

CITES AGARWOOD EXPERTS GROUP MEETING



**14 – 17 November 2006
Kuala Lumpur, Malaysia**



PROCEEDINGS

Edited by TRAFFIC Southeast Asia

Acknowledgements

Experts Group Meeting on Agarwood: Capacity-building Workshop for Improving Implementation and Enforcement of the CITES listing of *Aquilaria malaccensis* and other Agarwood-producing species

Kuala Lumpur, 14-17 November, 2006

TRAFFIC Southeast Asia would like to thank Malaysia's Ministry of Natural Resources and Environment for its support and gracious hosting of the Experts Group Meeting, and the support of the Forestry Department Peninsular Malaysia, Forest Research Institute of Malaysia (FRIM) and Malaysian Timber Industries Board (MTIB) in helping to organize and manage the event.

TRAFFIC also thanks, on behalf of the organising committee, the CITES Secretariat and representatives of the Plants Committee for contributing their guidance and expertise to the technical elements of the workshop.

Gratitude is also due to rapporteurs from the Forest Research Institute of Malaysia (Dr. Chang Yu Shyun, Dr. Nor Azah Mohd Ali, Dr. Nik Musaadah bte Mustapha, Ms Mary Khoo Gaik Hong, Ms Saidatul Husni Saidin) and the Forestry Department Peninsular Malaysia (Mr. Hj. Nazir Khan bin Nizam Khan, Mr. Suhaili bin Hj. Rosli, Mr. Ahmad Feisal Syahrudin bin Baharuddin), whose tireless work provided the essential documentation that underpins this Experts Group Meeting proceedings.

Finally, sincere acknowledgement and appreciation to the UK Government for the essential funding support (via the Foreign and Commonwealth Office's Global Opportunities Fund and the Department of Environment, Food and Rural Affairs [defra]) which made the workshop possible, including much of the agarwood trade research by TRAFFIC and preparation that went into convening such a diverse set of agarwood experts.

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Executive Summary

Experts group meeting on Agarwood: Capacity-building Workshop for Improving Implementation and Enforcement of the CITES listing of *Aquilaria malaccensis* and other Agarwood-producing species

Kuala Lumpur, 14-17 November, 2006

1) Background: The “Experts group meeting on Agarwood: Capacity-building Workshop for improving implementation and enforcement of the listing of *Aquilaria malaccensis* and other Agarwood-producing species” was held from 14-17 November, 2006 at the Corus Hotel, Kuala Lumpur, Malaysia. This Experts group meeting/workshop on Agarwood was in compliance with CITES *Decision 13.65* which addressed the need of Parties to CITES to work on capacity-building for improving implementation and enforcement of the Convention for the Agarwood-producing species: *Decision 13.65*, directed to the CITES Secretariat, includes the following:

- a) to assist in obtaining funding from interested Parties, intergovernmental and non-governmental organizations, exporters, importers and other stakeholders to support a capacity-building workshop on trade in agarwood prior to the 14th meeting of the Conference of the Parties;
- b) contingent on availability of external funding, cooperate with exporting and importing countries, as well as significant re-exporting countries and relevant experts, to convene a capacity-building workshop aimed at improving enforcement and implementation of the listing of *Aquilaria malaccensis* and other agarwood-producing species;
- c) in addition to basic enforcement and implementation issues, include in the workshop a discussion of registration and labelling systems, types of agarwood products in trade and the potential for establishing personal effects exemptions for each, and the usefulness of such approaches for effective implementation; and
- d) present at the workshop any new information from the Plants Committee on identification of agarwood products in trade, as well as information that would assist in determining sustainable harvest levels and making non-detriment findings.

Funds were identified by the CITES Secretariat and TRAFFIC Southeast Asia for the holding of the Experts Group Meeting, with the financial support coming from the UK Government’s Foreign and Commonwealth Office and Department of Environment, Food and Rural Affairs (defra). The Meeting was hosted by Malaysia’s Ministry of Natural Resources and Environment (MoNRE), and was opened by the Secretary General of MoNRE, Dato’ Suboh Mohd Yassin.

2) Participants: The Experts Meeting brought together 50 national representatives from Bangladesh, Bhutan, Brunei Darussalam, Cambodia, India, Indonesia, Kuwait, Malaysia, Myanmar, Papua New Guinea, Singapore, Thailand, United Arab Emirates, Viet Nam and Saudi Arabia. The national representatives were predominantly from the CITES Management and Scientific Authorities, as well as forestry management and research institutions. They were joined by 20 national and international Agarwood industry participants, including growers, traders, manufacturers, importers/retailers and consumers. The CITES Secretariat, members of the CITES Plants Committee for Asia and Oceania, the IUCN Global Trees Specialist Group and TRAFFIC were also represented.

3) Meeting Agenda/Procedure: The Meeting comprised presentations of national reports from exporting, re-exporting and importing country representatives; perspectives from industry on production, consumption and trade regulation; overviews of global trade; research findings on resin inducement technology; and instruction on CITES procedures as they pertain to Appendix II-listed agarwood-producing species. Working group sessions were held on Day 3 and Day 4 to deliberate key issues under three broad topics: a) capacity building for CITES implementation; b) co-ordination/co-operation for monitoring and enforcement of harvest/trade; and c) review of markets and international trade.

4) Outcomes/Results: Following active participation by all meeting delegates in the working groups, the following were agreed by the plenary:

a) Definitions:

i) A Definition of Artificial Propagation to cover agarwood-producing species is needed to assist CITES implementation for agarwood-producing species. This should be prepared specifically for presentation to the Conference of the Parties, with reference to the existing CITES *Res. Conf. 10.13 (Rev. CoP13)*. As such, it is proposed to amend the current definition of "artificially propagated" for timber species as stated in *Resolution Conf. 10.13 (Rev. CoP13)* as to read:

g) timber and non-timber products taken from trees grown in monospecific plantations be considered as being artificially propagated in accordance with the definition contained in *Resolution Conf. 11.11 (Rev. CoP13)*.

ii) There is a need to separate plantation-derived agarwood from wild harvested agarwood. While at present, the CITES source codes for Artificially Propagated and Wild sourced materials should be enough to distinguish between these sources under CITES-permitted trade, it was recognised that this will need further revision once more plantation-derived agarwood comes onto the market.

iii) Various terms used in the agarwood industry (e.g. plantation-sourced materials, agarwood dust/powder, wood chips, logs, wood pieces, oil), as well as 'non-timber forest product' and 'agarwood' itself, need clear definitions. The latter was discussed with reference to when a piece of *Aquilaria/Gyrinops* wood becomes 'agarwood'. This was referred to the CITES process for standardisation.

b) Standard Procedures:

i) A standardised grading system was identified as being beneficial for the management of raw agarwood products in trade, particularly wood chips. It was suggested that this should be the subject of a formal study, with funding and expertise to be identified.

ii) Standardised units of measurement should be agreed for agarwood products in trade, to facilitate better reporting and monitoring of trade.

c) Management of Harvest and Trade, and Enforcement:

i) There is an urgent need to assess/inventory the standing stocks of wild tree populations in producer countries. This should be referenced to the volumes of currently held agarwood stocks (i.e. raw agarwood in unprocessed forms), and conversion factors from numbers of trees to raw agarwood. This information would assist in conducting accurate CITES Non-Detriment Findings.

ii) With the aim that CITES implementation and enforcement efforts should be focused on the major forms of agarwood products in trade, the following results were presented towards amending the current Annotation #1 to the specific needs of agarwood trade management:

- a) All raw agarwood products (currently reported under a variety of classifications – wood chips, pieces, logs, timber) should be covered by CITES controls.
 - b) Finished products, such as incense, perfume, should be exempted from CITES controls.
 - c) CITES coverage of partially processed agarwood products such as dust/powder and oil was debated, but no conclusion was reached. It was pointed out that while these products are not always reported in trade, that they represent a major segment of overall agarwood trade volume.
 - d) A similar lack of consensus characterised the discussions of medicinal products containing agarwood.
 - e) It was also suggested that how CITES deals with fake/adulterated agarwood, and the so-called 'black magic wood', should be further considered.
- *these topics, and others, were recommended for further discussion at the 2nd International Agarwood Conference held in Bangkok, March 2007.*

iii) On definitions of personal effects and any exemptions, there was need for further discussion. The delegation from the United Arab Emirates offered to host a similar international workshop in late 2007 to further increase understanding of the consumer market in the Middle East, where personal effects exemptions for agarwood under CITES could be discussed in more detail and concrete recommendations decided upon. Dates and logistics for such a meeting would be determined after further deliberation by potential hosts.

iv) The application of labelling systems and registration of producers/traders was discussed without any consensus on an international way forward. National examples of registration (e.g. Viet Nam) were given, and some industry participants stated that their own labelling systems are already in place. Questions were raised about potential increases in administrative costs and where this cost would be born.

v) On targeting illegal agarwood trade, better collaboration, co-operation and communication between all the Parties involved to share intelligence was encouraged to combat illegal activities. Suggested strategies included:

- Tap into existing law enforcement networks such as Interpol, or regional initiatives like that which has been established under the Association of South-East Asian Nations (ASEAN), the ASEAN Wildlife Enforcement Network (ASEAN-WEN);
- Establish national focal contact points for agarwood law enforcement, or add agarwood issues to the list of priorities for existing law enforcement focal points.

5) Draft CITES decisions¹: In the final plenary session of the workshop, participants agreed to a number of actions that would be best progressed through a number of new CITES decisions. The workshop participants requested that these draft decisions be submitted by Plants Committee representatives to CITES CoP14 for approval through the Plants Committee Chairman's report.

Draft decisions:

a) ***Directed to the Secretariat***

14.XX The Secretariat shall assist in obtaining funding from Parties, intergovernmental and non-governmental organizations, exporters, importers and other stakeholders to support a workshop aimed at strengthening the capacity of

¹ At the 14th Conference of the Parties to CITES in June 2007, these draft decisions were subsequently formalized by the Parties, with some slight amendments, into CITES Decisions 14.137 – 14.144 on Agarwood-producing taxa.

Parties to implement Agarwood Decisions prior to the 15th meeting of the Conference of the Parties.

b) ***Directed to Parties involved in agarwood trade and to the Secretariat***

- 14.XX Parties involved in trade of agarwood will, in consultation with the Secretariat, provide funds and produce identification materials for all forms of traded products under CITES control.
- 14.XX Parties concerned will identify and agree on which agarwood products and quantities should be exempted from CITES controls. Once agreed, Parties concerned will agree which range State will prepare and submit a proposal for amendment of the current annotation for agarwood producing species to be considered at CoP15.
- 14.XX Draft standardized units of reporting to be considered at CoP15.
- 14.XX Parties involved in Agarwood trade shall prepare a glossary with definitions that illustrate the content of the amended annotations, the terms used and their practical application during enforcement and border controls. The Secretariat should facilitate the preparation and production of these materials, and strategies on incorporating them into ongoing training curricula.

c) ***Directed to the Plants Committee and the Secretariat***

- 14.XX In consultation with relevant intergovernmental organizations such as FAO, draft a definition of non-timber forest products to be considered at CoP15.
- 14.XX On the basis of the work on non-detriment findings for Agarwood producing species, that has been developed by TRAFFIC South East Asia and the Secretariat, the Plants Committee, in consultation with range States and the Secretariat, will develop principles, criteria and indicators on the formulation of non-detriment findings for agarwood producing species.

d) ***Directed to Parties, the Secretariat and intergovernmental and non-governmental organizations***

- 14.XX Parties, the CITES Secretariat and intergovernmental and non-governmental organizations shall seek ways to share information through the establishment of networks, organization of regional workshops, capacity-building programmes, the exchange of experiences and the identification of financial resources.

SUMMARY RECORD

Experts Group Meeting on Agarwood: Capacity-building Workshop for Improving Implementation and Enforcement of the CITES listing of *Aquilaria malaccensis* and other Agarwood-producing species

Kuala Lumpur, 14-17 November, 2006

INTRODUCTION

The **Experts Group Meeting on Agarwood: Capacity-building Workshop for improving implementation and enforcement of the listing of *Aquilaria malaccensis* and other Agarwood-producing species** was held from 14-17 November, 2006 at the Corus Hotel, Kuala Lumpur, Malaysia. This Experts Group Meeting/Workshop on Agarwood was held in compliance with Decision 13.65 which addresses the need of Parties to CITES to work on capacity-building for improving implementation and enforcement of the convention for the Agarwood-producing species: Decision 13.65 is being directed to the CITES Secretariat and include the following:

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The Experts Meeting brought together 50 national representatives from Bangladesh, Bhutan, Brunei Darussalam, Cambodia, India, Indonesia, Kuwait, Malaysia, Myanmar, Singapore, Papua New Guinea, Saudi Arabia, Thailand, United Arab Emirates and Viet Nam. The national representatives were predominantly from the CITES Management and Scientific Authorities, as well as forestry management and research institutions. They were joined by 20 national and international Agarwood industry participants, including growers, traders, manufacturers, importers/retailers and consumers. The CITES Secretariat, members of the CITES Plants Committee for Asia and Oceania, the IUCN Global Trees Specialist Group and TRAFFIC were also represented. The list of participants appears as **ANNEX 1**.

The Meeting comprised presentations of national reports from exporting, re-exporting and importing country representatives; perspectives from industry on production, consumption and trade regulation; overviews of global trade; research findings on resin inducement technology; and instruction on CITES procedures as they pertain to Appendix II-listed agarwood-producing species. Working group sessions were held on Day 3 and Day 4 to deliberate key issues under three broad topics: a) capacity building for CITES implementation; b) co-ordination/co-operation for monitoring and enforcement of harvest/trade; and c) review of markets and international trade. Working groups had the opportunity to share information and to make recommendations for improved trade management and producer-consumer co-operation for sustainable industry development.

The revised agenda of the Workshop appears as **ANNEX 2**.

OPENING SESSION

Ms. Milena Sosa Schmidt from the CITES Secretariat in her Welcoming Remarks thanked the Ministry of Natural Resources and Environment Malaysia and TRAFFIC Southeast Asia for organizing the workshop. She also reminded participants to consider specific actions to manage and regulate trade in CITES-listed Agarwood producing species in a more efficient manner, to assess the future role of CITES in the Agarwood sector, to formulate recommendations to improve trade monitoring and controls in Asia and abroad, in both exporting and importing countries. She expressed her hope that participants would, in their discussion and deliberations, also identify gaps in national legislation and regulations, and to formulate solutions; to identify conservation management and research priorities; and to provide practical recommendations to build sufficient capacity in Asian range States to implement CITES effectively and to involve national and regional stakeholders more in the conservation of and sustainable trade of agarwood in particular, and tree species in general. The full text of her Welcoming Remarks appears in **ANNEX 3**.

Y.Bhg. Dato' Suboh Mohd Yassin, Secretary General of Malaysia's Ministry of Natural Resources and Environment, welcomed all participants to Malaysia and delivered the Opening Address. He expressed his gratitude and extended his appreciation to the CITES Secretariat and TRAFFIC Southeast Asia for their assistance and collaboration in organizing the Meeting/workshop. The full text of his Opening Address appears in **ANNEX 4**.

INTRODUCTION TO MEETING AND ITS OBJECTIVES

Mr. James Compton, Director of TRAFFIC Southeast Asia thanked participants for devoting their time and expertise to the Experts Group Meeting. He gave a brief account of the purpose and objectives of the meeting and hoped that participants would discuss the future of the global Agarwood trade in an open and frank fashion and together be able to address the main challenges facing the management, harvest and trade of *Aquilaria malaccensis* and other Agarwood-producing species. The full text of his Introduction appears in **ANNEX 5**.

SESSIONS OVERVIEW

Day 1 and Day 2 were devoted to the presentation of National Reports by producer, trade and consumer countries. The morning session of Day 1 was chaired by Mr. Chin Shih Loon, Principal Assistant Secretary, Forestry Development Division, Ministry Natural Resource and Environment (NRE), Malaysia and the afternoon session was chaired by Dato' Hj. Dahlan bin Hj. Taha, Deputy Director General Forestry Department, Peninsular Malaysia. Day 2 morning session was chaired by Chair: Dato' Zul Mukshar Mohd. Shari, CITES Plants Committee (Alternate Member for Asia) and the afternoon session was chaired by Dr. Irawati, Plants Committee representative for Asia.

In the morning of Day 3 the participants attended a field trip at the Forest Research Institute of Malaysia (FRIM), Kepong. In the afternoon, they were divided into three working groups.

Day 4 started with report back and discussions from the working groups, chaired by Dr. Greg Leach, from the CITES Plants Committee Representative for Oceania, followed by a wrap up session, and a plenary discussion chaired by Dato' Dahlan, Deputy Director General, from the Forest Department of Peninsular Malaysia.

DAY 1 - FIRST PRESENTATION SESSION

BHUTAN - Dr. Dhan Bahadur Dhital

- There is no comprehensive inventory data on the population of *Aquilaria* species but it is estimated that about 25,000 of mature trees occur in the wild.
- Bhutan started small-scale planting of Agarwood-producing species in the late 1970s in the district of Zhemgang.
- Harvesting of agarwood has been prohibited since it was listed in Schedule 1 of the Forest and Nature Conservation Act of Bhutan 1995.
- There is no recorded international trade of Agarwood, i.e. the export, re-export or import of any wild harvested or artificially propagated Agarwood-producing species from other countries.
- Research Institute of Bhutan is conducting a study on artificial agarwood inducement experiment at Pangbang with the collaboration of the Research and Development Foundation team from the University of Minnesota USA and The Rainforest Project Foundation (Vietnam).

