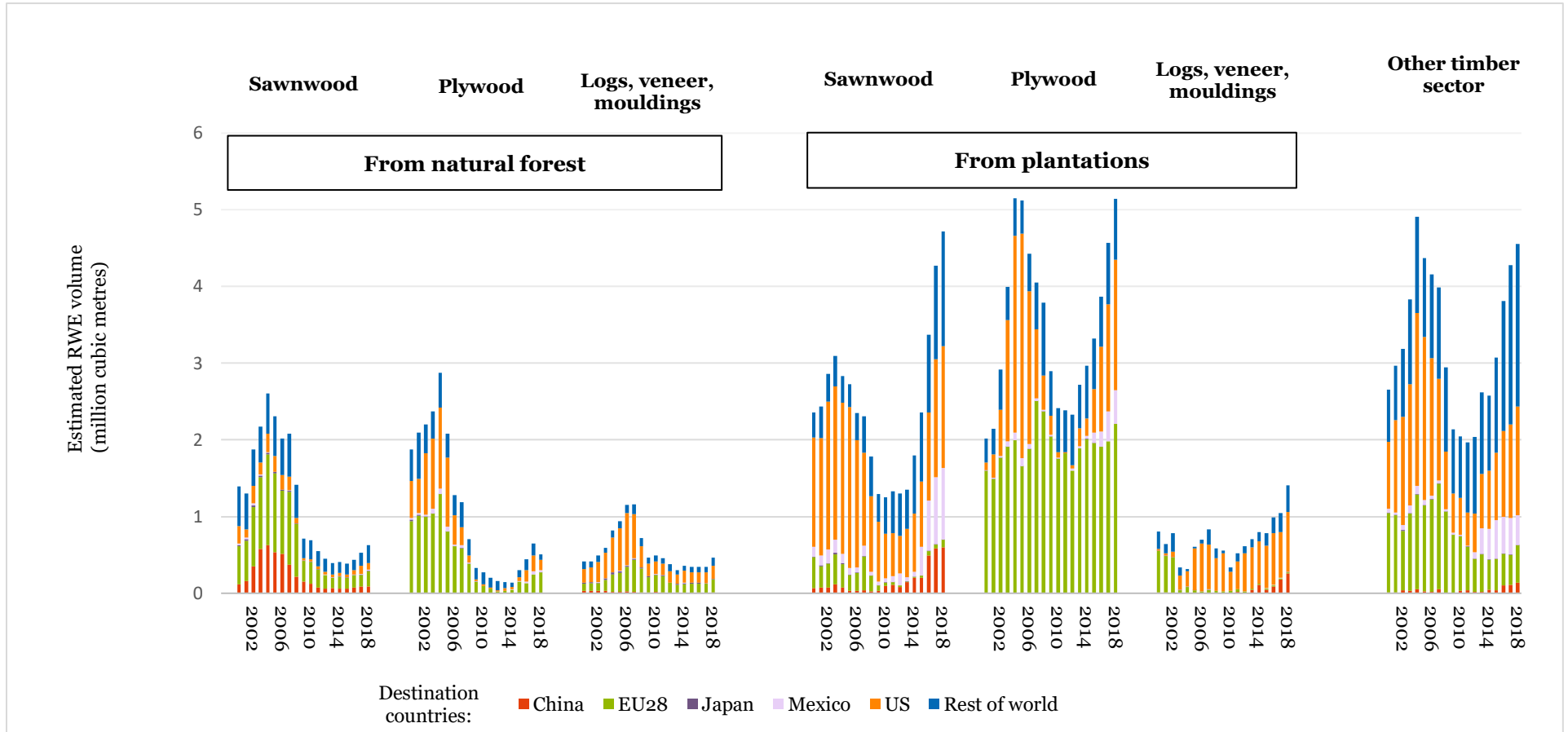


Figure 1: Exports of timber-sector products from Brazil

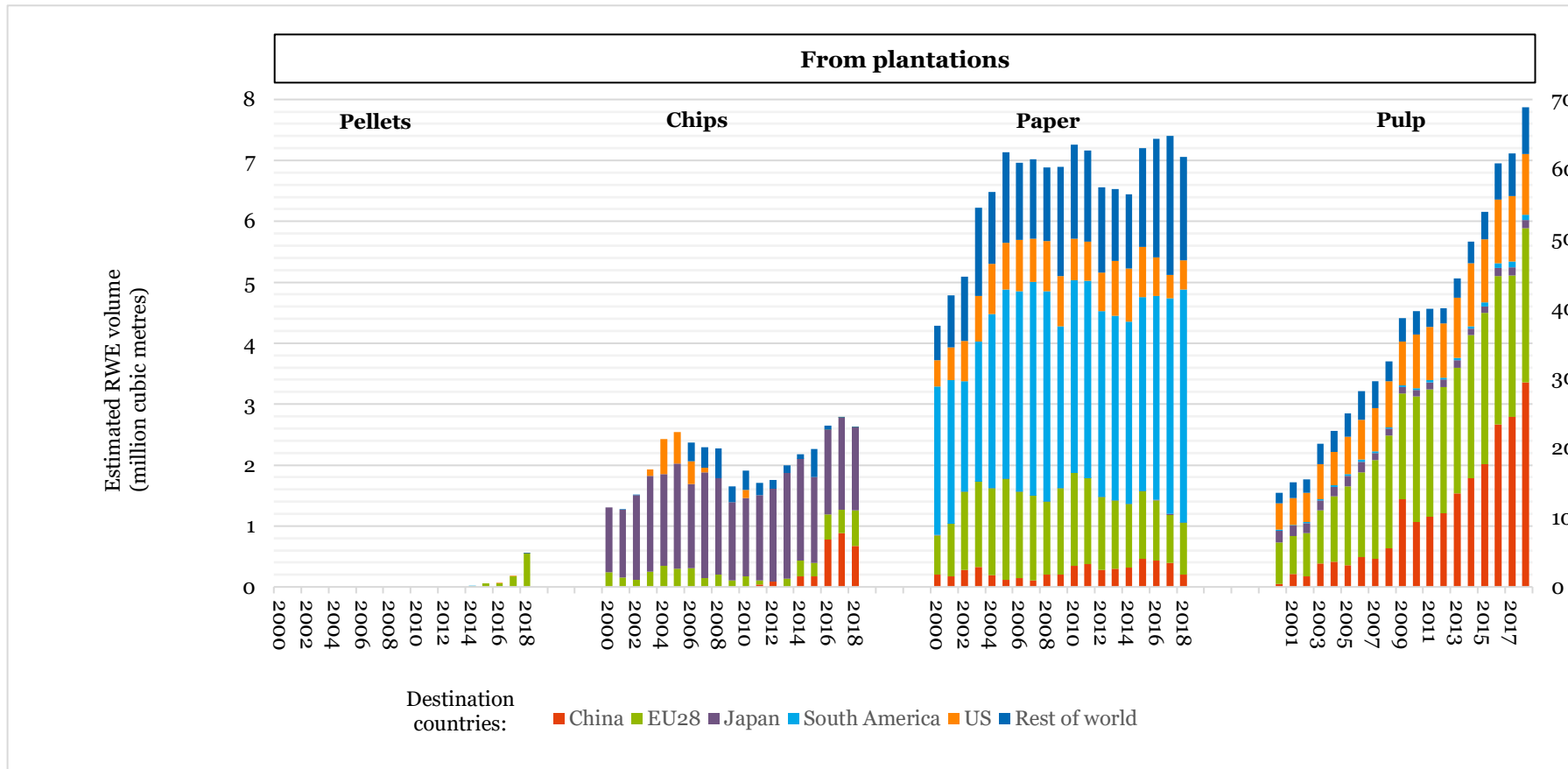


Figure 2: Exports of paper-sector products from Brazil²

Source: Chatham House analysis based on Brazil's official statistics, available at <http://www.mdic.gov.br/comercio-exterior/estatisticas-de-comercio-exterior/> and Comex Stat, <http://comexstat.mdic.gov.br/en/geral>

² Standard conversion rates to estimate roundwood equivalent volume have been adopted for all countries, because of a lack of published data for many countries. The following rates have been adopted: multiplying volume by, in m³/m³: 1.4 particleboard, 1.8 sawnwood and fibre board, 1.9 veneer and mouldings, 2.3 plywood; and multiplying weight by, in m³/tonne: 1.6 chips, 2.4 pellets, 2.8 furniture, 3.5 joinery, 4.5 pulp

Methodology for estimating illegal logging and trade

The analysis considers five categories of illegal practices common across all countries. These categories are listed below, with examples given of the types of illegal activity that they can include in different countries and regions:

