UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/CN.17/IFF/1998/3
19 June 1998

ORIGINAL: ENGLISH

COMMISSION ON SUSTAINABLE DEVELOPMENT
Intergovernmental Forum on Forests
Second session
Geneva, 24 August-4 September 1998

Programme element II.b

Matters left pending and other issues arising from the programme elements of the IPF process

Trade and environment

Report of the Secretary-General

SUMMARY

The present report contains a brief discussion of the key trade and environment issues in relation to forest products and services. Only a small proportion of global timber production is destined for international trade. Nevertheless, there is a potentially positive relationship between trade in forest products and services and sustainable forest management, and therefore a need to promote sustainable forest management through mutually supportive trade and environmental policies.

The former Intergovernmental Panel on Forests reached an important set of conclusions and proposals for action on achieving a positive and mutually reinforcing relationship between trade and sustainable forest management, including market access, relative competitiveness of forest products, lesser used species, certification and labelling, full-cost internalization and market transparency. However, the proliferation of "new" trade barriers, such as export restrictions, environmental and trade restrictions on production and exports, and quantitative restrictions on imports of "unsustainably produced" timber products, still pose a potential threat to improved market access.

Competition between wood and non-wood substitutes is inevitable, and should not unduly constrain a global initiative to improve sustainable forest management.

The proliferation of and lack of coordination among certification and labelling schemes are currently hampering the development of an internationally agreed and voluntary timber certification process. There is a need to achieve international harmonization and mutual recognition of standards for certification and labelling. Country-level certification policies and practices should encourage sustainable management of production forests and timber products, while simultaneously improving international market access of these products.

Forests produce many non-timber products and environmental services, most of which are not currently traded due to lack of proper valuation techniques. Development of appropriate valuation techniques will not only help to create new markets for such products and services but also provide economic incentives for sustainable forest management.

The continuing growth of various forms of illegal trade activities is of concern to the Intergovernmental Forum on Forests. Such activities as illegal harvesting, processing, smuggling, false reporting of quantities and species harvested are not only damaging to forests but also result in loss of revenues.

It is important to ensure that as a result of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) listing, any trade restrictions are both necessary and effective in protecting the endangered tree species.

Finally, the economic impacts of such events as the Asian financial crisis on the region’s forest products trade and their implications for global trade need to be monitored in order to determine whether international contingency plans and assistance could support countries and industries in continuing to develop sustainable forest management plans in the face of such short-term economic crises.

The main conclusions and proposals for action of the present report are summarized in section V.

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INTRODUCTION

A. Mandate

1. At its first session, the Intergovernmental Forum on Forests (IFF) was charged with the following mandate on trade and environment issues:

> "Consider matters left pending on trade and environment. Analyse the mutually supportive roles performed by the international trade and sustainable forest management and, in that context, issues related to non-discriminatory international trade in forest products from all types of forests, including the role that tariff and non-tariff barriers may perform in relation to sustainable forest management, certification issues where relevant and improved market access, taking into account the needs of developing countries, in particular those of the least developed among them. Consider the question of the relationship between obligations under international agreements and national measures, including actions imposed by subnational jurisdictions, recognizing that those matters are also considered in forums whose primary competence is to address trade issues; the relative competitiveness of wood versus substitutes; valuation; and market transparency and the related issue of illegal trade in wood and non-wood forest products." (E/CN.17/IFF/1997/4, para. 7, category II (b))

Some of these issues, such as market access, competitiveness, certification and labelling, full-cost internalization and market transparency, were the initial focus of the substantive trade and environment discussions during the second and third sessions of the former Intergovernmental Panel on Forests (IPF). The new issues recognized by IFF at its first session include analysis of trade and sustainable forest management, non-discriminatory international trade, the relationship between obligations under international agreements and national measures, and illegal trade in wood and non-wood forest products.