BRUNEI - Hajjah Jamilah Haji Abd. Jalil

- There are no data available with regard to the trade of Agarwood products in Brunei.
- Brunei is currently drafting the Flora and Fauna Order 2006 which will strengthen the implementation and enforcement in the trade of Agarwood and other agarwood-producing species.
- Based on 2000-2006 statistics of illegal harvesting of agarwood, a total of 39 cases amounting to an estimated loss of BND544,000 (USD360,365) were reported.
- In order to eradicate illegal harvesting of Agarwood, the Enforcement Unit of Forestry Department of Brunei and other Enforcement Agencies carried out regular patrols and also conducted 'road-shows' on management and trading of Agarwood in order to create public awareness.

CAMBODIA - Mr. Ung Sam Ath, CITES Scientific Authority of Cambodia

- The harvest of Agarwood from Cambodia's natural forests is prohibited under the Cambodian Forestry Law. Any individual who has committed an offence shall be punished accordingly with a fine of KHR10 million-100 million (USD2,580-25,897) and/or imprisonment of 1 to 5 years.
- 19 cases regarding illegal harvest and trade of agarwood have been brought to court and raw materials confiscated are being kept in custody of the Cambodian Forestry Administration.
- Due to the high demand of Agarwood, there is an over-exploitation which may lead to the potential extinction of *Aquilaria* species at the national level. Cambodia requests all Parties which import Agarwood products to work closely with the Forestry Administration and other relevant authorities in order to reduce illegal export of Agarwood products from Cambodia.

INDIA - Mr. R.K. Samal, Assistant CITES Management Authority of India

- India does not permit harvest of Agarwood species from the wild. The trade in Agarwood products is limited to import, processing and re-export.
- Agarwood products are placed under 'restricted' category items of the Foreign Trade Policy of India (FTP) and are subjected to CITES regulations. Under the FTP, exports of indigenous agarwood in wood form are prohibited but exemption is given for the purpose of research, education and life-saving drugs.
- Import of unprocessed Agarwood into India requires a CITES permit from the exporting country. In 2005, India imported about 21,668.57kg of Agarwood chips and re-exported 14,682.00kg of processed Agarwood.
- Re-export of Agarwood in the form of processed incense chips, oil and dust are permissible with CITES re-export permit. It has been reported that during 2000-2005, about 24 cases of various types of Agarwood products were seized, mostly from Mumbai, Kolkata and Delhi.
- The State governments of India have stopped leasing out areas of natural agarwood habitat (known as mahals).
- Currently, there is no labelling system but the local Forestry Officer seals the packages and makes an official stamp on processed products prior to export.
- Development of identification kits (Chemical or otherwise) would be useful for the purpose of checking agarwood consignments, particularly for the identification Agarwood products such as agarbattis, ayurvedic medicines and formulations.

INDONESIA - Dr. Samedi, CITES Management Authority of Indonesia

- In Indonesia, six species under the genus *Aquilaria* are known to produce Agarwood or gaharu, namely *Aquilaria beccariana*, *A. cumingiana*, *A. hirta*, *A. malaccensis* and *A. microcarpa*. Other tree species producing Agarwood from the Thymeleaceae family include *Enksleia malaccensis*, *Aetoxylon malaccensis*, *Gonystylus macrophylla*, *Wikstroemia polyantha*, *W. tenuiramis*, *Gyrinops versteeghi* and *G. ledermanii*.
- For the purpose of export control, raw Agarwood has been categorized into two major classes: Grade I (*gubal gaharu*) and Grade II (*kemedangan*).
- For Agarwood products such as oil, incense, soap, dust and medicine it is classified under the processed gaharu category.

- Species identification is the main problem in distinguishing between Agarwood-producing species, whether in the form of woodchips, dust/powder, incense and oil.
- Beginning with the CITES-listing in 1995, all Agarwood exports from Indonesia were recorded under *A. malaccensis*, until 1998 when Agarwood originating from eastern Indonesia (Papua and Maluku) were recorded as *A. filaria* (including *Gyrinops versteeghii*).
- It has been reported that the indiscriminate agarwood harvesting at escalating levels of Agarwood and lack of botanical knowledge has subsequently reduced the collection per unit effort.
- Harvesting of Agarwood requires collection permits which are issued by the provincial office of the CITES Management Authority and based on quota allocated to the provinces. The annual national harvesting and export quota of Agarwood is divided into two 'groups' i.e. *A. malaccensis* and *A. filaria*, which roughly correspond to the species distributed in western and eastern Indonesia, respectively.
- In 2001 to 2002, the annual harvesting quota was 75,000kg for the 'Malaccensis group' and 125,000kg for the 'Filaria group'. Since 2003 the annual quota has been reduced to 50,000kg for the 'Malaccensis group', while the 'Filaria group' quota has remained at 125,000kg. Most Agarwood exported from Indonesia is sent to Singapore, and some directly to the Middle East.
- In 2005, Indonesia exported about 120,000kg and 49,919kg of *A.filaria* of *A.malaccensis* groups respectively. The production of high quality Agarwood has become scarce. Low quality gaharu and adulterated wood impregnated with oils and alcohol is now becoming more recognisable in the market.
- LIPI (the Indonesian CITES Scientific Authority) is developing a Standardised Survey method to assess the Agarwood species population. The Indonesian Gaharu Traders' Association (ASGARIN) has also provided assistance to undertake field survey and monitoring at harvesting sites. Indonesia has established 1,750ha of agarwood plantations, of which 50ha are more than 5 years old.

QUESTIONS AND ANSWERS (Bhutan, Brunei, Cambodia, India & Indonesia)

Jumat Ahmad, MTIB, Malaysia

- *Question addressed to Brunei:* How does Brunei manage the confiscated agarwood products you refer to in your presentation?"
- *Answer:* "The figures quoted are mostly from the calculation of Agarwood in timber form which is graded under class E. i.e. calculation based on volume of the tree. Very little is on woodchips confiscated."

Syed Abdul Quavi, AATMA, India

- *Question addressed to India:* "The Re-export of Agarwood products from Assam have stopped for the past 12 months due to some local problems with the District Forest Office (DFO). How long it would take to solve the problem?"
- *Answer:* "The local problem is that the firms importing Agarwood are not registered with the local DFO. The local DFO states that certifying the processed products to be only of imported stock is a problem if all the entry and exit of raw materials as well as products are not regulated. As per wood-based industries rules the firms must be registered. The firms must try to get permission for this. It is expected the problem will be solved soon."

Manit Jaichagun, CITES-MA, Thailand

- *Question addressed to Indonesia:* “How does the 50 ton quota compare (as a percentage or otherwise) with the remaining wild *A. malaccensis* population?”
- *Answer:* “Several criteria are taken into account in determining the annual quota: volumes of past harvests, environmental (habitat) conditions, etc. Harvesting is only carried out on dying trees and it is assumed that more healthy trees are left in the forest, with no symptoms of declining population: the quota of 50,000 kg is considered sustainable.”

Jumat Ahmad, MTIB, Malaysia

- *Question addressed to Indonesia:* “You mentioned in your presentation about a 28 tons confiscation by Taiwan of *Aquilaria* product originating from Indonesia. What is the progress on retrieving the consignment?”
- *Answer:* “There is no formal information from Taiwan due to political problems with communications, which can only be undertaken through the Indonesian representative in Taiwan. Based on reliable sources, the confiscated specimens have been transhipped or re-exported to another country without notice to the Indonesian authorities. However, the Indonesian exporter has been penalised in accordance with Indonesian regulations, and its permit was suspended for several months.”

Ngui Siew Kong, Sarawak Forest Department, Malaysia

- *Question addressed to Indonesia:* “Indonesia has a number of species under the genus *Aquilaria*. Do you have species under genus *Aetoxylon*?”
- *Answer:* “Yes, only *Aetoxylon sympetalum* is known to produce gaharu.”

Abdulla Ajmal, Ajmal Perfumes, UAE

- *Question addressed to Bhutan:* “What is the benefit of encouraging farmers for plantations and artificial inducement?”
- *Answer:* “Trade of Agarwood is currently banned in Bhutan. However research is being conducted for artificial inducement of Agarwood formation in *Aquilaria* trees. If successful, local villages will be encouraged to plant trees in their farmland. The product could be used locally/within the country. This will also help in increasing the population of *Aquilaria* species in the country.”

Dr. Greg Leach, Plants Committee for Oceania

- *Question addressed to India:* “Import and Re-export as woodchips and processed wood chips. What is the extent of processing if the re-export is still categorized as woodchips?”
- *Answer:* “Import is raw chips (wood chips), billets and sometimes dust. Processing is very labour intensive. The conversion ratio is about 60% for processed incense chips. The re-export is categorised as ‘processed incense chips’.”

R. K. Samal, CITES M. A., India

- *Question addressed to Indonesia:* “Whether Agarwood should be measured in kilograms or number of trees?”
- *Answer:* “Agarwood is weighed in kilograms and not measured by number of trees as the size of tree, and how much agarwood it contains, may vary from tree to tree, depending on age and from site to site.”

DAY 1 - SECOND PRESENTATION SESSION

KUWAIT - Ms. Shereefa Al-Salem, CITES Management Authority of Kuwait

- Agarwood products are traded in Kuwait in the form of woodchips, woodchips mixed with perfume, oil, powder, mixed perfumes, shampoos, creams, lotions and tissues.
- The Agarwood trade is controlled by the Resolution No. 93/2003 Regarding Regulating Sale and Trade in Endangered Species of Wild Fauna and Flora issued by the Public Environment Public Authority which is the lead CITES Management Authority.
- Kuwait ratified CITES in 2002 and the trade of Agarwood is controlled by other regulations. The General Administration of Customs in Kuwait has in place a registration system to monitor information and control all trade including that of Agarwood. Kuwait currently has a reservation on all Agarwood-producing species (*Aquilaria spp.* and *Gyrinops spp.*) except for the species *Aquilaria malaccensis*.
- To overcome the problem of identification of Agarwood products in trade, the process would be assisted by a labelling system. Without labelling, it would be difficult to identify the Agarwood in processed products.
- Kuwait is taking effort to carry out studies to gather information that would assist in determining sustainable harvest levels and making Non-detriment Findings. Among the studies to be carried include:
 - ✓ Research studies on the markers and indicators for Agarwood trees, which will indicate the availability of fragrant resin within the trees, by using bio-technology techniques.
 - ✓ Taxonomic studies of different Agarwood-producing species and how to differentiate between them with simple techniques.
 - ✓ Artificially propagation procedures for the Agarwood-producing species.
- Currently, the Environment Public Authority is in the process of studying the trade and use of Agarwood in the State of Kuwait.

MALAYSIA - Hj. Rahimi Othman, Forestry Department, Peninsular Malaysia

- Agarwood tree species are widely distributed in the natural forest of Peninsular Malaysia, Sabah and Sarawak.
- Based on the 4th National Forest Inventory (NFI-4), 11 species of five genera in the family of Thymelaeaceae have been recorded and reported to produce Agarwood (gaharu).
- Malaysia has formulated a Standard Operating Procedure (SOP) for monitoring and control of harvest, trade and processing of *Aquilaria* species.
- Under the SOP, any commercial harvesting of Agarwood-producing species from the Permanent Reserved Forests and the State land forests will require an official licence and removal pass. The licence and removal passes are issued by the respective State Forestry Departments. Each licensee will be required to deposit an amount of MYR10,000.00 (USD 2,630) and they are only allowed to harvest a quota of 50kg of woodchips per month.
- The processing and trading of *Aquilaria* species also requires a valid licence from the respective State Forestry Departments.

- For export, a CITES export permit from the Malaysia Timber Industry Board (MTIB) which is the Management Authority will be required in Peninsular Malaysia and Sabah, and from the Sarawak Forest Department and Sarawak Forestry Corporation in Sarawak.
- Pertaining to enforcement, the forestry department and other related agencies conduct monitoring and enforcement regularly. In 2005, 177.0kg and 307.2kg of Agarwood were reported confiscated in Peninsular Malaysia and Sabah respectively.
- In terms of international trade, most of Agarwood from Malaysia are being exported to the Middle East. For the case of Peninsular Malaysia, approximately 500 tons of gaharu was exported from 1998 to 2003 with an estimated revenue of MYR36 million (approx USD10.3 million). Thus, it is essential to ensure that gaharu is sustainably abundance in order to safeguard the prosperity of the related industries.
- Like other Agarwood-producing countries, Malaysia also experiences the problem of uncertainty of the presence of gaharu in the standing stem of mature *Aquilaria* trees and a proper management regime for the harvesting of Agarwood. Further research and development is needed.

MYANMAR - Mr. Maung Maung Pygone

- *Aquilaria* species are protected in Myanmar and collection from the natural forests is illegal. However, Agarwood products from illegally cut trees continue to be sold due to high demand of such species.
- Myanmar is interested to produce Agarwood commercially from plantations. It is hoped that the cultivated trees will help to eliminate the illegal harvesting of *Aquilaria* species from the natural forests.
- Currently, rural communities in Myanmar, specifically in Kachin State, have started to plant *Aquilaria* trees in their home gardens. This is expected to create additional income for the rural people and reduce the pressure on *Aquilaria* trees from the natural forests.

SINGAPORE - Ms. Ong Ai Khim, Agriculture and Veterinary Authority of Singapore (Singapore CITES Management Authority)

- Trade in Agarwood is in the forms of blocks (rarely pre-Convention stock), chips, powder/dust and oil (rarely pre-Convention stock).
- Singapore imports Agarwood products from Malaysia and Indonesia and re-exports it to the Middle East (Saudi Arabia, United Arab Emirates and Kuwait) and to Asia (China, Taiwan PoC, India, Japan and Hong Kong).
- Based on the import and export data, it is noted that there is a gradual increase in term of re-export volumes from 2000 to 2005 but a slight drop in term of import in 2004.
- Control procedures pertaining to the import and re-export of Agarwood are strictly adhered by the Management Authority (MA) of Singapore, in compliance with the requirements of CITES.
- Traders/companies in Singapore are also allowed to transfer their stock among themselves on the condition that they apply officially to the CITES MA for permission.
- In term of enforcement, the MA managed to intercept 2 cases amounting to 104.50kg in 2003 and 3 cases amounting to 1,025.75kg in 2005. Random checks at warehouses and monitoring on stockpiles of Agarwood are being conducted from time to time.

BANGLADESH - Ms. Shirina Khatun of CITES Management Authority of Bangladesh

- There are three species of the family of Thymelaeaceae found in Bangladesh, namely *Wikstroemia viridiflora*, *Linostoma decaudrum* and *Aquilaria malaccensis*.
- Based on the data provided by the Forestry Department, the population of Agarwood trees in the natural forest (e.g. in Lawachara region) is approximately 100 trees per hectare. Approximately 1.4 million trees (900 hectare) of Agarwood-producing species were established as plantations by the Forestry Department.
- Private owners have planted approximately 2,000 hectares (6 million trees) of Agarwood-producing species. Harvesting of Agarwood from the natural forest is totally prohibited and for privately-owned plantation, harvesting of Agarwood would require a Certificate of Origin and a Transit Pass from the Forestry Department.
- High demand for Agarwood has caused over-exploitation and habitat loss. Government of Bangladesh has taken the following conservation steps:
 - ✓ Declared the Lawachara Protected Forest as National Park in 1981
 - ✓ Banned logging in natural forests;
 - ✓ Bangladesh Wildlife Preservation(Amendment) Act 1974 regulates Agarwood by managing protected areas; and
 - ✓ Draft policy for Agarwood management and trade has been formulated.
- Agarwood had been traded in traditional business by local people on a small scale. There has not been a significant international trade of Agarwood in Bangladesh.

QUESTIONS AND ANSWERS (Kuwait, Malaysia, Myanmar, Singapore and Bangladesh)

Anna Martin, PNG Forest Authority, PNG

- *Question addressed to Singapore:* "Why did your import volumes drop in 2004 and then pick up again in 2005?"
- *Answer:* "There were uncertainties due to the impending uplisting of *Aquilaria filaria* and other Agarwood-producing species in 2004 and also the implications on trade for *A. malaccensis*. Traders needed to know the registry procedure before they imported."

Chuah Chang Man, Anti Corruption Agency, Malaysia

- *Question addressed to Singapore:* "How does Singapore's AVA verify CITES export permits? Do you have a list of signatories from exporting countries' CITES MAs? How long do you take to do verification?"
- *Answer:* "AVA insists on original copies of relevant CITES Export Permits. Any change of signatories is monitored and updated by AVA. As for timing, it all depends on frontline Customs officers, relayed to AVA for verification which can take only a few minutes if everything is ok. If in doubt, we seek verification with the CITES MA of the exporting countries, which can take varying amounts of time to have a response from the corresponding MA."

Tonny Soehartono, IUCN Global Tree Specialist Group, Indonesia

- Question addressed to Singapore: “How does Singapore MA maintain the pre-Convention stock in good quality for such a long time?”
- Answer: “Maintenance of the pre-Convention stock in good quality would be the responsibility of the traders. AVA ensures that there are indeed actual stocks for what the traders claim via checks at the warehouse and maintenance of the stock balance of individual companies. Based on stock checks, traders do hold pre-Convention stocks.”

