

How the proposed ‘no-risk’ category could lead to laundering of high-risk commodities into EU markets

The EU Parliament has voted to adopt the amendments to the EU Regulation on Deforestation-Free Products (EUDR) proposed by the European People’s Party (EPP). These amendments (3, 5, 6, 7, 9, 10, 11) would classify countries or parts of countries as ‘no-risk’ if their forest area has remained stable or increased since 1990, they have signed the Paris Agreement and other relevant human rights and deforestation conventions, and enforced regulations on forest conservation at national level are “are strictly implemented in full transparency.”

If the amendments go through, businesses sourcing relevant goods from a no-risk country or area would no longer need to prove that the goods were not linked to deforestation. Businesses would be exempted from lodging a due diligence statement (DDS) with geolocation coordinates for goods from no-risk countries. Instead, they only need to make available upon request basic information about the products and “adequately conclusive and verifiable information” that the products are free from forest degradation and produced in accordance with the relevant legislation in the country of production.

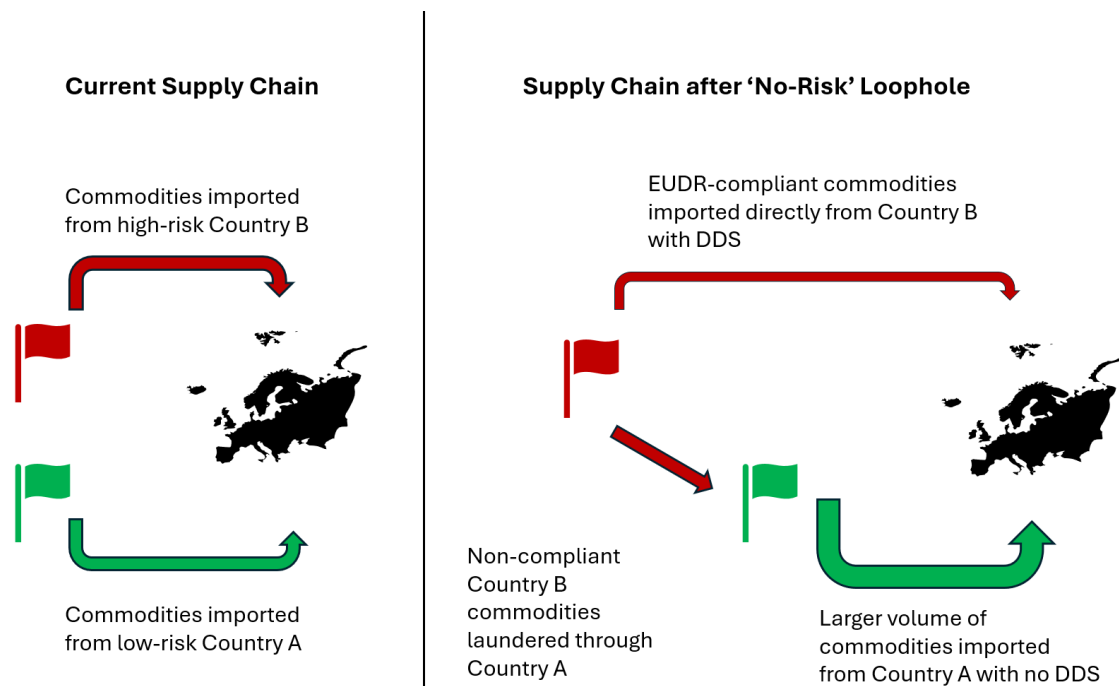
This briefing raises specific concerns about the laundering risks that would be created by this exemption. For a more comprehensive analysis of the amendments as a whole, see the note prepared by the Brussels Deforestation Coalition – “Note: assessment of EP amendments and recommendations.”

This exemption creates an incentive to launder high-risk goods through no-risk countries

The ‘no-risk’ exemption means that goods from one country can be imported, exported and sold within Europe without a DDS, while the same goods from a different country will need to come with a DDS – including geolocation coordinates. Goods from no-risk countries will also be less likely to be checked by Competent Authorities, with amendment 10 proposing that only 0.1 per cent of operators dealing in no-risk goods require inspection.