B. Outline

2. The trade and environment issues raised by the mandate of IFF are very wide-ranging. The present report aims to help focus the discussion on analysing and potentially enhancing the important role of international trade in forest products in promoting sustainable forest management. It will also address a general concern of the impact of timber production and trade on the "sustainability" of forest resources generally and the potential values of their goods and services.

3. The main rationale for focusing primarily on the relationship between the international trade in timber products and sustainable management of production forests is that this relationship lies at the heart of the key trade and environment issues that IFF seeks to address. However, IPF recognized the problem of data availability for assessing the full range of trade and environment linkages associated with the global forest products trade.

4. As a general context, the report provides a short description of global trade and forest resources trends. Section I summarizes the key conclusions and proposals for action reached by IPF. Section II examines current available evidence covering the nature of trade and environment linkages in the global forest products trade, focusing in particular on issues that were initially examined by IPF and are also of concern to IFF, such as market access, relative competitiveness of wood versus non-wood products, certification and labelling, full-cost internalization and market transparency. Section III concentrates on more recent developments, such as illegal trade, species extinction, recent market trends and their implications for sustainable forest management, and international obligations and agreements. Section IV suggests some conclusions and proposals for action.

C. Global trade and forest resource trends

5. Only a small proportion of global timber production is destined for international trade. Approximately one quarter of wood-based panels and paper products and one fifth of sawnwood and wood pulp are traded internationally. Only 6 to 7 per cent of global industrial roundwood output is currently traded.

6. At the global level, the forest sector contributes about 2 per cent to world gross domestic product and 3 per cent to international merchandise trade. The regional pattern and direction of the global forest products trade has been fairly stable, with the global forest product market still largely dominated by a few countries, most of them the developed countries, in terms of both exports and imports. Nevertheless, two distinct trends have become discernible in recent years, as described below.

7. First, the trade in forest products is highly regionalized within three important trading blocs: the Pacific Rim, North America and Europe (mainly Western Europe). Newly industrialized countries with limited forest resources have also been increasing their imports of logs and semi-finished wood products as raw materials for their export-oriented processing industries.

8. Second, the major global exporters of forest products still tend to be developed countries with temperate forest resources and processing industries. However, a number of developing countries, including Indonesia and Malaysia, have emerged as dominant world exporters of certain forest product exports, such as non-coniferous wood-based panels, logs and sawnwood. Other developing countries, notably Brazil, Chile and the Asian newly industrializing countries, are beginning to have an impact on international trade in wood pulp and paper products. In general, the trade in forest products has shifted towards value-added processed products.

9. The trade in forest products has generally benefited from successive multilateral trade agreements. Tariff barriers to forest products trade have continued to decline in recent years, particularly in the post-Tokyo Round era. For example, even before the Uruguay Round, tariff rates for forest products in developed countries averaged 3.5 per cent compared to 6.3 per cent for all industrial products. The effect of the recently concluded Uruguay Round negotiations will be to reduce tariff rates on forest products further,

including the phasing-out completely of tariffs on pulp and paper products in major developed country markets. It is estimated that the likely gains in trade for major forest products could be in the range of US$ 460-593 million. The implications of the Uruguay Round for the non-tariff barriers increasingly faced by forest products are less clear. However, two special agreements, the Agreement on the Application of Sanitary and Phytosanitary Measures and the Agreement on Technical Barriers to Trade, provide the basis for tackling certain non-tariff measures that have been used as trade barriers against forest products.

10. The changing pattern of global forest resources is thought to have two important implications for the trade in forest products:

(a) Declining tropical resources and expanding temperate resources are likely to offset each other, leading to stable prices for wood products generally, except for highly valued tropical woods;

(b) The shift to plantations and second-growth forests versus old-growth stands as the source of timber is expected to continue. The long-term pattern will probably shift from the Pacific Northwest of the United States of America and the tropics to plantation forests in North America and newly planted southern hemisphere forests. European forest resources are also projected to expand, at a net rate of about 1 per cent annually.

11. Continued loss of old growth forests, in particular tropical deforestation, is expected to have important environmental implications.