Samedi, Indonesia CITES MA

- Question addressed to Singapore: “What does Singapore do with confiscated specimens? Did you inform it to Indonesian authority? What have you done with the confiscated specimens - i.e. did you sell them or did you send back to Indonesia?”
- Answer: “Need to check with the CITES MA in HQ whether Indonesia was informed. Confiscated specimens were auctioned off.”

Greg Leach, Plants Committee representative for Oceania

- Question addressed to Singapore: “Is there processing of woodchips or are they being re-exported in the same form as was imported? This could have some impact on stock control ability.”
- Answer: “The Majority of agarwood is re-exported in the same form as it was imported. There are cases where chips were converted to dust/powder. In such cases, the stocks are deducted from the producer permit for the chips and the re-export permit refers to the form as powder/dust. There are no impacts on the stock control ability.”

Henry Heuveling van Beek, TRP, Netherlands

- Question addressed to Kuwait: “Does Kuwait’s reservation apply to wild/forest Agarwood or cultivated Agarwood?”
- Answer: “Kuwait’s reservation for the time being all forms of *Aquilaria* and *Gyrinops* species other than *A. malaccensis*. But plantation Agarwood could be exempt, and instead of using CITES permit, another certificate could be used, according to the CITES Secretariat, under the conditions for exemption detailed in *Resolution Conf. 11.11 (Rev. CoP13)* regarding Regulation of Trade in Plants.”

Tonny Soehartono, IUCN Global Tree Specialist Group, Indonesia

- Question addressed to Malaysia: “How many CITES permits per month are being issued by the MA of Malaysia? On what basis does the Malaysian CITES MA plan to establish a 244 ton export quota for gaharu in 2007?”
- Answer : “The issuance of licences per month is dependent on the application for export made by exporters. However, the volume exported shouldn’t exceed the export quota established for that particular year. As for the harvest quota, the maximum allowable volume shouldn’t exceed 500 kg/license/month. Only limited licenses will be issued as to keep the production within the harvest quota. Actually the harvest quota is set to be 244 ton in terms of wood chips and powder per year. Out of that, 200 tons is allowed to be exported. The harvest quota is based on a 50-year rotation with the regime set at 30cm dbh (diameter at breast height) and above. The calculation of harvest quota is also based on data from NFI-4 where only 10% of the whole wild population of 30cm dbh is taken into account. It is also assumed that only 25% of 1m³ of *Aquilaria* showed (from 10% the whole population) can be turned into gaharu wood chips. *Aquilaria* species fall under category of light hardwood with its density of ±400kg/m³.”

DAY 1 - THIRD PRESENTATION SESSION

PAPUA NEW GUINEA (PNG) - Ms. Anna Martin, PNG Forest Authority

- Most of the Agarwood-producing trees found in PNG are distributed in the north, south and the highlands. There are three Agarwood-producing species in PNG, namely *Gyrinops ledermannii*, *G. caudata* and *Aquilaria filaria*. It is more commonly referred to as Eaglewood in PNG.
- There has not been any trade record for Agarwood prior to 1998. Based on 1999-2006 record, it is noted that 2001 recorded the highest volume of export.
- Studies on the ecology and taxonomy of Agarwood started back in 2001 and more research works on fungal infection and inoculation methods were also carried with the objective of producing high quality Agarwood.
- Agarwood-producing species have been harvested in an uncontrolled and unsustainable manner. Therefore, there is the danger of excessive exploitation and in the long run could cause the extinction of these species. There has been little effort thus far on the management and conservation of Agarwood-producing species in PNG. However, PNG has made some positive progress in establishing four Eaglewood Management Areas (EMAs), as well as nurseries and inoculation trails. Among the several follow-up steps taken are as follows:
 - ✓ Encourage and support long term feasibility of people-based nature conservation;
 - ✓ Encourage and provide technical assistance for people to establish nurseries; and
 - ✓ Advise communities to grow cultivated Agarwood-producing species as a plantation.
- PNG needs further structural support for protection, management and training in forest conservation and the implementation of environmentally sound policy to strengthen forest conservation for agarwood-producing species.

THAILAND - Mr. Manit Jaichagun, CITES Management Authority of Thailand

- Three (3) species of *Aquilaria* (*A. crassna*, *A. malaccensis* and *A. subintegra*) and one species of *Gyrinops* (*G. vidalii*) common to Thailand. Most of *Aquilaria* and *Gyrinops* species are distributed in national parks or protected areas.
- The removal of forest products including non-timber forest product (NTFP) from the protected areas is prohibited under various national laws and since 1989 the harvesting and collection of Agarwood is banned under the Forest Act B.E. 2484 (1941) and the Royal Decree of B.E. 2530 (1987).
- Thailand has embarked on Agarwood-producing species plantation using artificially propagated seedlings. Currently, a total of 40,000 trees have been planted and the oldest stands are 5 years old.
- Thailand tried several techniques to produce artificial Agarwood resins and one of the most popular techniques is the use of 'nails' on the standing trees.
- The quality of the induced Agarwood products is different to that of the natural Agarwood products. Agarwood products in the form of woodchips, powder and oil are being exported to the Middle East, Japan, Singapore and Taiwan (PoC).

UNITED ARAB EMIRATES (UAE) - Mr Abdunasser Al-Shamsi, CITES Management Authority of UAE

- Major species being traded in the UAE are *A. malaccensis* and over 50% of it is being re-exported. The Agarwood product is mainly imported from Singapore, Malaysia and Indonesia and most of it is then re-exported to Saudi Arabia. The UAE currently has a reservation in place for all agarwood-producing species except *A. malaccensis*.
- All shipments of Agarwood products coming to UAE are inspected by Agriculture Quarantine Officers and the consignment must be accompanied by CITES documents. Trade in these species requires registration with the Management Authority: failure to do so can be penalized by imprisonment, and/or a fine.
- Problems faced by UAE include:
 - ✓ No proper procedures for species identification;
 - ✓ Difficulty in enforcing trade regulation procedure due to due many forms of agarwood in trade, e.g. woodchips, powder, oil or as ingredient in perfumes and medicines; and
 - ✓ No existing labelling system.
- UAE proposed a labelling system which should include among others, a standard species code, ISO code for the country of origin, processing and packaging date, registration code of exporter or re-exported, ISO country code and CITES export permit number of the origin.

VIETNAM - Dr. Pham Quang Thu, Forest Research Institute

- Four Agarwood-producing species are found in Vietnam, namely *Aquilaria bailloni*, *A. banaensae*, *A. crassna* and *A. rugosa*. Trade in Agarwood is in the form of large sections of trunk, woodchips and flakes, powder/dust and oil.
- Illegal exploitation of Agarwood has been occurring in central Vietnam especially along the Vietnam-Lao border. Illegal Agarwood products are then smuggled out of the country to the various destinations.
- Based on record, 100kg and 10kg Agarwood was illegally harvested in 2005 and 2006 respectively. To date, 2,406kg of Agarwood has been seized by the authority and a total penalty of USD 60,000 being imposed on offenders.
- Under Decree N°32/ND-CP/30 March 2006, harvesting of wild *Aquilaria* species is only allowed for scientific research.
- At the end of 2004, a total of 20,000 hectares of *Aquilaria crassna* plantation has been established and this is expected to increase to 30,000 by the year 2010. The species is planted in 45 provinces in Viet Nam.
- Efforts are being carried out to induce the formation of Agarwood among the plantation trees. Some of the techniques used include making wounds on the trunk of 5-6 years old trees, driving nails or iron pieces into the tree trunk of 5-6 years old trees, the use of chemical and inoculating fungal inoculums. Artificial Agarwood formation can be considered successful in Viet Nam.

QUESTIONS AND ANSWERS (Papua New Guinea, Thailand, United Arab Emirates, Viet Nam)

Ong Ai Khim, AVA, Singapore

- Question addressed to Vietnam: “Of the four (4) methods used to induce Agarwood formation, which is the most effective? Is there any relationship between the pathological fungal inoculation to the quality and quantity of Agarwood that is being produced?”
- Answer: “The most effective method for artificial Agarwood formation is using fungal inoculation. Mechanism of Agarwood formation is to make the wounds always remain open to allow infection.”

Masataka Hata, Shoyeido Incense Co, Japan

- Question addressed to Vietnam: “Is there a reason why you have been working on only *Aquilaria crassna* in plantation but not *A. rugosa*?”
- Answer: “*Aquilaria crassna* is widely distributed and produces good quality of agarwood. *A. rugosa* is distributed only in the Central Highlands of Viet Nam and seeds of *A. rugosa* are very rare.”

Azmi Nordin, Forestry Department of Peninsular Malaysia

- Question addressed to Viet Nam: “What is the highest price ever paid for highest quality Agarwood? In the future you are going to have a lot of artificially induced agarwood, are you willing to pay the same price?”
- Answer : “The price of wood/kg is USD 30,000 and the price of oil/kg is USD 14,000. The prices are not commensurate as the wood contains only 1-2% oil. Some data showed that the Agarwood only contains 1-2% oil (agarwood seized from Lao Cai province contains 1-2% oil).”

Azmi Nordin, Forestry Department of Peninsular Malaysia, Malaysia

Question address to plenary/CITES secretariat

- “Why annual coupe on Agarwood is based on kilograms and not on number of trees. I don't think the harvesting of the species will be sustainable in the long run?”
- Answer: “We must remember that not all trees contain Agarwood and if it does contain Agarwood, it's only a small percentage of the tree itself. It has also been decided and agreed that for the purpose of trade the measurements used should be in kilogram, m³, ml.

DAY 2 - FIRST PRESENTATION SESSION

SAUDI ARABIA - Dr. Hany Tatwany (National Commission for Wildlife Conservation & Development, NCWCD), CITES Management Authority of Saudi Arabia

- The NCWCD was established in 1986 in anticipation of Saudi Arabia (SA) joining CITES, as an Observer Party in 1990 and finally a Full Party in 1995. From 1998 to 2003, various national legislation were put in place to manage the CITES control.
- The major source of Agarwood traded to Saudi Arabia is directly from the range States and from some re-exporting countries (e.g. Singapore, UAE). Saudi Arabia has a national register of Agarwood traders and importers.
- Import trade data for 2005 of raw agarwood into Saudi Arabia show 44% recorded as *A. malaccensis*, 43% as *A. filaria*, 10% *Aquilaria spp.* and 3% *Gyrinops spp.* Imports of agarwood oil were dominated by *A. malaccensis* and *Aquilaria spp.* Most significant points of export and re-export for raw agarwood in 2005 were Indonesia, Singapore, UAE, Kuwait and

India, respectively. However, for agarwood oil, Thailand was far more important than any other country of supply in 2005, followed by UAE and Singapore, respectively.

- Saudi Arabia has compiled separate trade figures for the import of Agarwood declared as *Aetoxylon*, amounting to over 160t in the period May 2005 to October 2006. There is an increasing use of agarwood from this species in medicinal preparations.
- Illicit trade has been recorded by passengers in personal luggage, by traders, by air courier and postal dispatch, and also by air, road and sea transport.
- There is also difficulty with identification of agarwood products to species level at point of import.
- Major implementation problems at point of import include: usage of previous year's export quota, lack of authentication and inspection at point of export, incorrect or unclear description of species on permits, and unsatisfactory communication between Parties.
- Fake agarwood, including the adulterated 'black magic wood', is now commonly on the market in Saudi Arabia.

Presentations from Industry Representatives:

INDONESIA - Dr Faisal Salampessy and Mr. Hassan Al-Basri, Indonesian Agarwood Traders' Association (ASGARIN)

- ASGARIN has a total of 2,750 members: 33 exporters, 332 local traders and 2,385 harvesters.
- Three kinds of agarwood are recorded in legal export trade: *A. malaccensis*, *A. filaria* and *G. versteeghii*. Of this, 99% is harvested from the natural forests, reportedly from only dead and dying trees
- Inducement trials have been attempted and agarwood plantations have been established e.g. in Sumatra, Java, and Lombok. To date, only low quality (*kemedangan*) has been produced from plantation) and is exported to Taiwan (PoC).
- High quality agarwood (super and double-super grades) is mostly exported to the Middle East, with the majority of Indonesian agarwood being sent to Singapore for re-export, and Taiwan (PoC).
- Indiscriminate harvesting has caused problems in Indonesia, but based on existing legislation, it is possible to monitor the chain of custody from collection to transport between Indonesia's provinces of agarwood cargo before the issuance of CITES export permit. ASGARIN's traders are aware of the importance of conducting wild population surveys to assist in setting of harvesting and trade quotas. ASGARIN is willing to provide assistance to government agencies as well as universities to conduct field surveys and population monitoring.
- Decline in overall quality has led ASGARIN to conclude that Double Super/Super from *A. malaccensis* can no longer be found in the wild in Indonesia; although Super B agarwood from *A. filaria* can still be found in Papua.

JAPAN - Mr. Masataka Hata, Shoyeido Incense Co.

- Shoyeido has been trading agarwood for around 300 years, and wishes to see the trade continue, because agarwood has become an inseparable part of Japanese culture.

- Currently there is relative ease when importing agarwood into Japan but many constraints when re-exporting – mainly to do with the complexity of application procedures, unclear and often impractical instructions, and no room for mistakes when filling in the forms.
- Changes in the trends of agarwood trade in Japan for the past 40 years began in 1975, before which the agarwood market was reasonably controlled and balanced. From 1975 onwards, some loss of control in the agarwood market led to heavy harvesting and possible damage to the forests in the range States in Southeast Asia.
- Since 1995 onwards, there has been an obvious decrease in availability of high quality agarwood, and the appearance of fake agarwood in the market. Agarwood quality can be assessed by using characters of specific gravity, surface and interior appearance to differentiate grades of natural agarwood, and distinguish real from fake agarwood
- There is a need to preserve the wild populations to meet the demands of specific markets such as Japan, and therefore it is important to differentiate between natural, artificial and plantation agarwood products. There may be a need to set a new category for fake products, especially those that are made using uninfected *Aquilaria* wood, which could include a labelling system for artificial products.

MALAYSIA - Mr Mohd Ibrahim Syed Majid, Ratna Niaga Sdn Bhd. & Syed Mohammad Tuan Temerang, Budimas Sdn. Bhd

- Agarwood is used for a variety of purposes - spiritual, aromatic, therapeutic - and although there are many agarwood-producing species in trade, there has been an obvious decrease in volume and quality over the past decade.
- In Malaysia, an increase of tourist numbers from the Middle East has attracted Arab consumers, leading the boom in agarwood retail outlets in Kuala Lumpur's downtown shopping area of Bukit Bintang. From the Malaysian trade perspective, the establishment of personal effects exemptions should be supported, but there should be a standard limitation set for the amount covered by such an exemption.
- Ratna Niaga's experience in the agarwood trade has shown that there should be more attention given to the significance of oil production versus raw agarwood in trade, and the conversion factors from wood to oil.
- Agarwood with an oil content range of 0.1-0.2% would normally be sourced from young trees, while the an oil content range of 0.3-0.7% was more economical for distillation, as well as more in line with the demands of buyers – whether for cosmetic, aromatherapy and therapeutic purposes.
- At what point the revenue is captured in the trade chain should also be taken into consideration.
- The main challenge faced by Malaysian traders is dealing with the current national import, export and re-export procedures for agarwood and CITES regulations.
- These challenges could be streamlined, and regulations standardized by enhanced co-ordination between the Ministry of Natural Resources and Environment and other government agencies, and the forming of a committee to oversee this.
- Registration and labelling systems for agarwood products in trade would increase the ease of management and improve transparency of the trade. By contrast, hardcore enforcement may push the trade underground and into the black market. There is a need to improve awareness amongst the collectors and traders to ensure legal and sustainable supply.

- Overall, there is a need for a holistic approach to ensure a win-win situation for the management of the agarwood trade at national and global levels.

UAE - Mr Abdulla Ajmal, Ajmal Perfumes

- Agarwood has an important place in the Middle East, with both cultural and religious associations.
- The Ajmal family has been involved in the agarwood business for three generations already, beginning with production in north-east India, and now has established its market niche in the UAE to serve a diverse trading base for its perfume products, including agarwood, in the Gulf States and globally.
- Ajmal retails a variety of agarwood products, from processed agarwood chips to refined perfumes – only 5% of Ajmal's contemporary perfumery business is reliant on agarwood and its derivatives. The company has developed a sophisticated set of qualitative standards to classify the raw agarwood and oil that it imports into the UAE.
- In terms of quality, Ajmals recognise Bhutan, India, Laos and Cambodia in descending order as the superior geographic points of origin, noting that India is the rarest in terms of wild harvested stocks. In terms of current availability, stocks reported to come from Indonesia, Malaysia, Thailand, and Papua New Guinea dominate the market.
- Ajmal is reducing its reliance on agarwood, mainly because of the changing preferences of the new generation of consumers. For example, consumers in the 24-35 year demographic prefer contemporary brands of perfume, as agarwood (oudh) is considered old-fashioned or traditional.
- While Ajmal's diminishing reliance on agarwood has been also due to the trend towards a growing scarcity of supply and deteriorating quality over time, there have also been many misconceptions associated with agarwood trade. Such misconceptions among governing bodies have led to stricter regulations and negative repercussions for authentic traders, while at the same time black market traders have emerged.
- Suggested several recommendations to overcome or address these negative elements in the AW trade, including a proposal to establish a governing body of environmentalists, regulators and traders which would undertake:
 - ✓ Registration of authentic Agarwood traders.
 - ✓ Standardize regulation of a high value commodity.
 - ✓ Benchmarking of the raw commodity to ensure fair trade.
 - ✓ Globally recognized & accepted labelling system.
 - ✓ Implement a standardized & favourable import / export policy, such as existing in UAE, Singapore and recently Malaysia.
 - ✓ Education & implementation of a massive afforestation programme.
 - ✓ Adequate education and training of CITES officials.
 - ✓ Enhanced research & development to ensure inclusion of Agarwood derivatives in international compliance lists such as IFRA, encouraging increased consumption globally.
 - ✓ Development of induction technologies,

- ✓ Reduction in bureaucracy and therefore the timeframe needed for completion of formalities.
- ✓ Examination of import / export CITES exemptions:
 - Plantation-harvested Agarwood and its derivatives.
 - 5kg of Agarwood (raw, powder, incense, etc) and 100ml of Agarwood oil for personal consumption per person.
 - All processed blends / compounds (branded / non branded, concentrates, EDPs, EDTs, Colognes, etc) containing Agarwood oil.