- Customary tenure & resource rights
 - FPIC not obtained from any affected people or communities
 - The rights of any affected people or communities not adequately taken into consideration and addressed in the process of allocating permits or developing management plans; and any loss of rights not adequately compensated
- Award of permits
 - EIAs not conducted in accordance with legal requirements
 - Decision-making process for the award of permits does not follow legally required process; e.g. calls for tenders not published; technical requirements for selection of bids not followed; evidence of corruption in the process
 - Use of proxies where the beneficiary would be ineligible
- Forest management & harvesting
 - Management plans not developed or implemented; e.g. plans do not meet legal requirements; logging in restricted areas; overharvesting of particular species; etc.
 - Health & safety and/or labour laws not complied with; e.g. no provision of safety equipment; employment of illegal immigrants; non-payment of salaries or of minimum legal wage
 - Environmental legislation not complied with; e.g. logging of protected areas or species; non-compliance with requirements for protection of wildlife; pollution of water courses
- Forest sector payments & financing
 - Relevant royalties, fees, taxes and fines not paid
 - Benefit-sharing agreements with local communities not complied with
 - Fraudulent financing / money laundering by concessionaires or in relation to mills
 - Transfer pricing
- Transport & trade
 - Export bans or quotas for certain species or products are breached or exceeded
 - False declarations made; e.g. misdeclarations of species, value, source
 - Non-compliance with CITES

Based on a review of the available data, the likelihood of each of the five categories of illegal practice was assessed for the main exported products.³ This was classified either as low (<10 per cent), low to medium (10–30 per cent), medium to substantial (30–60 per cent) or substantial (>60 per cent).

For the earlier years (2000, 2008 and 2013), the likelihood of illegality was determined based on Chatham House analyses in 2010 and 2015⁴, with updates where additional data have since become available. The assessment for 2018 builds on this analysis, using available data and information to assess changes in legal compliance in the last five years of the study period. This included recent Chatham House research into governance reforms, analysis of trade data and the results of perception surveys, as well as a review of reports and data from other organizations.

³ This analysis focuses on a limited number of products, these were selected according to three criteria: the scale of trade and rate of change in this, trade flows in which high proportions of illegal timber have been documented, and examples of particular types of illegality.

⁴ Lawson, S. (2014), Methodology for Import-source Estimates of Illegally Sourced Wood Imports: Thailand, South Korea and India, Chatham House Report, London: Royal Institute of International Affairs, <https://chathamhouse.soutron.net/Portal/Default/en-GB/RecordView/Index/187057>; Hoare, A. (2014), Methodology for Estimating Levels of Illegal Timber- and Paper-sector Imports: Estimates for China, France, Japan, the Netherlands, the UK, the US and Vietnam, Chatham House Report, London: Royal Institute of International Affairs, <https://chathamhouse.soutron.net/Portal/Default/en-GB/RecordView/Index/187059>.

Overview of trends in illegality

Illegal logging in Brazil's tropical forest sector is widespread.⁵ Illegal practices include timber theft (often accompanied by violence), fraudulent management plans and incorrect inventories, laundering of timber through authorized concessions or transport papers, and illegal deforestation on state-owned land.⁶

From 2000 to 2014, enforcement improved in the sector but this subsequently reversed, particularly since 2018.

In 2012, the National Congress of Brazil passed a new forest code. This made it a requirement for landowners to register their properties in the Rural Environmental Registry (*Cadastro Ambiental Rural*, CAR) and to specify the areas of production and conservation. It also granted amnesty to landowners who had illegally deforested prior to 2008 and increased the proportion of their land that can be deforested to 20 per cent, changes that led to an increase in rates of deforestation (albeit, legal).⁷

A number of estimates have been made of illegal tropical log production in Brazil. Imazon⁸ estimates that of the forests logged between 2007 and 2018, in Para state, 72 per cent by area did not have the proper authorization, and in Mato Grosso, the figure was 44 per cent.⁹ However, the great majority of the tropical timber produced in Brazil enters end-use in the country.¹⁰ Thus, timber produced for export is less likely to be illegal. For example, most of the timber produced by certified forest management units (FMUs) and concessions is destined for external markets.

⁵ Wellesley, L. (2014), *Illegal Logging and Related Trade: The Response in Brazil*, Research Paper, London: Royal Institute of International Affairs,

<https://www.chathamhouse.org/sites/default/files/publications/research/20141029IllegalLoggingBrazilWellesleyFinal.pdf>;

Hoare, A. (2014), *Methodology for Estimating Levels of Illegal Timber- and Paper-sector Imports: Estimates for China, France, Japan, the Netherlands, the UK, the US and Vietnam*, Research Paper, London: Royal Institute of International Affairs,

https://www.chathamhouse.org/sites/default/files/field/field_document/20141125IllegalLoggingMethodologyAppendixHoareUpdate.pdf.