I. GENERAL OVERVIEW OF THE CONCLUSIONS AND PROPOSALS FOR ACTION OF THE FORMER INTERGOVERNMENTAL PANEL ON FORESTS

12. The key conclusions and proposals for action reached by IPF at its fourth session and the issues for which no clear consensus was reached pose a number of important challenges (see E/CN.17/1997/12).

13. IPF formulated an important set of conclusions and proposals for action that need to be implemented if serious progress is to be made on developing trade-related incentives for improved sustainable management of forests, in particular market access, relative competitiveness of forest products, lesser-used species, certification and labelling, full-cost internalization and market transparency. In addition, IPF also tried to address some more recent concerns, such as the increasing illegal trade in forest products and the need to reconcile national measures with obligations under international agreements.

14. However, the lack of consensus in IPF on certain proposals on market access suggests that these proposals are generally concerned with establishing a commitment by all countries to either: (a) accept an internationally binding agreement on all forests that covers trade or (b) ensure that national forest trade policies conform with global trading rules and international agreements.

II. CURRENT STATUS OF TRADE AND ENVIRONMENT IN FOREST PRODUCTS AND SERVICES

A. Market access and "new" barriers to forest products trade

15. Trade in forest products is highly susceptible to changes in market access and trade barriers. Important progress made in further reducing tariffs on the global forest products trade as a result of the Uruguay Round of multilateral trade negotiations could be negated by new types of barriers to the trade, particularly non-tariff barriers, which could still impede market access for many products as well as lead to new forms of "protectionism". In recent years, there has been a proliferation of additional policies and regulations that have the potential of becoming "new" barriers to the forest products trade, including:

(a) Export restrictions by developing countries to encourage the domestic processing of tropical timber for export;

(b) Environmental and trade restrictions on production and exports in developed countries that affect international trade patterns;

(c) Quantitative restrictions on imports of "unsustainably produced" timber products, and the use of eco-labelling and "green" certification as import barriers.

16. Although only the last two measures could be strictly defined as "new", all of these trade measures have been increasingly employed in recent years and have the potential to affect forest product trade flows significantly.

17. Developing countries continue to use export restrictions on wood in rough and semi-processed products to support domestic processing industries. Export taxes and bans aimed to encourage forest-based industrialization and sustainable timber management in tropical forest countries have proved only moderately successful in achieving the desired results in South-East Asia, generally with high economic costs.

18. Developed countries are increasingly employing a variety of environmental regulations in their forest industries - both alone and in conjunction with export restrictions - that may have significant trade implications. For example, the combination of trade and environmental restrictions on logging in the Pacific Northwest of the United States produced significant domestic and global trade impacts, including increases in global sawlog prices and regional shifts in production.

19. In many developed countries, domestic policies to promote waste paper recovery and recycling have had important trade implications, particularly where they involve mandatory restrictions on the levels of virgin fibre and pulp use. For example, United States recycled content laws may provide an unequal cost advantage to domestic producers because of the greater availability of used newsprint in the United States than in Canada. Similar problems apply to packaging and reuse requirements, such as the recent European Union Packaging

Directive and Japan's regulations for the recycling of paper, logging residues and dismantled houses.

20. Although there are legitimate uses of all the trade policy measures discussed above, the rate at which they are being implemented and the frequency with which they have led to trade distortion and discrimination suggests that their use must be examined carefully. What clearly needs to be avoided is indiscriminate and widespread application of "new" barriers to the forest products trade that could easily override the gains in market access resulting from the recently concluded Uruguay Round.

21. National Governments face the challenge of reconciling their individual trading policies with established international trading rules and agreements, and it will have to be determined whether this requires the need for a new international agreement covering all forests.

B. Relative competitiveness of wood versus substitutes

22. Forest products may be substituted by non-wood products in end uses and final markets. Although there is increasing anecdotal evidence of this occurring in many consumer markets, particularly in construction and furniture industries, estimating the magnitude or scale of this effect has proven more difficult. However, for specific products this substitution effect may be significant. For example, plywood is believed to face severe competition from solid synthetic panels, with price strongly influencing the choice of product in the construction industry. In addition, substitution may be more of a problem for wood-based composites, such as particle board, fibreboard and reconstituted panels and wood pulp.