INDIA (Assam) - Mr. Syed Abdul Quavi, All Assam Agarwood Traders and Agaroil Manufacturers' Association (AATMA)

- There are an estimated 9-10 million agarwood-producing trees in Assam on non-forest lands (i.e. plantations) –
- Around 1880, agarwood was categorised in India as minor forest produce. By World War II, agarwood was almost exterminated in the wild due to destructive collection methods employed by forest contractors known as *mahaldars*. This led to the establishment of agarwood plantations after 1945. Plantations of the Ajmal group are registered with the Forest Department.
- While the Export and Import Policy of India provides the legal basis for the trade of cultivated agarwood, the complexity of the application procedures at different levels hinders the trade.
- No less than 20 government documents at various levels are required as well as field visits of officials from two different departments, simply to oversee the felling of trees on non-forest lands (plantations). In addition, the Assam Wood-based Industries Rules (2000) make it almost impossible to obtain the necessary documents to establish the origin of oil distilled from agarwood grown in home gardens.
- Assam's agarwood producers are thus faced with a dilemma: their products cannot be permitted for processing into oil and those that manage to do so cannot be legally exported
- AATMA has appealed to the CITES MA of India allow all forms of cultivated agarwood from Assam to enter the market for export, and asks other range States to consider how to make the sustainable management of cultivated agarwood production a success to ease the pressure on wild harvesting of agarwood in the Southeast Asian range States.
- The following recommendations were made:
 - ✓ To conduct an inventory of agarwood-producing species in the wild for the north-east States of India and other neighbouring range States in order to form a baseline for the free exports of cultivated agarwood from Assam.
 - ✓ Also there should be clearer guidelines passed down to the Divisional Forest Officer (DFO) to allow the re-export of imported agarwood brought into India with valid CITES permits. Currently, unclear guidelines have hindered the DFO in issuing the necessary documents and this has put >20,000 industry participants out of work in Assam.

VIET NAM - Ms. Nguyen Thi Huong Lan, Seven Mountains (Bay Nui) Ltd., Vietnam

- The success of the EC-funded TRP project in Vietnam on agarwood production has created new business opportunities for cultivated agarwood development, such as Bay Nui's start-up company set up in May 2006, in association with TRP Netherlands in Vietnam.

- Bay Nui is manufacturing and marketing certified Cultivated Agarwood (CA) technology in the form of CA 'kits', which have been promoted at trade fairs. The company is also developing downstream products such as incense sticks, shampoo and lotion made from cultivated agarwood.
- Recent investment policies in Vietnam have helped to provide more conducive environment for cultivated agarwood, but it still faces competition from inferior technology and products, and Bay Nui needs to build up the confidence of the farmers to use the technology.
- Since all harvesting and trade of agarwood is prohibited in Vietnam under a policy focused on wild populations, there is a need to recognise and provide the legal framework for the trade and export of cultivated agarwood. Bay Nui's policy is for cultivated agarwood to benefit the poor farmers in Vietnam and at the same time conserve the species.
- Bay Nui Ltd. hopes to be the first company in Viet Nam to export certified and CITES-approved cultivated agarwood chips.
- Research and tests are currently ongoing in Switzerland to provide scientific evidence for use of cultivated agarwood, especially a new product known as 'yellow agarwood', in traditional medicine applications.

QUESTIONS & ANSWERS (Saudi Arabia national report, reports from Industry in India, Indonesia, Malaysia, UAE and Viet Nam)

From Azmi Nordin, Forestry Department Peninsular Malaysia, to Mr. Hata of Shoyeido

- Question: Would he consider cultivated agarwood (artificial inoculation and use of stress chemicals in planted *Aquilaria spp.*) a fake? What defines 'fake' Agarwood to the Japanese?
- Answer: There should be some basic categories established. Cultivated Agarwood such as that from Vietnam would be welcomed by certain elements of the Japanese industry. However, we must be patient enough to wait for nature to create the traditional quality in wild stocks of *Aquilaria* trees. Man-made agarwood, i.e. wood pieces that are impregnating with oil, should be recognised as "fake". We should have three clear categories: 'natural', 'cultivated' and 'fake/impregnated'.

Dr. K. Deep of UAE to Mr. Mohd. Ibrahim Syed Majid of Ratna Niaga

- Question: You mentioned heat and the oil, yield decreases/deteriorates with time, please explain. Also, you cited a specific yield of 0.3-0.7%. Please explain this specific rate.
- Answer: Agarwood in the process of development should be given time to develop fully in the tree, but post harvest, mature Agarwood, if kept too long, can deteriorate in quality – that is our experience. Agarwood containing oil yield of 0.1-0.2% should be left alone and not harvested. Agarwood that can give oil yield of 0.3-0.7% is used as a benchmark for distillation.

The Chair requested more info from either Mr Hata (Japan) or Mr Hassan Basri (Indonesia) regarding Agarwood pieces that they have kept and passed from one generation to the next. Had they experienced anything similar?

- Mr Hata stated that of the agarwood pieces he is keeping, so long as they are kept in low relative humidity and away from heat sources, the quality can be maintained. Various agarwood wood obtained from different sources can be distinguished with experience of recognising the various wood characteristics – including the inner (cross-sectional) and surface characters. Exposure to heat may deteriorate the scent.

- Mr Hassan responded that his high quality Agarwood (50kg of Double Super) still retained its original quality (scent and colour), after being kept properly for 25 years. Ajmal also stated that its experience was that agarwood quality did not deteriorate over time.
- Mr Ibrahim then clarified that he referred to Agarwood in the wild, and there is a tendency for the quality to deteriorate if it is left exposed to the elements.

From Hj. Rahimi Othman, Forestry Department Peninsular Malaysia, to Mr Hassan of ASGARIN

- Question: How long does it take to collect the gaharu from nature? Have you inoculated the *Aquilaria* tree? Indonesia has set the annual export quota of 50t. The demand for Indonesian agarwood from Middle East is 200t. How do you manage to fulfil such demand?
- Answer: In Indonesia, natural Agarwood is not harvested from the young trees. It is only cut away from dead and dying trees. Indonesia has no problem meeting the demand of the Middle East. The total quota (*A. malaccensis* plus *A. filaria* groups) is 175t, which is sent to main destinations of Singapore, Taiwan (PoC), and Saudi Arabia.

From Shyful Azizi B. Abdul Rahman of MINT, Malaysia to Mr Hata of Shoyeido

- Question: MINT has put a lot of effort into R&D especially in the induction method and sustainable production of agarwood, but if the price of this type of agarwood is low in Japan, people will go back to natural resource and this will not overcome the problem. What is your suggestion?
- Answer: Cultivated Agarwood is currently considered to be of low quality. In Japan, there is a particular demand for high quality agarwood. In future, Agarwood used for medicine may rely on supply from cultivated agarwood. We must be patient enough to wait for nature to create the traditional quality.

Lohanathan Ponniah of Maritime Enforcement Agency Malaysia, question open to the floor

- Question: For any synthetic/artificial products of Agarwood being produced in the near future, what are the effects of such agarwood being used as medicine (traditional) or Ayurvedic?
- Ajmal: There is no synthetic agarwood. However, some aromatic components can be synthesised: but the process is very difficult and not economical.
- Henry H.V.B.: Agarwood is used in Traditional Chinese Medicine and Thailand for stomach ailments. Bhutan also uses it for medicine. There is current research on the therapeutic uses of agarwood in Switzerland.

Dato' Zul Mukshar indicated his concern on the use of healthy wood of *Aquilaria* in the making of fakes and requested comments from the floor

- Ibrahim (Malaysia) said that in his early experience in the trade, he was sold wood from young agarwood trees. He proceeded to distil in the hope of getting oil but got only sticky starch. Wood with no oil content is mainly useful for incense making.
- Kashio Masakazu, FAO-RAP, Bangkok: Historically, agarwood was used only by the rich and royalty. Now it is enjoyed by more ordinary people. There is a need to pass the information on to the general public (users and producers) on the production, processing and marketing.

Dr. D.B. Dhital, Bhutan

- Question: Can Agarwood in plain form (white wood without infection) be used for incense making or in medicine?

- Answer: Agarwood without infection has little commercial value. Some may be used in the making of incense, including the low grade product that has a little infection. It has no medicinal value.

DAY 2 - SECOND PRESENTATION SESSION

GLOBAL AGARWOOD TRADE DYNAMICS - James Compton, TRAFFIC Southeast Asia

- A background on the agarwood trade was provided, including historical use, and general downward trends in availability of both volume and value of supply. Major areas of supply continue to be from Indonesia and Malaysia, via Singapore, according to UNEP-WCMC CITES data, but import data from end-use markets in East Asia (e.g. Taiwan PoC, Japan) indicate a strong preference for agarwood sourced from Viet Nam. Aside from East Asia, the Middle East (e.g. Saudi Arabia, UAE) is the most significant destination market for end consumption.
- In terms of market size, based on Customs import data, Taiwan PoC is the largest market globally, reporting 8081t from 1994-2005. In terms of exports recorded by UNEP-WCMC CITES database, there have been 600t reported as exported to Saudi Arabia, and 400t reported exported to UAE, between 1995-2005.
- The lack of coherent data sets, and discrepancies between Customs data and CITES data, is an important issue that requires attention from trading parties. The importance of CITES data reporting, by both exporting and importing Parties, for monitoring of trade levels relative is an important step that needs to be recognised. Singapore's import and re-export statistics for raw (unprocessed) agarwood highlighted as an example, showing a discrepancy of over 700t since 1995 – which could be for many reasons, including pre-Convention stock.
- Currently, the global trade is almost exclusively supplied by agarwood of wild-harvested origin. Exceptions to this include the more established plantations in India, with Thailand, Viet Nam and Laos becoming increasingly active in producing cultivated agarwood from plantations. For example, it has been reported that 2,000t per year of plantation agarwood will be exported from Laos to Brunei by 2009, under a MoU between the two countries.
- At this point in time, Indonesia has the most developed management system for managing wild agarwood harvest for international trade. Its quota system divides an annual national figure between provinces, setting a limit for both internal trade (between provinces) and international export, which takes place mostly from Jakarta and Surabaya.
- While the major products in trade, according to recorded statistics, are agarwood chips and powder, there is very little data regarding the trade in agarwood oil. However, considering the market availability of this product, particularly in the Middle East where it is used for perfumery and aromatics, it is extremely important in terms of managing sustainability. This is even more significant when the conversion factor from wood to oil is taken into consideration.
- Priorities for long-term supply of agarwood to the market should be divided into concerns related to the management of wild-harvested and plantation/cultivated production. From a CITES perspective, range States should be conducting sustainability assessments, known as non-detriment findings, to determine the levels of offtake for trade, and instituting monitoring systems including annual export quotas. At this point, out of all agarwood range States, only Indonesia has set an annual export quota. Plantation-derived, or cultivated, agarwood should be considered separately, with a need to register centres of production in order to distinguish between cultivated and wild-harvested stocks.
- Different market demands should also be considered: for example, Japan's more exacting requirements of wild harvested natural stock rather than plantation-grown agarwood. The

market acceptance of cultivated agarwood overall should be assessed, and how this will benefit or threaten remaining wild populations.

- Sustainability of agarwood trade will likely only be achieved via best practice trade management and industry co-operation. A more formalised industry structure would no doubt increase transparency, and establish incentives for legal and sustainable sources of supply.

SUCCESSFUL METHODS FOR PRODUCING CULTIVATED AGARWOOD (GAHARU) - Robert A. Blanchette

- *Aquilaria* and *Gyrinops*
 - ✓ 90-99% of the trunk of a mature tree can be pure healthy wood and light in colour.
 - ✓ Resins formed in the phloem bundles and are inter-connected.
- Methods for producing agarwood
 - ✓ Explained briefly the wounding methods performed in the experiments conducted in Vietnam.
 - Deep wounds, need aeration, and opening to the outside.
 - Wounds – spiral from base to top.
 - Stimulate tree response for good production of resin around the site.
 - Trees need to be managed while agarwood forms.
 - There are reactions that inhibit resin formation.
 - Use various compounds to enhance naturally occurring microbial colonisation.
 - A blend of compounds were selected and prepared in capsules.
 - Try to fool the tree to keep producing more and more resin.
 - 4 to 6 years old trees
 - Treatment stimulates natural processes.
 - Manage those trees to keep producing resins.
 - ✓ Discussed trials using this method in Vietnam, Thailand, Papua New Guinea, Bhutan

APPLIED SCIENCE AND PROJECT DEVELOPMENT: COMMERCIALIZATION OF CULTIVATED AGARWOOD TECHNOLOGY AND INTERNATIONAL TRADE ISSUES - Henry Heuveling van Beek, The Rainforest Project Foundation/Bay Nui Ltd

- TRP has had a 12-year involvement in developing cultivated agarwood in Viet Nam. This has resulted in the development of specialised techniques to induce agarwood formation, which can be applied in both wild and plantation-grown trees. Cultivated Agarwood 'kits' are now commercially available, under exclusive technology rights.
- TRP is now pursuing certification for its products, and is using DNA profiling to track the products from each numbered tree. On this basis, TRP is sure that plantation agarwood can be clearly distinguished from wild harvested stocks, and can be easily assessed for its sustainability of production to comply with CITES procedures.

DAY 2 - AFTERNOON SESSION

SPECIFIC CHALLENGES OF AGARWOOD IMPLEMENTATION AND ENFORCEMENT - Milena Schmidt, CITES Secretariat

- Challenges of CITES implementation for agarwood focus on compliance issues – the fulfilment CITES Parties of their obligations to the Convention and its protocols.
- Identification of agarwood products in trade (logs, branches, wood pieces, chips and flakes, powder/dust, oil and finished products) from 16 or more species. The Secretariat has been working with the University of Leiden to develop a molecular-based DNA identification kit to distinguish agarwood-producing taxa.
- CITES Reservations on the listing of *Aquilaria* and *Gyrinops spp.* – since 2005, several countries in the Middle East (Kuwait, Qatar, Syria and UAE) took out a reservation for *Aquilaria spp.* (not including *Aquilaria malaccensis*) and *Gyrinops spp.* in Appendix II when these two genera were accepted for inclusion in Appendix II at CITES CoP13. *Aquilaria malaccensis* is not included in this Reservation because the species was already included in Appendix II. For species included in Appendix I or II, there are restrictions on when a reservation may be entered. They may be entered either when a State becomes a Party to the Convention or within 90 days after the adoption of an amendment to the Appendices.
- Article IV of the Convention specifies that the trade will not be detrimental to the survival of the species (known as “non-detriment findings”).
- Legal acquisition: in issuing an export permit, a CITES Management Authority of the State of export is satisfied that the specimen was not obtained in contravention of the laws of that State for the protection of fauna and flora.
- Non-detriment findings: a CITES Scientific Authority of the State of export has advised that such export will not be detrimental to the survival of that species.
- Levels of international trade in CITES-listed specimens are reported annually or biennially, but at present, reports on agarwood trade are still not comprehensive from all trading Parties.
- Personal effects: CITES provides a definition of personal effects under Resolution Conf. 13.7 [now Resolution Conf. 13.7 (Rev. CoP14)] on Control of trade in personal and household effects.
- Challenges for CITES enforcement: While there will always be concerns with illegal concealment or smuggling, the tracking of legal trade may be improved by the introduction of a universal labelling system for agarwood products. There are precedents for this within CITES, including the system used for caviar which includes a standard species code, the ISO code for country of origin, the year of packaging and official registration codes.
- Finally, the Secretariat raised concerns about the practical consequences of the exemptions and explained that stakeholders consider the impact of a trade that would be out of CITES controls. This point was raised after an intervention by a representative from the industry who suggested exempting up to 20 kg of agarwood per person as a personal effect for personal use.