This provides a clear incentive for operators and traders whose goods would not meet the EUDR requirements to reroute them through a no-risk country to evade the regulation. Once a commodity is processed, its origin could be easily lost or disguised. With Competent Authorities only checking one in a thousand operators purporting to sell no-risk goods, almost all fraud of this kind would go undetected.

To use a hypothetical example: a rubber-producing country with increasing forest cover, such as Vietnam, could be designated no-risk if it met all three criteria. [Deforestation-linked rubber](#) from Cambodia could be imported into Vietnam and processed or re-exported to the EU. An unscrupulous operator could then label the whole product as being Vietnamese rubber. The product would not require a DDS to be imported into the EU and the deforestation associated with the original rubber would be laundered out of the supply chain. There would be almost no chance the Competent Authority would check the shipment and, if they did, with no DDS or geolocation it would be extremely difficult to prove where the rubber came from.



The definition of 'no-risk' could exempt China and other known laundering routes from due diligence

The criteria for no-risk countries could also include China, which has had a net forest gain since 1990 domestically, but is a known laundering route for illegal timber. China is a major timber processing hub and investigations by [EIA](#) and [Global Witness](#) have found illegal timber from high-risk sources being laundered through the country. The size and nature of China's wood processing industry means that [timber from multiple sources is regularly mixed](#) with no obligation to trace back along the supply chain, making it highly challenging to identify the source. Exempting products from China from the EUDR due diligence could see processed wood products coming from China declared as a product of a no-risk country (including China itself), when in fact the timber comes from an illegal source or is the product of deforestation.

The same benchmarking criteria could see Turkey and Kazakhstan classified no-risk, as they have both seen a net increase in forest cover (subject to assessment of the other benchmarking criteria). Earlier this year, a [European Commission investigation](#) found evidence of plywood made in Russia being laundered and re-labelled as of Kazakh or Turkish origin to evade higher tariffs imposed on Russian wood products. Earthsight's [analysis](#) of the Commission's research showed that illegal ply with a retail value of some €14.4m was flooding into Europe from Turkey and Kazakhstan every month.

Products are commonly mislabelled to evade regulations

Misrepresentation of the origin of wood is common in timber supply chains. A forensic wood anatomy analysis of 73 wood products in the US [found 45 of them \(62 per cent\) had one or more fraudulent or misrepresented claim](#). A similar study in Australia found that 25 per cent of timber products tested in a government-funded study [had misdeclared the species, origin or both](#).

Similar issues have been found in non-timber commodity supply chains. In 2024, the UK government [accused businesses](#) importing goods from the EU of making deliberate errors on import documentation to circumvent Brexit border charges. Importers had been found listing ‘high risk’ products as ‘medium risk’ and medium risk as low risk to avoid border checks.

The requirement for all products, regardless of their risk classification, to come with geolocation coordinates is designed to help Competent Authorities to identify these kinds of evasive actions. For example, if a Competent Authority identifies a suspicious increase in a commodity coming from a low- or no-risk country, it can review the geolocation coordinates in each DDS to determine where exactly it was harvested. If an implausibly large volume is coming from a single plantation, this would be a red flag requiring a more thorough investigation.

Over half the countries/territories in the world meet the first criterion for ‘no-risk’

[The FAO](#) measures forest levels of 235 countries and territories. Based on the FAO’s data (Annex 1), 133 countries or territories (57 per cent) have maintained or increased their forest level since 1990. With the application of the other two benchmarking criteria still unclear, there is the possibility that the no-risk exemption could apply to countries and regions all over the world. This means that the loopholes discussed above could be vast, with almost any commodity being able to be plausibly attributed to a no-risk country.

The list of countries whose forest area has remained stable or increased since 1990 also includes several timber-producing countries where there have been reports of widespread illegal logging, including [Russia](#), [Ukraine](#), [Belarus](#) and [Romania](#). These countries may be ultimately screened out on the basis of the remaining ‘no-risk’ benchmarking criteria (for example, based on poor implementation of national regulations on forest protection or low transparency). However, this demonstrates that the level of forest cover in a country is a poor proxy for whether commodities from that country are likely to comply with the EUDR.

Recommendation

The introduction of a no-risk loophole is likely to have a significant impact on enforcement and thoroughly undermine the objective and effectiveness of the law.

The EU Council should reject the proposed amendments to the EUDR.