23. As to the competitiveness of wood products from different regions, the available evidence indicates that the elasticities of substitution between temperate and tropical wood products are very low. This suggests that there are two distinct markets, and that tropical producers of these products would have difficulty in penetrating the larger temperate market. Empirical studies suggest that substitution between tropical and temperate timber products in importing markets has not been very significant. However, in response to bans on log exports by tropical producers, some importers are increasingly diversifying the source of their supply. Substitution between tropical timber products originating from different countries or regions does appear to be very high, particularly for plywood. This would suggest that importers can substitute between sources of origin with relative ease but also that exporters can easily capture market share through price competition.

24. Thus, the available empirical evidence indicates that producers as a group may enjoy significant market power. If all producer countries instigate sustainable forest management and this leads to higher prices for timber products across the board, then there may not necessarily be any significant loss of market share by any country. However, if only a few producers instigate sustainable management and this leads to higher prices for their forest products, then substitution away from these products is more likely to occur.

C. Certification and labelling

25. As noted by IPF, the number of eco-labelling and certification initiatives applied to the forest products trade has increased rapidly in recent years. There is considerable concern among producer countries and forest-based industries that certification and labelling will be used as non-tariff barriers limiting access to key import markets. Provided that such regulations and schemes are non-discriminatory, transparent and justified, are agreed mutually between trading partners or through multilateral negotiations, comply with World Trade Organization (WTO) rules and conform with internationally recognized guidelines, then their potential use as trade barriers will be drastically reduced. However, the possible role of voluntary and non-discriminatory timber certification in promoting sustainable forest management on a significant scale globally is, at best, still not clear.

26. The term "certification" has been used indiscriminately to cover a wide range of processes. Proponents of certification argue that it has the potential to assist in promoting sustainable forest management while simultaneously reassuring consumers. A properly designed, voluntary and independently accredited certification scheme at the global level can be a means by which the various stakeholders can hold producers accountable; it can provide a market-based incentive to the individual producer to improve management; it can meet consumer demands for wood from well-managed forests without creating trade discriminations; and it can be a mechanism for monitoring multiple factors involved in forest use. However, others suggest that the evidence for considerable additional demand for certified wood products is unproven, and only in certain small "niche" markets may customers be willing to pay more for certified timber. It is argued by some that the necessary but stringent conditions required for an accredited global certification scheme are bound to have only a limited impact on a small proportion of global timber production, and an equally limited impact on the sustainable management of a limited area of forests.

27. Recent estimates of the total global certified forest area is about 5.1 million hectares, which produces about 3.5 million cubic metres (m^3) annually. In fact, certified production accounts for only 0.23 per cent of the world's industrial roundwood production. Even under more optimistic projections, only 15 per cent of traded wood products are expected to be affected by certification by 1999.

28. One of the additional benefits of certification might be that it would allow timber exporters to avoid losses of market share and revenues in environmentally sensitive markets. The total gain from certification of tropical timber products is estimated to be US$ 428 million, or 4 per cent of current timber product exports from developing countries. However, critics argue that the growing importance of domestic markets in tropical countries and the dominance of markets where consumers are less interested in certified timber limit the potential market effects of this instrument for tropical timber products.

29. There is also the issue of whether timber certification inevitably leads to higher prices for timber products in final consumer markets. It is important to

explore whether any price premium would cover the costs of certification. For example, for tropical products the costs of assessing or auditing have been estimated at about US$ 0.3 and US$ 1 per hectare per year in developing countries; for temperate products in developed countries, cost estimates for certifying forests are roughly similar - US$ 0.3 to 0.6 per hectare.