IDENTIFICATION OF AGARWOOD PRODUCTS IN TRADE - Dr. Greg Leach, PC representative for Asia and Oceania

- The problems in identifying agarwood products stems from the diversity of products, and forms, in trade. At the same time, the enforcement of CITES relies on the identification of individual species/ at species level.
- To allow for efficient efforts in implementing the Convention, it may be most practical to focus on major products in trade. This has been discussed by the Plants Committee with relevance to medicinal plant species, based on two main principles:
- Concentrate on those commodities which first appear in international trade as export from range States; and ii) include only those commodities which dominate the trade.
- This approach requires the following: identification of the major product in trade at point of first export; identification of the source – wild or plantation; and periodic review or monitoring of the implementation of these controls.
- There are current limitations on identifying agarwood, but it could be approached via forensic DNA, DNA extraction from wood, or DNA sequence analysis.
- There are four existing forensic DNA projects: The agarwood DNA project (Leiden University), the DNA 'bar-coding' project at Kew Gardens, the Ramin DNA project and the German Galanthus project.

MAKING NON-DETRIMENT FINDINGS (NDF): THE IMPORTANCE OF NDF IN CITES - Milena Schmidt, CITES Secretariat

- A CITES NDF rests on advice given by the CITES Scientific Authority that a propose action will not be detrimental to the survival of a species (Article III and IV of CITES). The NDF decision-making process is the fundamental condition for the issuance of an export permit for species in Appendices I and II, and for import permits for species in Appendix I.
- A NDF is required prior to the export of Appendix II specimens (such as Agarwood) and export permits may only be granted when the Scientific Authority had given the advice of non-detriment. CITES Permits and certificates are proof that such advice has been given.
- NDF advice is a decision that must be made by the Scientific Authority, and may be delivered in written or verbal form, and may encompass a voluntary harvest and export quota agreed by the Scientific Authority and the Management Authority for a specific time period.
- However, there is one exception – under CITES Resolution Conf. 9.10 (Rev. CoP13) [now replaced by Resolution Conf. 9.10 (Rev. CoP14)] on Disposal of illegally traded, confiscated and accumulated specimens.
- Normally, a Management Authority cannot issue permits in the absence of positive advice from the Scientific Authority. But only in the case of Conf. 9.10 (Rev. CoP13), the Management Authority may make the NDF as follows:
 - c) when applying Article IV, paragraphs 2 (b) and 5 (a), of the Convention to specimens of species in Appendix II that have been confiscated as a result of attempts to import or export them illegally and that have subsequently been sold by the Management Authority, having satisfied itself that this would not be detrimental to the survival of the species, the specimens be deemed to have been obtained in accordance with the provisions of the Convention and with the laws of the State for the protection of fauna and flora for the purposes of issuing export permits or re-export certificates; and*
 - d) permits and certificates granted in accordance with paragraph b) or c) above clearly indicate that the specimens are confiscated specimens;*

- Voluntary CITES export quotas are an outcome of:
 - ✓ effective management programmes designed to prevent unsustainable harvesting of wild populations.
 - ✓ a determination by the Scientific Authority that the number of specimens that may be exported as part of a quota will not be detrimental to the survival of that species.
- When quotas are agreed by the Conference of the Parties, the CoP recommends that these be interpreted to mean that the non-detriment finding requirements are met.
- Advice on making non-detriment findings is available in Document Inf. 11.3; (IUCN SSC Occasional Paper No. 27). This was developed by IUCN-SSC.
- This contains a 'risk assessment' checklist of information to be monitored, and has been designed to build the capacity of Scientific Authorities in advising whether exports of Appendix II-listed taxa are non-detrimental to the species' survival.
- The checklist also allows Scientific Authorities to compare their findings with those of other countries for similar species or similar commodities in trade.
- When completing the checklist for NDFs, a high degree of uncertainty should lead to the conclusion that there is insufficient information to base a finding of non-detriment.
 - ✓ In the absence of complete scientific information for making NDFs, CITES Parties would normally adopt adaptive management approaches.
 - ✓ This technique is used when there are only fragmentary or unavailable details on population size, productivity, other threats to the population than trade, national use, etc.
 - ✓ A management regime is then put in place, accompanied by a stringent monitoring system which allows for 'adaptive' responses based on new information becoming available. A successful adaptive management approach monitors the impact of trade to ensure that the resource is not overexploited.
- When legal trade has been shown to be unsustainable, CITES provides corrective mechanisms and remedial measures:
 - ✓ Quotas established by the CoP (i.e. non-voluntary).
 - ✓ Measures as a result of the Review of Significant Trade.
 - ✓ Measures as a result of reviews by the Animals and Plants Committees.
 - ✓ Transfer to Appendix I.

QUESTIONS & ANSWERS (addressed to Milena Schmidt)

Mr Veari Kula, Dept. of Environment & Conservation CITES Management Authority of PNG

- Capacity to undertake Non-Detriment Findings (NDF) particularly in developing countries is an issue, given their lack of capacity to implement CITES regulations. It would be interesting to know how CITES Secretariat intends to address this, specifically in providing training opportunities for these countries in conducting NDF. In PNG, a current moratorium exists on exports due to the absence of an agarwood management strategy. Thus it would be extremely useful if such management guidelines are also made available to assist countries such as PNG to ensure a sustainable harvest of agarwood.

- Answer from the Secretariat:
 - ✓ CITES can provide trainings but has limited resources. Moreover, this is difficult due to the high rate of staff turnover, e.g. custom staff.
 - ✓ However, materials are available upon request for running training in a country.
 - ✓ CITES is willing to provide views on draft management plans or national strategies. This provides countries the opportunity to develop their own national strategies according to their needs.
 - ✓ Parties can also submit project proposals to the Secretariat as to request financial assistance. This can be done through Resolution Conf. 12.2 on Procedure for approval of externally funded projects.

Shirina Khatum, Forest Department, Bangladesh

- Question: Is there any instruction from CITES Secretariat to register the plantation for commercial purpose of CITES Appendix II species. If not, then do you think there should have an instruction to the parties from CITES?
- Answer: For plant species Parties can register nurseries propagating species included in Appendix I. Nevertheless, this registration is voluntary. There is no requirement in CITES to register plantations for commercial purposes of species included in Appendix II. However, registration of nurseries and plantations can be a good practice and useful for the daily work of the Management Authorities, this is a domestic measure though (India and Indonesia indicated that currently they require plantations to be registered with the government authorities).

Syed Abdul Quavi, AATMA, Assam, India

- Question: Do you recommend NDF for products coming from private plantation?
- Answer: Yes. Although private plantations represent no threat to the wild populations, the Management Authority usually inspects the site jointly with its Scientific Authority. This is mainly the case of Parties having a national register of nurseries and plantations and is for example a common case on mass-produced (artificially propagated) orchids. In these cases the NDF is quickly made, after visiting the site, by the SA who advises the MA to authorize the export. The NDF has to be made by the SA except with confiscated specimens as explained in Resolution Conf. 9.10 (Rev.CoP14); it is just a matter of scale and complexity of the case.

NDF GUIDELINES FOR AGARWOOD-PRODUCING TAXA LISTED IN CITES - Lim Teck Wyn, consultant to TRAFFIC Southeast Asia

- Restated the fundamentals about CITES NDF being carried out by the CITES SA, and that the IUCN-developed 'risk assessment checklist is a major tool in this process. Guidance from the Convention comes from Article IV 2 and Article IV 3.
- Using a flow chart describing the application process for a CITES export permit: if an annual NDF is carried out by the Scientific Authority, and an annual export quota set, then each export permit application may not need to be referred to the Scientific Authority – depending on the volume of export.
- This is where conversion factors from trees to agarwood, and from agarwood to oil, may be extremely useful in calculating thresholds of sustainability.

- The IUCN checklist enables a measurement of risk according to a variety of categories, and rates the risk according to experts opinions (it is subjective in that it depends on the level of knowledge of the expert(s) being consulted)
- Currently, one of the main weaknesses to carrying out standardised NDF for agarwood, and other CITES-listed species, is that there are no guidelines on quantitative measures.
- To determine sustained yield from a resource like agarwood, it would likely involve an initial decline in wild populations, but be stable over the long term. This would depend on considerations of a number of factors, including control of harvest areas, species distribution, harvesting techniques, monitoring systems and enforcement.
- Sustainable management of agarwood harvest must address the relationship between a NDF assessment of threat to species survival and sustained yield. Other examples of quantitative thresholds can also include IUCN Red List criteria.

Comment by Milena Schmidt, CITES Secretariat

- Until now Parties preferred to do their NDF on their own ways. However, they have identified, over the last two years, a need for drafting guidelines on how to make the NDF. This topic is being discussed in several CITES fora, and it is under development. The Conference of the Parties will probably discuss some proposals on this issue in the near future.

RESOURCE ASSESSMENT FOR NON-WOOD FOREST PRODUCTS - Kashio Masakazu, FAO

- Introduction of FAO-NWFP program. FAO's definition of non-wood forest products is "goods of biological origin other than wood, derived from forests, other wooded land, and trees outside forests".
- FAO's Forest resources assessment programmes were presented, including the scope of natural forest inventories, and conducting resource inventories on NWFPs.
- Constraints and challenges on agarwood resources assessment management and information include the facts that currently national forest inventories (NFI) do not cover agarwood resource assessments, thus leaving gaps in information.
- To specifically address agarwood concerns, forest departments need justifications, manpower and budget, as well as institutional arrangements under policy guidance.
- A regional strategic framework may be required as a common platform, including fundraising to support a regional agarwood programme, which could include technical manuals on plantation production. Research and development work should be promoted, including artificial-inducing technologies, processing and marketing. Information sharing should be encouraged, and establishment of a network including government, NGO and private sector representatives may be an important initial step in this regard.

QUESTIONS & ANSWERS (addressed to Kashio Masakazu)

R.K. Samal, CITES Management Authority of India

- Question: Agarwood is not pure resin. It is wood impregnated with resin. How is it classified as non-wood forest product (NWFP)?
- Answer: The wood only serves as a carrier. Therefore it is classified as non-wood forest product.

DAY 3 - WORKING GROUP SESSIONS

The participants broke up into three (3) working groups to identify needs for capacity-building, training, verification of source, labelling system, resource assessment and monitoring systems for harvest and trade, analysis of supply and harmonized trade management and personal exemptions. The three working groups were:

Working Group 1: “Capacity building for meeting the requirement of CITES listing of Agarwood in Appendix II” - Identifying needs for capacity building, training and assistance for formulation of CITES NDF for wild-harvested agarwood, including considerations of plantation supply versus wild harvest, resource assessment and monitoring systems for harvest and trade

Working Group 2: “Coordination and cooperation at national and international levels for the effective monitoring of harvest and trade in agarwood, including CITES enforcement” - At national, regional and international levels with emphasis on the experiences, including verification of source and labelling systems; communication, exchange of and dissemination of information, stakeholder outreach

Working Group 3: “Review of market and international trade of agarwood (*Aquilaria* spp. and *Gyrinops* spp.)” - Analysis of supply, demand and actual volume/value of agarwood exported, imported and re-exported; considerations of plantation supply vs. wild harvest, considerations of plantation supply vs. wild harvest, including verification of source and labelling systems; chain of custody, formulating recommendations for harmonised trade management and personal exemptions.

DAY 4 - REPORT BACK AND DISCUSSIONS FROM WORKING GROUPS

Working Group 1: Capacity Building for Meeting the Requirements of CITES Listing for Agarwood in Appendix II - Milena Schmidt, CITES Secretariat

Current Situation and Issues	Problems and Constraints	Priorities
<ul style="list-style-type: none"> ▪ 17 species in two genera and just a few heavily traded. The others may be occasionally be used for low quality products. ▪ <i>A. malaccensis</i> – the most common, found scarce in most of its range. ▪ Information on the total distribution area of agarwood producing taxa is not available and no coordinated global study on agarwood population. ▪ Uncertainty on the position of planted agarwood. Registers of plantations are not being made by the MA concerned. ▪ There is a lack of information on the ecology and biological characteristics of agarwood producing taxa, including regeneration. ▪ In view of decreasing wild natural populations of agarwood trees, difficulties are increasing when it comes to 	<ul style="list-style-type: none"> ▪ No lead agency with the expertise to do the NDF for these taxa. ▪ Agarwood trees from conversion forests – how to address. Has to be considered in preparing NDF. ▪ Lack of implementation at the front line due to lack of concern, awareness or indifference ▪ Economic concerns constrain implementation – lucrative nature of illegal trade – strong demand ▪ Lack of money for law enforcement in range States. ▪ Small number of SA actually doing the NDF ▪ Different figures for input/export make international communication and assessment of the current levels of agarwood trade 	<ul style="list-style-type: none"> ▪ Funds should be made available for a thorough/proper inventory of agarwood producing taxa, ▪ More accurate inventory methods need to be developed for tropical forests at the regional level. ▪ More effective monitoring and evaluation of agarwood trees regeneration needs to be conducted in residual stands. ▪ Further ecological and biological studies on agarwood producing taxa, especially regeneration, are needed. ▪ Natural reserves/protected areas for these species need to be established in order to promote research and public awareness on this subject. ▪ Development of artificial regeneration techniques for <i>A. malaccensis</i> ▪ Develop and introduce cost

Current Situation and Issues	Problems and Constraints	Priorities
<p>provide high quality material.</p> <ul style="list-style-type: none"> ▪ No management guidelines for threatened species (harvesting) at the moment. ▪ No labelling system to distinguish the mixing of plantation and wild agarwood. ▪ Lack of R & D on agarwood (also related to training on identification of species) ▪ Market is ready and the price is good ▪ Discovery of new genus of agarwood could contribute more to agarwood trade 	<p>difficult.</p> <ul style="list-style-type: none"> ▪ Is there a harmonized code system for agarwood products as there was in Japan back in 1998? ▪ Capturing data/sharing data between SAs does not happen ▪ Lack of awareness about experiences of other countries ▪ National priorities may conflict and stop any possibility of formulating a regional strategy ▪ Porous and long borders ▪ Difficulty in translating talk to action ▪ No standard grading system for all the producer countries ▪ Silvicultural treatments for agarwood: there is none at the moment ▪ Illegal collection of gaharu still happening in many countries ▪ Insufficient market information on agarwood ▪ Knowledge is lacking on species identification 	<p>effective reduced impact logging practices for production forests</p> <ul style="list-style-type: none"> ▪ Strengthen enforcement to prevent illegal logging in range States. ▪ Improve coordination between relevant agencies in range States. ▪ Identify the problems in each range state to carry out the NDF (local resources, e.g., man power, funding capacity, regulation, etc.) ▪ To initiate or conduct the DNF and monitor its progress ▪ Set a harvesting quota (wild only) then an exporting quota (wild only), based on DNF ▪ Monitor the export. Suggestion: separate reporting for natural agarwood and cultivated agarwood ▪ Identify and fix the methodology to monitor the chain of custody, especially for plantation

QUESTION & ANSWERS (addressed to Working Group 1)

Quota/grading

- Dato' Zul Mukshar, Malaysia: After conducting NDF, we come up with a quota. However, there seems to be a misunderstanding regarding the issue of fixing the quota. When setting a quota, do we set a quota for the products (agarwood) or the tree species (*Aquilaria*)? We have to be consistent and this is related to the issue of grading.
- Answer (CITES Secretariat): When one indicates the quota to the CITES Secretariat, the Party is talking about specimens or species. The country also must prepare an explanation on how the quota is established and which products the quota refers to. It is always referred to at the species level, and then the products covered by the quota.
- For examples, *Aquilaria malaccensis*, followed by a fixed number of units, and then what form of products (e.g. chips or woods).
- Comment from Lim Teck Wyn, consultant to TRAFFIC Southeast Asia: this is the key issue, perhaps we should call it grading. How do we define agarwood? There is no clear definition and that is the problem. What gives value to agarwood is the resin content in the wood. What percentage of resin should there be before calling it agarwood? Some kind of definition is needed.

Agarwood producing taxa

- Bhutan: How to determine if Agarwood is in the tree? A method to determine the quantity of Agarwood inside the *Aquilaria* trees is very important.
- India: Finding the number of trees, does this equate to the number of trees being infected? Related to this, two issues should be identified: (i) assessing the number of trees in the wild; and (ii) assessing the quantity of Agarwood inside the trees. Can the CITES Secretariat to initiate some studies to resolve this?
- Answer (CITES Secretariat): There is a budget line to support the scientific studies. Perhaps a study can be commissioned in collaboration with the appropriate national Authority and circulate the results to all concerned.
- Comment from the Chair: On the issue of finding new stock to sustain trade, since the discovery of *Gyrinops* in PNG producing agarwood, we have probably reached the end of the line for discovering new natural taxa producing agarwood.
- Comment from the FAO: agarwood resource assessment and monitoring could be carried out under the framework of national forest inventory (NFI). In cases where the local communities are custodians of the forest, then the inventory exercise should involve the local communities. In such an occasion, resource inventory can be made by local people themselves after a training programme on how to use survey equipment and how to record data by foresters (this has been suggested to PNG by FAO under a current project).

Reporting the source of origin

- Saudi Arabia: The CITES Secretariat commented that it is important to know the source of origin. Does this mean that in the CITES export reporting, it is sufficient to provide just the source of origin without having to put the tag on the species name. In that case, our database reporting will be complicated because it requires the species and genus names.
- Answer (CITES Secretariat): In issuing permits, the CITES MA should also request from the trader the information of where this material comes from to be sure it is not going to be detrimental. The NDF needs to be made by the SA. Once the SA advises the MA that the export will not be detrimental, the MA needs to write in the export permit the scientific name of the species concerned. Because *Aquilaria* spp. and *Gyrinops* spp. are included in Appendix II to a genus level, the MA can write the genus name only. It is always preferable though to be able to identify the specimens to a species level but we all know that the taxonomy of many agarwood-producing specimens is uncertain, therefore, the genus name can be accepted alone in the permit.