⁶ UNEP-WCMC (2018), *Brazil: Country Overview to Aid Implementation of the EUTR*,

https://ec.europa.eu/environment/forests/pdf/Country_overview_Brazil_03_10_2018.pdf; NEPCon Preferred by Nature (2017), *Timber Legality Risk Assessment: Brazil*, <https://preferredbynature.org/sites/default/files/library/2017-06/NEPCon-TIMBER-Brazil-Risk-Assessment-EN-V1.pdf>;

Greenpeace (2014), *The Amazon's Silent Crisis: Licence to Launder*,

Greenpeace, <https://www.greenpeace.org/usa/wp-content/uploads/legacy/Global/usa/planet3/PDFs/SilentCrisisTimberReport.pdf>;

Greenpeace (2017), *Blood-Stained Timber: Rural Violence and the Theft of Amazon Timber*, Greenpeace Brazil,

https://www.greenpeace.org.br/hubfs/Greenpeace_BloodStainedTimber_2017.pdf; Greenpeace (2018), *Imaginary Trees, Real Destruction: How Licensing Fraud and Illegal Logging of Ipê Trees are Causing Irreversible Damage to the Amazon Rainforest*, Greenpeace Brazil, https://storage.googleapis.com/planet4-international-stateless/2018/03/b91d03c3-greenpeace-report_imaginary-trees-real-destruction_march-2018.pdf;

⁷ Azevedo-Ramos, C., Moutinho, P., da S. Arruda, V. L., Stabile, M. C. C., Alencar, A., Castro, I., and Ribeiro, J. P. (2020), 'Lawless land in no man's land: The undesignated public forests in the Brazilian Amazon', *Land Use Policy*, 99,

doi.org/10.1016/j.landusepol.2020.104863; Blundell, A. G., Harwell, E. E., Niesten, E. T. and Wolosin, M.S. (2018), *The Economic Impact at the National Level of the Illegal Conversion of Forests for Export-Driven Industrial Agriculture*, Climate Advisers,

<https://www.climateadvisers.com/wp-content/uploads/2018/04/Climate-Advisers-Costs-of-Deforestation-for-Industrial-Agriculture-11-2017-clean.pdf>; Rajão, R., Soares-Filho, B., Nunes, F., Börner, J., Machado, L., Assis, D., Oliveira, A., Pinto, L., Ribeiro, V., Rausch, L., Gibbs, H. and Figueira, D. (2020), 'Brazil's inability to tackle illegal deforestation puts the future of its agribusiness at risk', *Science*, 369(6501): pp. 246–48,

<https://science.sciencemag.org/content/369/6501/246.summary>.

⁸ Imazon (Instituto do Homem e Meio Ambiente da Amazônia) is a Brazilian research institution whose mission is to promote conservation and sustainable development in the Amazon, <https://imazon.org.br/>.

⁹ Updated analysis is regularly published by Imazon in its 'Bulletin of deforestation of the legal Amazon',

<https://imazon.org.br/categorias/boletim-do-desmatamento/>.

¹⁰ International Tropical Timber Organization (undated), 'Biennial review statistics',

https://www.itto.int/biennial_review/?mode=searchdata; comparison between Brazil's exports of tropical timber (as defined above) and ITTO statistics (for non-coniferous, tropical industrial roundwood production) indicates that approximately 85 per cent of that production entered end-use in Brazil during most of the 2000s and that roughly 95 per cent did so last decade.

The risks of illegality in plantations for timber and pulpwood production is low. There have, however, been some allegations of illegal allocations of land for plantations, including on land long occupied by forest dependent peoples.¹¹

¹¹ Lawson, S. (2014), *Consumer Goods and Deforestation*, Forest Trends, https://www.forest-trends.org/wp-content/uploads/imported/for168-consumer-goods-and-deforestation-letter-14-0916-hr-no-crops_web-pdf.pdf; Brito, B., Barreto, P., Brandão Jr, A., Baima, S. and Gomes, P.H. (2020), 'Stimulus for land grabbing and deforestation in the Brazilian Amazon', *Environmental Research Letters*, 15(10): <https://iopscience.iop.org/article/10.1088/1748-9326/abaab>.

Summary of estimates

The following table presents an overview of the likelihood of illegal practices in the production of the country's main exported wood-based products. The 'overall likelihood' column reflects all the types of illegal practice and is thus the most pessimistic assessment of the categories for a given year.

	Tenure and resource rights				Award of permits				Forest management				Revenue and finance				Transport and Trade				Overall likelihood of illegality			
	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018
<i>from natural forest:</i>																								
Sawnwood	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium
Plywood	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium
Mouldings	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium
<i>from plantations:</i>																								
Sawnwood	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)
Plywood	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)
Wooden furniture	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)
Chips	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)
Wood-based pulp	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)
Paper	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)	Low (<10%)

Likelihood of illegality in the supply chain

- Low (<10%)
- Low to medium (10-30%)
- Medium to substantial (30-60%)
- Substantial (>60%)

Table 1: Estimated likelihood of illegality for Brazil's main exported wood-based products