Working Group 2: Coordination and cooperation at national and international levels for the effective monitoring of harvest and trade in agarwood, including CITES enforcement - Dr. Irawati, Plants Committee representative for Asia.

Current situations and issues	Problems and constraints	Priorities	Assumptions
MONITORING HARVEST AND TRADE OF AGARWOOD AT NATIONAL LEVEL			
Plantation	<ul style="list-style-type: none"> ▪ Mixture of agarwood collected from plantation and from the wild 	<ul style="list-style-type: none"> ▪ Verification of source / labelling ▪ Staff physical count ▪ Identification of species (if 	<ul style="list-style-type: none"> ▪ Consider as being artificially propagated in accordance with the definition contained in Resolution Conf. 11.11. on Regulation of

Current situations and issues	Problems and constraints	Priorities	Assumptions
		mix with natural sources) ▪ Registration of plantation	trade in plants
Forest (wild)	▪ Uncontrolled harvest may caused agarwood trees in certain area depleted	▪ Keep track on how much, where and who should harvested ▪ Grouping of species/genera according to bioregion → use transport permit in the country to monitor the origin of the specimen ▪ Using DNA technique for monitoring to the species level? → Registration of plantation, trader and processing units	▪ Conservation value should be taken into consideration
MONITORING HARVEST AND TRADE OF AGARWOOD AT INTERNATIONAL LEVEL			
Verification of CITES document	▪ Constraint to traders (SA, UAE). Verification of CITES document would delay in releasing of shipment (too long) → some countries enter a reservation for agarwood	▪ Records of this particular species have to be included at their annual report for proper monitoring of the agarwood trade.	▪ Verification of CITES document by importing country is important to monitor illegal trade. Others consider only in the case of doubt.
Verification of source and labelling system	▪ Not all parties already practice	▪ Registration number for the traders and buyers – Done by Malaysia & Cambodia for traders Registration for Indonesian traders, but not other countries – Saudi Arabia and United Arab Emirate do registration for buyers – Priority should be given for registration of traders	
Labelling	▪ No country use labelling system for plants. To apply labelling system, considerations has to be taken because this will has a consequences on cost and practicality ▪ Fake labelling system may found.	▪ To promote sustainability of forest management, labelling (even at the very simple level) should be started). ▪ Value of labelling, easy to control and simple tracking system.	

Current situations and issues	Problems and constraints	Priorities	Assumptions
Grading	<ul style="list-style-type: none"> Grading on agarwood is subjective, depends on the country. 	<ul style="list-style-type: none"> Initiate a study of the types of grading system. Need to reach out to a wide range of stakeholders, not only MAs only. 	
Disposal of confiscated specimen	<ul style="list-style-type: none"> No consensus (sell through auctions, destroy, return back to the country of origin) 	<ul style="list-style-type: none"> Follow Resolutions: Conf. 9.10 (Disposal of illegally traded confiscated and accumulated specimens) Coordination and cooperation at National and International level should be encouraged for effective monitoring of harvest and trade of agarwood 	
Illegal trade	<ul style="list-style-type: none"> The group comes to conclusion that the illegal trade on gaharu is an organized crime. 	<ul style="list-style-type: none"> All stakeholders must work together. They are: CITES authorities, Traders, Buyers, Collectors, Middle-mans, Manufactures, Custom officers, NGO's List of legalized exporters → distribute to the importing countries → importing country MA can verify easily. 	<ul style="list-style-type: none"> Coordination and cooperation will not work without regular and occasional communication Regular communication needs networks, focal points Regional meeting for discussing common issues and establishing agreements, increase awareness, trainings, controlling prices etc will be very useful too. Considerations: due to products shift and dynamic on trade. Identify donors for regional programmed.

QUESTION & ANSWERS (addressed to Working Group 2)

Registration of plantations

- Syed Quavi, Assam: Concerned that the aim of registration of plantation is to curb illegal trade and would have adverse repercussion on countries that are reliant on plantation stocks. If this is not well managed, registration would become a burden rather than an effective incentive.
- Thailand: In Thailand, registration of plantations would require too much effort. Instead, only those whose collecting activities affect the natural populations (e.g. supplier of seedlings who collect from the wild) will need to be registered

- R.K. Samal, India: In India, collection from the wild is completely prohibited. It's unclear how this registration would be effective in the Indian situation.

Network & Focal points

- Pham Quang Thu, Vietnam: Who should be in the network? Suggested that there should be focal point meetings/workshops to meet and present the national report. *The Chair* commented that the mechanism needed to achieve this is still unclear. Kashio Masakazu, FAO: Perhaps should have some information centre/services such as that which FAO provides for non-wood forest products. Effective information flow cannot be achieved without having some nodes (centres) which can perhaps be offered by CITES, TRAFFIC, FAO, etc. TRP suggested it would like to get involved also.

Inter-agency communication

- Shirina Khatun, Bangladesh: Commented that inter-agency communication, co-operation & political support are needed for effective enforcement of related legislation.

Confiscation of goods/use current CITES resolution to handle the confiscated goods

- Chair requested comments and questions on this issue.
- Ibrahim, Malaysia: local laws on auctioning off confiscated agarwood have certain procedures to follow. The revenue generated should belong to the local authorities
- Dato' Zul Mukshar Md. Shaari, CITES Plants Committee, Malaysia: did WG2 come to a consensus on the disposal of confiscated materials whether it was agreed that the present CITES decision/resolution on this is adequate. WG2 chair confirmed there were too many opinions, and no consensus was reached. It was then suggested that existing CITES Resolution should be followed.
- Hj. Rahimi Othman, Malaysia: Commented on the need to explore the "special" inventory just for agarwood, to keep track of the amount of wild agarwood stocks in the forests.

Before ending the session, Chair reminded participants of the focus of WG2. He requested more comments related to or give some thoughts on what mechanism is needed to form a communication group to make a functional network of focal points.

Working Group 3: Review of market and international trade of agarwood (*Aquilaria* and *Gyrinops* spp., James Compton, TRAFFIC Southeast Asia

Current situations and issues	Problems and constraints	Priorities	Assumptions
ANALYSIS OF SUPPLY AND DEMAND			
Supply: What is left in the forest in terms of wild population?	<ul style="list-style-type: none"> All agarwood is being cut, whether young or old; National Forest Inventory may give an estimate of standing stock, but not agarwood content. 		
Supply: Plantation supply dominates in many producer countries (e.g. VN etc) – CITES regulations for wild harvest affect national policies.	<ul style="list-style-type: none"> Regulations focused at wild population management may affect plantations adversely 	<ul style="list-style-type: none"> Differentiate management and regulatory strategy for wild vs. population (plantation) Supply should be split into wild and plantation systems. 	

Current situations and issues	Problems and constraints	Priorities	Assumptions
Supply: Specific qualities of export for medicinal use (<i>A. crassna</i> , <i>A. agallocha</i> (from West Java), <i>Aetoxylon</i>)			
Supply: High quality material not available any more (e.g. for Japan)			
Supply: Enforcement of national policy is not consistent enough to manage supply	<ul style="list-style-type: none"> ▪ Illegal traders and extractors are not easily controlled ▪ Collection of seed stock from mature trees ▪ Which proportion of the wild population should be harvested? 	<ul style="list-style-type: none"> ▪ Formalisation of national industry structure ▪ Registration of harvesters, registration of traders 	
Supply: Pre-Convention stocks still declared entering the market	<ul style="list-style-type: none"> ▪ Documents should be verified with cargo examination, stockpile management with individual cargoes (could be linked to labelling) 	<ul style="list-style-type: none"> ▪ Transparent stockpile management; clear labelling 	
Demand: Changes in preference among younger consumers, but chips market is maintained in Middle East. In Japan, demand is stable for old material, but also incense products are diversifying	<ul style="list-style-type: none"> ▪ How will this change over the longer term? 	<ul style="list-style-type: none"> ▪ Monitoring of changing market preferences 	
Demand: Specific demands from Korea, Taiwan on medicinal qualities? Japan on high quality wood material.	<ul style="list-style-type: none"> ▪ Japanese demand maybe stable, but the general quality is declining; plantation agarwood not used. 		
Demand: Numbers of importers	<ul style="list-style-type: none"> ▪ Uncertain number of importers 	<ul style="list-style-type: none"> ▪ Formalisation of national industry structure; registration of trade participants 	
Demand: Domestic consumption levels?	<ul style="list-style-type: none"> ▪ Difficult to know what is the domestic consumption 'footprint' in producer, consumer, and re-exporting countries, e.g. Malaysia's Bukit Bintang market, Thailand's Sukhumvit Soi 3? Who monitors this consumption (if not regulated by CITES)? ▪ What is the significance of China's domestic market? ▪ Gaps in data coverage? ▪ Lower grades may be used domestically, rather than higher qualities which are more likely to be exported. 		

Current situations and issues	Problems and constraints	Priorities	Assumptions
VOLUME AND VALUE			
<ul style="list-style-type: none"> Lack of knowledge of conservation impact of high volume harvest 	<ul style="list-style-type: none"> Low quality, harvested in high volume, may be more serious for conservation; Forest management strategies for protection and production – controlling access and definitions of “wild harvest” 	<ul style="list-style-type: none"> Management strategy on what age/size limits of trees to be cut 	
<ul style="list-style-type: none"> Illegal extraction and trade is impacting both volume and value (particularly in Indonesia) 	<ul style="list-style-type: none"> Middle East buyers, traders, coming to supply countries without consultation with local industry members, and not complying with national regulations, neither with CITES permit rules 	<ul style="list-style-type: none"> Bilateral discussions between ID and GCC countries; Make suggestions for international co-operation Increased internal domestic regulation and enforcement 	
<ul style="list-style-type: none"> Oil production in consumer countries using powder/chip material is driving prices down 	<ul style="list-style-type: none"> Should oil be labelled? 		
WILD HARVEST VS PLANTATION STOCKS: SOURCE VERIFICATION; LABELLING / CERTIFICATION; CHAIN OF CUSTODY			
<ul style="list-style-type: none"> Verification of supply origin – wild vs. plantation 	<ul style="list-style-type: none"> How to differentiate wild vs. plantation stocks if cargo is mixed? Plantation stocks not subject to annual quota in Indonesia, but still require CITES export permits. 	<ul style="list-style-type: none"> Cargoes could be stamped and sealed, with information to match CITES certification; Certification scheme to track cargoes; Keep cargoes separate throughout the chain of custody, to verify source codes A vs. W for CITES documentation; 	<ul style="list-style-type: none"> Cost of registration and labelling
<ul style="list-style-type: none"> Direct contact between producer and consumer countries needed 	<ul style="list-style-type: none"> Supply/re-export countries need to inform importing countries of harvest trade quotas 	<ul style="list-style-type: none"> Increased communication between producers, re-exporters and consumers 	
<ul style="list-style-type: none"> Government regulators need to be able to manage the supply and demand 	<ul style="list-style-type: none"> Forest management strategies for protection and production – controlling access and definitions of “wild harvest” 	<ul style="list-style-type: none"> One-stop centre for exporting countries to look at regulatory compliance, collection of levies (CITES, Customs and trade department collaboration) 	

Current situations and issues	Problems and constraints	Priorities	Assumptions
<ul style="list-style-type: none"> ▪ Viet Nam system: verification of individual trees before and after cutting, source could be tracked back to the stump → plantation stocks (e.g. Cultivated Agarwood) are individually numbered 	<ul style="list-style-type: none"> ▪ Would plantation certification disadvantage wild collectors? 	<ul style="list-style-type: none"> ▪ Prepare for plantation supply to dominate the market in the next 10 years; ▪ A more sophisticated labelling system may need to be developed in the near future, but CITES permit source and transaction codes should provide enough information; ▪ Any registration/labelling system needs to be informed to consumer countries; 	
COMMODITY DEFINITIONS: WHICH PRODUCTS SHOULD BE CONTROLLED BY CITES; CONSIDERATIONS OF PERSONAL EXEMPTIONS			
<ul style="list-style-type: none"> ▪ Definitions of wild vs. plantations 	<ul style="list-style-type: none"> ▪ At present, no definition exists for non-timber forest products in CITES 	<ul style="list-style-type: none"> ▪ Establish definitions on wild and plantation production systems 	
<ul style="list-style-type: none"> ▪ Definitions of products and commodities ▪ Products/Commodities – Need for definitions: <ul style="list-style-type: none"> – Chips/pieces/logs/ roots/timber – Powder/dust (pre distillation)/dust (after distillation – spent dust) – Oil (at what level of purity?) – Finished products (perfume, incense sticks, balls/cones, bakhoor/mahmool, spray, soap/toiletries, wine, medicines) – Fake or adulterated products (e.g. “black magic wood”) 	<ul style="list-style-type: none"> ▪ Irregular descriptions of products in trade, as well as units of measurement 	<ul style="list-style-type: none"> ▪ Each commodity needs to be defined to ensure ease of reporting units of measurement to be standardized to allow better trade reporting 	
<ul style="list-style-type: none"> ▪ Which products should be controlled by CITES – where is the enforcement effort to be concentrated? 	<ul style="list-style-type: none"> ▪ Raw agarwood products should be the major focus of the trade controls (chips, pieces, oil, powder/dust); ▪ At what level of purity should products be exempted? → For example, oil below a certain purity (e.g.<50%) 	<ul style="list-style-type: none"> ▪ Include raw agarwood under CITES controls ▪ Finished products should not be subject to CITES controls ▪ Uncertain: <ul style="list-style-type: none"> – Powder/Dust – 	

Current situations and issues	Problems and constraints	Priorities	Assumptions
	would not be subject to CITES controls	spent dust (after distillation), powdered wood, sawdust, spent wood (after distillation) – Oil – pure oil may need to be controlled, due to conversion factor from wood to oil, but would also be very important	
<ul style="list-style-type: none"> ▪ Personal Exemptions: 	<ul style="list-style-type: none"> ▪ More time needed to gather information on cultural aspects of use (Middle East and Japan) to determine limits; ▪ Must be realistic regulations which can be easily implemented 	<ul style="list-style-type: none"> ▪ UAE would be willing to host additional meeting in 2007 to further discuss limits/volumes for personal effects ▪ Initial discussions could be started at 2nd International Agarwood Conference, then forwarded to GCC countries ▪ Communication to stakeholders on personal effects limits would be necessary to establish understanding of controls 	

QUESTION & ANSWERS (addressed to Working Group 3)

CITES Secretariat and Plants Committee representatives outlined that there are several suggestions on finished product exemptions, definition of plantation sourced materials, and standardised units of measurement for traded commodities that need to be examined further. It was recommended that these discussions can continue at the Second Agarwood Conference in Bangkok.

Labelling system

- Thailand: Suggested to introduce brand name (trade name) certification system – then the focus would be on the trustworthiness of the supplier. A labelling system for agarwood at species level in international trade, sometimes this is not the same for the specimens in trade and there could be difficulties for CITES MA officers who are not experts in that field.

Personal effects

- Assam: Under the current system, would the personal effects apply to anybody exiting the country? Uncertain about the volume and limits of personal effects, suggest discussing this.
- Answer from James Compton: The UAE has suggested that further discussion is needed on personal effects. The working group discussed also the need to control agarwood oil in trade, because of the significant volume of wood needed to produce volumes of oil. There was also

a discussion on whether 'black magic wood' should be included as processed products for exemption? As it is usually made from low grade uninfected *Aquilaria* wood, it was thought this should still be regulated under CITES.

Definitions

- Vietnam (Bay Nui): So far cultivated agarwood is not addressed by CITES management provisions, so it is difficult for the company to obtain the needed documents for export.
- Answer from CITES Secretariat: For many medicinal plants, certain parts are being exempted. Plants committee has encountered many difficulties; PC has revised this and included the main part in trade. For agarwood, it may be necessary to develop a short glossary of terms (definitions) when deciding what to include or exempt.
- Thailand: Clarified that recent high volumes of exports of oil (3t to Japan) and powder (33t) were sourced from plantation stocks.

Regional collaboration

- PNG: There is a potential area for regional cooperation. Not only does it ensure the sustainable use of the resource but more importantly as public awareness for consumer countries to note the national laws, regulations of producer countries. Policy and management guidelines need to be developed in a spirit of mutual co-operation

Domestic consumption

- Malaysia: Very negligible consumption in Malaysia, except for *A. sinensis* from China in the TCM industry. Eastern states of Peninsular Malaysia (Kelantan, Terengganu and Pahang) have some cottage industry of Agarwood oil distillation.
- Indonesia: Demand is negligible in Indonesia. No labelling is needed for domestic consumption but labelling is proposed for the stock pile for export as part of the stock management, especially the spp. not listed in CITES App II.
- India: Used in Ayurvedic medicine, minimal use as perfume. There are exemptions for medicinal formulations under Indian law.
- TRP: In VN, it's used mainly for medicinal use and low qualities and volumes for making incense.
- Singapore: There has been no study conducted on national consumption of agarwood products in Singapore. National consumption is believed to be minimal in the form of medicinal products. Although Singapore re-exports chips and dust to Taiwan PoC for making incense, the incense products Singapore imports are sandalwood, not agarwood.
- Thailand: Some use agarwood as a medicinal ingredient to help digestion, but this is a very small volume.

Wild Stock Management

- In Viet Nam, there is a great decline of wild stocks, and future supplies are expected to come from plantations. Much of the genetic sources for plantation establishment were from a very narrow genetic range. We need to establish a programme to improve the tree stock for plantations. This idea was supported by FAO.

Stockpile Management - Chair requested a response from Singapore on stockpile management and clearing of pre-Convention stock

- Singapore responded that clearing pre-Convention stock could have repercussion on the traders to clear the pre-COP stock. Malaysia suggested giving a timeframe to clear the current stockpiles.
- Viet Nam suggested that Customs codes be established to include cultivated agarwood and agarwood products which have not been included in the harmonized Customs codes.
- Definition for medicines should be tightened up (e.g. formulations, pills, tonics) to acknowledge medicinal use – also some concerns over volumes of processed medicines.

DAY 4 - WRAP-UP SESSION

Before the plenary discussion on the recommendations and follow-up actions, Ms. Milena Schmidt of the CITES Secretary was invited to make a presentation on CITES and Appendix II Listing of *Aquilaria* and other Agarwood-producing taxa. This presentation addressed many questions and concerns raised by participants during the first three days of the workshop.

After the presentation by Ms. Milena Schmidt, the Meeting invited Dato' Dahlan bin Taha, Deputy Director Forestry Department Peninsular Malaysia to chair the final session. To facilitate the discussion on recommendations and follow-up actions, Dr. Greg Leach presented his summarized version of the main issues coming out of the four day workshop.

PLENARY DISCUSSION

Dr. Greg Leach summarised the main points from the three Working Groups and the morning session.

He presented recommendations that need action in the short term, *i.e.*, either being identified to move perhaps as topics in the 2nd International Conference (Bangkok, March 2007) or to be developed either as decisions or resolutions to CITES CoP14 in June 2007. Draft Decisions to CITES CoP14 were subsequently drafted by Plants Committee representatives based on consensus of the issues raised above, and appear as **ANNEX 6**.

The issues outlined below are not in any particular order.

Issues	Consensus and comments from the Experts Group Meeting	Recommendation
CONSENSUS WAS REACHED ON THE FOLLOWING ISSUES:		
<ul style="list-style-type: none"> Artificial propagation definition to cover agarwood 	<ul style="list-style-type: none"> Plenary agreed that there is a need for this definition for plantation or cultivated stocks Suggested to use the existing CITES Res. Conf. 10.13 and Res. Conf. 11.11 and incorporate specifics to cover agarwood 	<ul style="list-style-type: none"> Details of this can be done and prepared for the next COP in the Plants Committee Chairman's report.
<ul style="list-style-type: none"> Consistency in grading AW 	<ul style="list-style-type: none"> Plenary consensus agreed that standardised grading is needed. Perhaps this should be a subject for a formal study (However, funding and an expert co- 	<ul style="list-style-type: none"> Recommended by two Working Groups and is put forward for consideration

Issues	Consensus and comments from the Experts Group Meeting	Recommendation
	ordinator are needed)	
<ul style="list-style-type: none"> ▪ Definitions needed for NTFP, plantation source materials, agarwood commodities (dusts, powder, wood chips, logs, lumps of wood, oil, etc.) and even agarwood itself 	<ul style="list-style-type: none"> ▪ Need a definition for NTFP to cover agarwood ▪ Revise the current definition of plantation source materials for timber to actually covers agarwood ▪ Perhaps a need to define agarwood itself, to set criteria on when a piece of <i>Aquilaria</i> wood becomes the product agarwood 	<ul style="list-style-type: none"> ▪ To be taken up by the CoP to encompass this within the CITES framework
<ul style="list-style-type: none"> ▪ Separate plantation materials from wild source materials 	<ul style="list-style-type: none"> ▪ General consensus was reached on this issue and that for the moment the source code of artificially propagated (A) and wild source materials (W) used on the CITES permit is probably adequate 	<ul style="list-style-type: none"> ▪ This may need revision once there is an increase in plantation-sourced materials coming onto the market
<ul style="list-style-type: none"> ▪ Need for standardisation in reporting 	<ul style="list-style-type: none"> ▪ Units of measurement should be defined for products in trade 	<ul style="list-style-type: none"> ▪ This should be standardised along with a glossary of terms (definitions) for products in trade
<ul style="list-style-type: none"> ▪ CITES control of agarwood products 	<ul style="list-style-type: none"> ▪ Unanimous agreement that all the raw products should be covered (e.g. wood chips, lumps of wood, logs, etc.) and that all finished products should be exempted ▪ There was no consensus on whether oil should be exempted, as well as powder/dust ▪ Much discussion on the BMW (Black magic wood) and agarwood used in medicines 	<ul style="list-style-type: none"> ▪ Need appropriate wording, and is perhaps something for the CITES CoP to define in the form of a new Annotation specifically for agarwood
<ul style="list-style-type: none"> ▪ Personal exemptions consideration 	<ul style="list-style-type: none"> ▪ Agreed that this needs time to develop ▪ The UAE has made an offer to host a subsequent agarwood workshop 	<ul style="list-style-type: none"> ▪ This should be further discussed at the 2nd International Agarwood Conference (March 2007), and presented to the CITES CoP and subsequent workshops for refinement ▪ A draft CITES Decision is needed for further discussion at the next agarwood workshop proposed by UAE
<ul style="list-style-type: none"> ▪ Assessment of AW stock vs. the standing tree stock 	<ul style="list-style-type: none"> ▪ There is an urgent need to conduct inventories of the remaining wild tree stocks at national levels 	<ul style="list-style-type: none"> ▪ Suggested this to be a topic for the 2nd International Agarwood Conference (March 2007)
<ul style="list-style-type: none"> ▪ Need for improved communication and co-operation 	<ul style="list-style-type: none"> ▪ This was stressed very highly across a number of thematic discussions. ▪ Under communication, there is a need to communicate issues like individual countries setting up labelling and registration systems. This needs to be communicated out to all parties involved in the agarwood trade in the form of a 	<ul style="list-style-type: none"> ▪ Suggested strategies include: <ul style="list-style-type: none"> – Set up a network of focal points for communication; – Set up an overarching co-ordinating body involving government, industry and NGO members; – Use existing law enforcement structures such as ICPO-Interpol, and regional

Issues	Consensus and comments from the Experts Group Meeting	Recommendation
	CITES Notification. <ul style="list-style-type: none"> ▪ On targeting illegal trade, the best mechanism to date is better collaboration, co-operation and communication between all the parties involved to combat it. 	networks such as ASEAN-WEN, to combat illegal agarwood harvest and trade.
THE FOLLOWING ARE ISSUES THAT DID ACHIEVE CONSENSUS AMONGST PARTICIPANTS		
<ul style="list-style-type: none"> ▪ Registers of collectors, traders and processors 	<ul style="list-style-type: none"> ▪ Many discussions and differing opinions as to whether that such registration should be for those participating in the wild collection or for those involved in the plantation side 	<ul style="list-style-type: none"> ▪ A topic for 2nd International Agarwood Conference (March 2007)
<ul style="list-style-type: none"> ▪ Labelling and Certification 	<ul style="list-style-type: none"> ▪ A number of comments that it was a good idea but certainly it has some implications. ▪ It particularly increases administrative costs and additional costs of producing the labels and certificates ▪ A question was raised as to who would bear the additional cost. 	
<ul style="list-style-type: none"> ▪ Exemptions for commodities such as oil and dust / powder 	<ul style="list-style-type: none"> ▪ No agreement was reached ▪ Different opinions expressed as to what should or should not be exempted. Some discussion on whether there is a main series on the level of purity for oil to define what could be included and what could be excluded 	

CLOSING SESSION

Dato' Dahlan Taha in his Closing Remarks thanked participants for their active participation during the four day workshop. He also hoped that the workshop has managed to address some of the main concerns of the participants.

The full text of his Closing Remarks appears as **ANNEX 7**

LIST OF PARTICIPANTS

Experts group meeting on Agarwood: Capacity-building workshop for improving implementation and enforcement of the CITES listing of *Aquilaria malaccensis* and other agarwood-producing species

Corus Hotel, Kuala Lumpur, Malaysia,

14-17 November 2006

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REVISED AGENDA

Experts group meeting on Agarwood: Capacity-building workshop for improving implementation and enforcement of the CITES listing of *Aquilaria malaccensis* and other agarwood-producing species

Corus Hotel, Kuala Lumpur, Malaysia,

14-17 November 2006

DAY 1 – Tuesday 14 November 2006

08h15-08h50	PARTICIPANT REGISTRATION <i>outside Corus Ballroom 2</i>
<p>Chair: <i>Mr. Chin Shih Loon, Principal Assistant Secretary, Forestry Development Division, Ministry Natural Resource and Environment (NRE)</i></p> <p>Rapporteur <i>from Forestry Department Peninsular Malaysia (FDPM):</i></p> <ul style="list-style-type: none"> ▪ <i>Mr. Hj. Nazir Khan bin Nizam Khan</i> ▪ <i>Mr. Suhaili bin Hj. Rosli</i> ▪ <i>Mr. Ahmad Feisal Syahrums bin Baharuddin</i> 	
09h00–10h45	<ul style="list-style-type: none"> ▪ Adoption of the working programme Introduction/Objective of workshop – TRAFFIC SEA (5-10mins), James Compton ▪ National reports (according to registered participants), from producer, trade and consumer countries – Bhutan, Brunei, Cambodia, India, Indonesia. 15 minutes presentation for each country, Q&A – 15 minutes
10h45–11h00	Coffee/tea break
11h00–13h00	<ul style="list-style-type: none"> ▪ National reports (according to registered participants) from producer, trade and consumer countries - Kuwait, Malaysia, Myanmar, Singapore, Bangladesh. Q&A – 15 minutes
13h15-14h15	Lunch
14h30-15h15	<p><i>(Please Note: Participants should be at the meeting room before Guest of Honour, Datuk Suboh, arrives)</i></p> <ul style="list-style-type: none"> ▪ Presentation by Dr. Deep from Ajmal Industry of Dubai
	<ul style="list-style-type: none"> ▪ Official Opening of the meeting – Ministry of Natural Resources and Environment. MC: Ministry of Natural Resources and Environment ▪ Welcome remarks by Ms Milena Schmidt, CITES Secretariat ▪ Opening speech by Dato' Suboh Mohd Yassin, Secretary General Ministry of Natural Resources and Environment.
15h15-15h45	Coffee/tea break
<p>Chair: <i>Dato' Hj. Dahlan bin Hj. Taha, Deputy Director General, Forestry Department, Peninsular Malaysia</i></p> <p>Rapporteur <i>from FDPM</i></p>	
15h45-17h30	<ul style="list-style-type: none"> ▪ National reports from producer, trade and consumer countries (according to registered participants) – Papua New Guinea, Thailand, United Arab Emirates, Viet Nam. Q&A – 15 minutes
20h00	Official Welcome Dinner at Corus Hotel

DAY 2 – Wednesday 15 November 2006

<p>Chair: Datuk Zul Mukhshar bin Dato' Md Shaari, PC representative (Alternate) for Asia Rapporteur from Forest Research Institute Malaysia (FRIM):</p>	
	<ul style="list-style-type: none"> ▪ Dr. Chang Yu Shyun ▪ Dr. Nor Azah Mohd Ali ▪ Dr. Nik Musaadah bte Mustapha ▪ Ms Mary Khoo Gaik Hong ▪ Ms Saidatul Husni Saidin
08h45-10h45	<ul style="list-style-type: none"> ▪ Producer, Consumer and trading countries: report from the private sector/industry – Indonesia, Japan, Malaysia, UAE, India, Vietnam ▪ National reports from producer, trade and consumer countries – Saudi Arabia - 15 minutes presentation for each country ▪ Q&A – 15 minutes
10h45–11h00	Coffee/tea break
11h00-1300	<ul style="list-style-type: none"> ▪ Current global Agarwood trade dynamics (TRAFFIC SEA) – 20 mins ▪ Overview of challenges in Malaysia– based on results of national workshop (TRAFFIC) – 20 mins ▪ Review of Significant Trade in specimens of Appendix-II species – Progress report on <i>Aquilaria malaccensis</i> (CITES Secretariat) – 30 mins ▪ Q&A – 15 minutes
	<ul style="list-style-type: none"> ▪ Enhanced Production of agarwood resin through treatment techniques #1 – 30 mins
1300-14h00	Lunch
<p>Chair: Dr Irawati, PC representative for Asia Rapporteur from FRIM</p>	
14h00–15h00	<ul style="list-style-type: none"> ▪ Improving implementation and enforcement of the listing of <i>Aquilaria spp</i>, <i>Gyrinops spp</i>, and other agarwood-producing species; registration and labelling systems; personal effects exemptions (CITES Secretariat) ▪ Identification of agarwood products in trade (PC representatives for Asia and Oceania)
15h00-16h00	<ul style="list-style-type: none"> ▪ Making non-detriment findings (NDF): The importance of NDF in CITES (CITES Secretariat) – 45 minutes ▪ Q&A – 15 minutes
16h00-16h15	Coffee/tea break
16h15-18h30	<ul style="list-style-type: none"> ▪ NDF guidelines for agarwood-producing taxa listed in CITES (TRAFFIC SEA), plus discussion ▪ Resource Assessment for Non-Wood Forest Products (Mr Kashio Masakazu, FAO) ▪ Q&A – 15 minutes
	<ul style="list-style-type: none"> ▪ 6b. Enhanced Production of agarwood resin through treatment techniques #2 – 30 mins ▪ Q&A – 15 minutes ▪ Establishment of working groups for Day 3 (Mr. James Compton, TRAFFIC)

DAY 3 – Thursday 16 November 2006

08h30-12h30	▪ Field trip to Forest Research Institute Malaysia
12h30–14h00	Lunch – back at the hotel
14h00-16h00	<ul style="list-style-type: none"> ▪ Briefing and break up into Working Group, Mr. James Compton ▪ Group 1: Capacity Building for meeting the requirement of CITES Listing of Agarwood in Appendix II (Venue: Ballroom 1). ▪ Group 2: Coordination and cooperation at national and international levels for the effective monitoring of harvest and trade in Agarwood, including CITES enforcement (Venue: Room Corus 9). ▪ Group 3: Review of market and international trade of agarwood (<i>Aquilaria</i> and <i>Gyrinops</i> spp.) (Venue: Room Corus 8).
<i>Rapporteur for Working Group: TRAFFIC / FDPMP / FRIM</i>	
	▪ Agenda items 2-8 – Working Groups [proposed topics include inter-agency co-operation, trade dynamics and personal effects exemptions, species/product identification, resource assessment and NDF methodology]
16h00–16h15	Coffee/tea break
16h15–18h00	▪ Agenda items 2-8 (continued) – Working groups

DAY 4 – Friday 17 November 2006

Chair: Dr Greg Leach, PC representative for Oceania	
Rapporteur: TRAFFIC / FDPMP / FRIM	
08h45–9h45	▪ Second International Agarwood Conference (Thailand, March 2007) – Mr Henry Heuveling van Beek, Conference Organiser
9h45–10h00	Coffee/tea break
10h00 – 12h30	▪ Presentation from working groups – 30 minutes each, plus discussion
12h30–14h30	Lunch /Friday Prayer
Chair: Dato' Dahlan Taha, Deputy Director General, Forestry Department, Peninsular Malaysia	
Rapporteur from FDPMP/TRAFFIC	
14h30–16h30	<ul style="list-style-type: none"> ▪ Presentation by Ms. Melina Schmidt of CITES Secretariat ▪ Facilitated plenary discussion – recommendations and follow-up actions
16h30-16h45	Coffee/tea break
1645-1730	▪ Workshop Closing Remarks by Dato' Dahlan Taha, Deputy Director General, Forestry Department Peninsular Malaysia

WELCOMING REMARKS

By

**MS MILENA SOSA SCHMIDT
CITES SECRETARIAT**

**Your Excellency the Secretary General Ministry of Natural Resources and Environment
Malaysia,**

TRAFFIC Southeast Asia,

Distinguished participants, Ladies and Gentlemen,

1. Good afternoon and welcome to this technical meeting on capacity-building for improving implementation and enforcement of the CITES listing of *Aquilaria malaccensis* and other Agarwood-producing species here in Kuala Lumpur, Malaysia. One hundred and sixty-nine countries are now Parties to CITES, and make this Convention one of the most successful environmental treaties. Because of the significant threats to the long-term conservation of these species, the high volumes of regulated and unregulated trade, and the concerns over the non-sustainability of this trade, the Conference of the Parties to CITES adopted at its 13th meeting, IN October 2004, a proposal from Indonesia to include both genera *Aquilaria* and *Gyrinops* in Appendix II. To strengthen the implementation of the Convention for these species, the Conference of the Parties also adopted Decisions 13.61 to 13.65 addressing the need of Parties to CITES to work on capacity-building for improving implementation and enforcement of the Convention for the Agarwood-producing species.

2. This technical workshop has been organized in compliance with Decision 13.65 and in order to ensure the effective implementation of the provisions related to Appendix II. It needs to agree on a way forward to achieve sustainable trade in Agarwood-producing species. The CITES Secretariat would like to thank the Malaysian Government for providing support and hosting this event and TRAFFIC Southeast Asia for co-organizing and co-funding this meeting.

So, what should happen during this workshop?

3. The task that lies ahead of the participants in this workshop is significant. During the next four days, you should consider specific actions to manage and regulate trade in CITES-listed Agarwood producing species in a better way; to assess the future role of CITES in the Agarwood sector; to formulate recommendations to improve the methodologies for making non-detriment findings; to formulate recommendations to improve trade monitoring and controls in Asia and abroad, not only in the exporting but also the importing countries; to identify gaps in national legislation and regulations, and to formulate solutions; to identify conservation management and research priorities; and to provide practical recommendations to build sufficient capacity in Asia to implement CITES effectively and to involve Asian people more in the conservation of and sustainable trade in *Aquilaria* and *Gyrinops* spp. in particular, and tree species in general.

4. This international workshop should take into consideration the results of previous meetings where scientists and experts from the Asian region established the scope and the seriousness of the threats posed to these species, and which lead to its inclusion in Appendix II in 2004.

I am looking forward to a productive and successful workshop.

Thank you

OPENING ADDRESS

By

DATO' SUBOH BIN MOHD YASSIN
SECRETARY GENERAL MINISTRY OF NATURAL RESOURCES AND ENVIRONMENT
MALAYSIA

Y.Bhg. Dato' Dahlan Taha

Deputy Director General, Forestry Department Peninsular Malaysia

Y.Bhg. Dato' Dr. Wan Razali Wan Mohd

Deputy Director General, Forest Research Institute Malaysia

Ms. Milena Schmidt

CITES Secretariat

Mr. James Compton

Director, TRAFFIC Southeast Asia

Distinguished Guests

Foreign Participants

Ladies and Gentlemen,

Assalamualaikum wbt, salam sejahtera and a very good afternoon,

1. First of all, please allow me to extend my sincere appreciation to the CITES Secretariat and the organizing committee for inviting me to officiate this "Capacity Building Workshop for Improving Enforcement and Implementation of the Listing of *Aquilaria malaccensis* and Other Agarwood-Producing Species".

2. I would like to thank the organizing committee comprising representatives from the Ministry of Natural Resources and Environment, Forestry Departments of Peninsular Malaysia, Sabah and Sarawak, Forest Research Institute Malaysia, Malaysian Timber Industry Board and TRAFFIC Southeast Asia for their time and effort in organizing this Workshop. On behalf of the Ministry of Natural Resources and Environment, I wish to record our sincere thanks and appreciation to the CITES Secretariat for their financial support in making this Workshop possible.

3. I would also like to welcome our foreign participants and hope you do take some time off to savour our rich multiracial culture and beautiful sights Malaysia can offer. Next year will be Visit Malaysia Year, do come back to visit us.

Ladies and gentlemen,

4. Malaysia became a Party to CITES in 1978 and has made consistent efforts to implement the Convention since then. At that time, of course, the understanding of the issues that are today in the fore front of conservation and sustainable use had not assumed the widespread proportions that it has now. Through the numerous workshops, seminars, publications and even through the mass media, these issues have now gained wide coverage.

5. I am happy to reiterate that Malaysia continues to place importance and adopts good natural resource management practices. In an effort to have a more coordinated and effective mechanism, the Government, through the Ministry of Natural Resources and Environment is working towards strengthening the jurisdiction of the respective CITES Management Authorities. The Government has recently completed drafting a comprehensive act on the international trade of wild flora and fauna to implement CITES at the national level. The proposed act is now at the final stages of vetting by the Attorney General's Chambers.

Ladies and Gentlemen,

6. *Aquilaria malaccensis* is the first agarwood-producing species listed in Appendix II of CITES in 1995. At the 13th Conference of Parties (CoP 13) to CITES in Bangkok in October 2004, it was further agreed to include all species of the genera *Aquilaria* and *Gyrinops* in Appendix II (two) with Annotation 1 (one) that covers all parts and derivatives. This means that not only the trade of all species of *Aquilaria* and *Gyrinops* are protected but also any product from these species. Following this, a permit is required for the export and import of Agarwood and its related products.

7. Agarwood is one of the internationally well known Non-Timber Forest Products (NTFP). It is the resinous, fragrant and highly prized heartwood produced primarily by *Aquilaria* species of the family *Thymelaeaceae*. Five species of *Aquilaria* are recorded for Malaysia and all are believed to be able to produce agarwood. In Malaysia, 'gaharu' is the trade name generally refers to the agarwood from any of the *Aquilaria* species despite the difference in or absence of local names. The agarwood is being collected from throughout Malaysia, with almost all of the indigenous ethnic groups being reported as the traditional harvester.

8. In Peninsular Malaysia under section 2(b) of the National Forestry Act (NFA) 1984 (Amended 1993), agarwood is classified as 'forest produce' when found in or brought from a permanent reserved forests and state land. Therefore, any extraction of agarwood will require a license from the respective State Forestry Department.

9. A minor license (Form 3) from the Forestry Department is required for the purpose of extraction as stipulated under section 28 of the National Forestry Act. The woodchip will be brought to the nearest forestry department checking station for royalty assessment and a 'removal pass' will be issued to certify that fees due to the government have been paid.

10. Generally, Agarwood is being sold to the middlemen or traders for either domestic use or for export. If it is meant for export, then the trader will make an application for an export permit from the Management Authority. In the case of Peninsular Malaysia and Sabah, the Management Authority is the Malaysian Timber Industry Board (MTIB), whereas in Sarawak it is the Sarawak Forestry Corporation. The exporter needs to furnish the Management Authority original copies of the removal passes in order to obtain a CITES export permit.

Ladies and Gentlemen:

11. To ensure the sustainability of this resource, Malaysia has set a cautious harvest quota of 244,637 kilograms and export quota of 200,000 kilograms of woodchips and powder for the year of 2007 based on our Fourth National Forestry Inventory.

12. According to the CITES annual report data, trade in Agarwood is widespread. In 1998, 20 countries from Asia, Europe and North America traded in *Aquilaria malaccensis*. The main exporting nations of approximate order of importance are Indonesia, Malaysia, Cambodia, Laos, Myanmar and Vietnam. Malaysia exports agarwood mainly to the Middle East, Singapore, Taiwan and Hong Kong. Although overall trade volumes may appear small in 'timber trade' terms, they are not small in monetary terms. Agarwood chips and segments may sell for several hundred to several thousand US Dollars per kilogram. The price of oil distilled from agarwood is generally between US\$5,000.00 to US\$10,000.00 per kilogram, but can be significantly more for Agarwood oil of

exceptionally high quality. The 1999 estimate for world market for Agarwood was between US\$50 million and US\$100 million annually. Malaysia estimates its share to be in the range of US\$20 million to US\$25 million.

Ladies and Gentlemen

13. This Workshop is focused on “Capacity Building for Improving Enforcement and Implementation of the Listing of *Aquilaria malaccensis* and Other Agarwood-Producing Species”. It is a positive step towards better enforcement and implementation of agarwood trade. In March 2006, we had a workshop on “Trade Dynamics of Agarwood” where several issues / matters discussed provided the framework for this present Workshop. It was recognised there is a need to improve enforcement at different levels from harvesting to the point of exit. There is also need for training for enforcement and regulatory agencies in the recognition and identification of agarwood as wood pieces and agarwood oil at point of exit.

14. Enforcement and regulation are an important aspects in the implementation of CITES control of agarwood. The Ministry of Natural Resources and Environment Malaysia with the Forestry Department has established a Standard Operating Procedure (SOP) to strengthen the enforcement of the CITES control on Agarwood. In this context, the importing countries also have a role to play in assisting the implementation of this control. Therefore, it is hoped that this Workshop will provide some recommendations to improve enforcement and regulation of the listing of *Aquilaria malaccensis* and other Agarwood-producing species.

15. International cooperation is vital as Agarwood trade crosses borders and involves a number of key agencies, including the Customs, port and airport authorities, CITES Management Authorities, forestry departments, industry, etc. For this, I am glad to see the participation of many of the key agencies and stakeholders from both producer and consumer countries. Your presence here today is indeed an indication of the importance your country and organization have placed with regard to the management and trade in Agarwood. Hence, I sincerely hope that you will be reaching agreements on priorities and action plans that can and will eventually be administered and put to work in your respective country as well as multilaterally.

16. I am confident that this Workshop can contribute ideas and information that could provide better understanding and solutions to the issues pertaining to improving enforcement and implementation of the listing of *Aquilaria malaccensis* and other Agarwood-producing species.

17. On that note, I wish you all good luck and successful deliberations and with great pleasure I now officially declare this *Capacity-building Workshop for Improving Implementation and Enforcement of the CITES listing of Aquilaria malaccensis and other Agarwood-producing species* open.

Thank you.

INTRODUCTION TO MEETING AND ITS OBJECTIVES

By

**JAMES COMPTON
DIRECTOR, TRAFFIC SOUTHEAST ASIA**

Ladies and Gentlemen,

1. Welcome to Kuala Lumpur and thank you for joining us for this Agarwood Experts Group Meeting. It is fitting in many ways that we should come together here in Malaysia, a crossroads at which many trading empires have been established, grown and evolved, some of them based on the trade in wood, aromatic and spice products from the natural forest. Here in Malaysia's rich melting pot of language, culture and religion, by virtue of its rich biodiversity and its geographic position, meet the two axes of supply and demand for the Agarwood trade. The great diversity of Agarwood-producing species and the mercantile nature of the people have combined to link with markets in the Middle East as well as North-east Asia over centuries of trade.

2. On behalf of the organizing committee, TRAFFIC would like to extend its thanks to all of you: the representatives of national CITES Authorities and government departments, industry participants, and scientific researchers; who have all given up your valuable time to contribute to deliberations about the future of the Agarwood world. It is our sincere hope that the discussions here will be carried out in an open and frank fashion, and that we will together be able to address the main challenges currently facing the management of harvest and trade in this prized non-timber forest product. These key issues include:

- How to manage production, whether in natural forest or plantations, and monitor the harvesting levels and yield;
- How to regulate trade in a streamlined fashion that supports both species conservation and sustainable economic development;
- How to provide the right incentives for compliance with the principles of legality and sustainability, and therefore increase the transparency of the trade.

3. At the root of this modern regulatory system is CITES, which is now applied to the majority of Agarwood-producing species. At this workshop it will be important to clear up any misconceptions of what an Appendix II-listing means, and to look to the advantages of a standardized international rulebook for trade. From this dialogue, which brings together key representatives from the public and private sector, policy makers and field officers, and trade representatives with many generations of experience, we hope to build the foundations of a revitalized industry with a long-term future.

Ladies and Gentlemen,

4. We live in a time of great turmoil, where forces are conspiring to push us apart, rather than looking for commonalities that bind us together. At this meeting, however, we are examining a natural resource that connects much of Asia from the Middle East to North-east Asia, the Indo-Malaysian archipelago and Papua New Guinea. The facts are clear that:

- Agarwood resources have been used by human societies for over 2000 years;
- It appears in the texts and rituals of the major world religions;
- It is an important component of several traditional medical systems to treat various ills and ailments; and

- It continues to be used by cultures across the broader Asia region.

5. It is also clear that wild populations are now under more pressure than ever before, and that the quantity and quality of old-growth supplies are declining. At the same time, plantations are now being established at a rapid rate in many producer countries, often combined with treatment technology to enhance resin formation, in an effort to make up the projected future shortfall in available stocks.

6. These facts must say something about the responsibility we all share in making sure this trade continues in perpetuity, combining selective wild harvest from well-managed natural forest ecosystems as well as plantation production, for the benefit of all who value this precious commodity.

7. On behalf of TRAFFIC, I would like to thank Malaysia's Ministry of Natural Resources and Environment for hosting the workshop, and the support of the Forestry Department Peninsular Malaysia, Forest Research Institute of Malaysia and Malaysian Timber Industries Board in helping to organize and manage the meeting. I would also like to thank the CITES Secretariat and representatives of the Plants Committee for contributing their guidance and expertise to the running of the workshop. And last but certainly not least, to the UK government for the funding support via the Foreign and Commonwealth Office's Global Opportunities Fund and DEFRA, which has made this meeting possible.

CLOSING REMARKS

By

DATO' DAHLAN TAHA
DEPUTY DIRECTOR GENERAL FORESTRY DEPARTMENT PENINSULAR MALAYSIA

Ms. Milena Schmidt
CITES Secretariat

Mr. James Compton
Director, TRAFFIC Southeast Asia

Foreign Participants

Ladies and Gentlemen,

Assalamualaikum wbt, salam sejahtera and a very good afternoon

1. The participants have come to this Workshop representing diverse interest groups from traders, consumers, and scientist and may have divergent views on some of the issues at hand. I sincerely hope this Workshop over the last four days has managed to address some of your main concerns.

2. I was informed that after serious deliberation, each Working Groups have identified, examined and prioritized problems and issues related to the improvement and implementation of the CITES Listing of *Aquilaria malaccensis* and other agarwood-producing species and follow-up action plan to be formulated. These will form the basis for concrete actions in dealing with Agarwood issues at hand.

3. On behalf of The Government of Malaysia, The Ministry of National Resources & Environment would like to extend our sincere thanks and gratitude to all of you for the very active participation during this Workshop. I would to thank CITES Secretariat for sponsoring this Workshop. To the participants thank you for your active participation and contribution for a fruitful Workshop. My thanks also goes to the organizing committee especially TRAFFIC Southeast Asia for their time and tireless effort in making this Workshop a success.

4. I must admit there have been many shortcomings over the last few days. Please accept our sincere apology for any inconvenience caused. To all our foreign guests, I wish you all the best and have a safe journey home.

5. We have come to the end of this *Expert Group Meeting*. I now declare the *Capacity-Building Workshop for Improving Enforcement and Implementation of the CITES Listing of Aquilaria Malaccensis and Other Agarwood-Producing Species* closed.

Thank you.

Report to the Plants Committee Chairman, and recommendation of draft decisions

Decision 13.65 d) required input from the Plants Committee so the Secretariat could present information to a capacity building workshop pertaining to identification of Agarwood products in trade, as well as information that would assist in determining sustainable harvest levels and making non-detriment findings. The regional representatives for Asia (Dr Irawati), Oceania (Dr Greg Leach) and the alternate for Asia (Mr Zul Mukshar bin Md. Shaari) participated in the workshop held in Kuala Lumpur, Malaysia 14-17th November.

The full report and recommendations from the workshop will be distributed by TRAFFIC South East Asia. However, in the final plenary session of the workshop, participants agreed to a number of actions that would be best progressed through a number of new decisions. The workshop participants requested that these draft decisions be submitted to the CoP for approval through the Plants Committee Chairman's report.

There has been a substantial increase in the area of Agarwood plantations in a number of countries with a predicted significant increase in plantation-sourced Agarwood entering trade in coming years. The Agarwood workshop identified a number of definitional issues relating to artificial propagation, plantations, and non-timber forest products that needed further clarity. It was also recognised that implementation of the Agarwood listing would be facilitated by standardized units for reporting, identification materials of products in trade, an appropriate annotation that exempted minor or highly processed products, further development of non-detriment finding methodology and improved information exchange. There was recognition that a personal effects exemption could be developed but that further work was needed to establish the limits of such an exemption. The Gulf States have proposed a follow up workshop to progress these issues.

Draft decisions

Directed to the Secretariat

decision 14.xx Amend by CoP15 the current definition of 'artificially propagated' for timber species as stated in Resolution Conf. 10.13 (Rev.CoP13) as to read:

g) timber **and non-timber products** taken from trees grown in monospecific plantations be considered as being artificially propagated in accordance with the definition contained in Resolution Conf. 11.11 (Rev. CoP13);

decision 14.xx The Secretariat shall assist in obtaining funding from Parties, intergovernmental and non-governmental organizations, exporters, importers and other stakeholders to support a workshop aimed at strengthening the capacity of Parties to implement these Agarwood Decisions prior to the 15th meeting of the Conference of the Parties.

Directed to Parties involved in agarwood trade and to the Secretariat

decision 14.xx Parties involved in trade of agarwood will, in consultation with the Secretariat, provide funds and produce identification materials for all forms of traded products under CITES control.

decision 14.xx Parties concerned will identify and agree on which agarwood products and quantities should be exempted from CITES controls. Once agreed, Parties concerned will agree which range State will prepare and submit a proposal for amendment of the current annotation for agarwood producing species to be considered at CoP15.

decision 14.xx Draft standardized units of reporting to be considered at CoP15.

decision 14.xx Parties involved in Agarwood trade shall prepare a glossary with definitions that illustrate the content of the amended annotations, the terms used and their practical application during enforcement and border controls. The Secretariat should facilitate the preparation and production of these materials, and strategies on incorporating them into ongoing training curricula.

Directed to the Plants Committee and the Secretariat

decision 14.xx In consultation with relevant intergovernmental organizations such as FAO, draft a definition of non-timber forest products to cover Agarwood to be considered at CoP15.

decision 14.xx On the basis of the work on NDF for Agarwood producing species, that has been developed by TRAFFIC-SEA and the Secretariat, the Plants Committee, in consultation with the Secretariat, will develop principles, criteria and indicators on the formulation of non-detriment findings for agarwood producing species.

Directed to Parties, the Secretariat and intergovernmental and non-governmental organizations

decision 14.xx Parties, the CITES Secretariat and intergovernmental and non-governmental organizations shall seek ways to share information through the establishment of networks, organization of regional workshops, capacity-building programmes, the exchange of experiences and the identification of financial resources.