30. There is now an emerging opinion that an adequate international framework is needed both to ensure harmonization and mutual recognition of certification systems and to ensure an effective international accreditation process of certification bodies. The important criteria for any internationally accredited certification body are that it be independent, impartial and able to demonstrate that its organization and personnel are free from any commercial, financial or other pressure. Equally, to achieve harmonization and mutual recognition, a voluntary international certification system must (a) be comprehensive and cover all types of forests and wood products; (b) be based on objective and measurable criteria; (c) produce reliable assessment results, and thus be fully independent from any vested interests; (d) be transparent and involve a balanced participation of the interested parties and stakeholders, thereby ensuring their commitment; (e) represent all involved parties; and (f) be goal-oriented and cost-effective.

31. The establishment of an international framework covering all existing and proposed timber certification schemes, as well as a common or comparable core set of criteria and indicators for sustainable forest management on which such schemes can rely, is clearly a long-term process. Also, an altogether different type of certification scheme, such as a country-level certification scheme, has recently been proposed.

32. A new kind of certification for forests is under discussion in the International Organization for Standardization (ISO) in connection with the already agreed ISO 14001 standard for environmental management system (EMS), which applies to all sectors and not only to the forest sector. EMS certification is verifying that the right system is in place. Canada is moving ahead with implementing a certification scheme for certifying forests under EMS.

D. Valuation

33. It is a general perception that forests are undervalued in the marketplace for the products and services that they provide to society. This in turn distorts land-use and forest-management decisions by both public and private sectors. Properly done valuation can provide useful information to all those concerned with forest management, trade and general environment. Although timber and other products are relatively easily valued at the market, they may not reflect the full costs and benefits of those products. Many non-timber products and services of forests, such as carbon sequestration, biodiversity, watershed services and ecotourism, are relatively new concepts for valuation and trade. However, a few initiatives have been taken to create markets for these services, such as carbon offset trading, bioprospecting and ecotourism. But, many studies and institutional arrangements are needed in this direction.

34. For further discussion on valuation, please refer to the note of the Secretariat on programme element II.d (E/CN.17/1998/8).

E. Market transparency

35. Improved market transparency is a key element in progress on the three key areas considered by IPF: reducing trade barriers to market access; international harmonization and mutual recognition of standards on timber certification; and policy reform and full cost internalization to promote sustainable forest management. Without greater market transparency, progress in all these areas is likely to be hampered.

36. This suggests that progress in developing trade-related incentives for sustainable forest management globally could benefit from improvements in market transparency in the following ways:

(a) Countries importing forest products should routinely review and make publicly available information on domestic environmental, health, building, labour and other standards and regulations that are likely to affect the import of forest products and patterns of international trade generally. Where such regulations by the importing country are considered a legitimate means to restrict access to its domestic market on environmental or health grounds, then this information not only should be made publicly available but also should be periodically assessed by an appropriate international authority, such as WTO;

(b) Countries that use export restrictions to promote value-added processing should also routinely review and make available detailed information on such policies. The latter should also be periodically reviewed and assessed by an appropriate international body, such as WTO;

(c) International harmonization and mutual recognition of standards on timber certification will require detailed information on both forest management practices globally and the process chain of custody from the forest stand in producer countries to final product in consumer countries for the wide variety of timber products traded internationally. Some of this information can be gained from end-use studies directed at the final consumer and from assessments of forest-level harvesting practices. However, more information needs to be made available from intermediate processors, exporters, importers and wood-based manufacturers to help to develop improved international standards on timber certification;

(d) More market information from producing country, consumer country and industry sources will be required to assess various aspects of management, production and trade of forest products. These will include assessments of the costs of implementing sustainable forest management in producer countries, as well as of the long-term impacts on patterns of forest-based industries in these countries, use of the forest resource base, the returns to different harvesting systems and the competitiveness of forest products in consumer markets. Again, cooperation on providing this information might be more forthcoming if such assessments were officially sanctioned through an internationally agreed process, such as country certification;

(e) Improved market intelligence for forest products is also required generally since such intelligence is lacking for most wood-based products. Both consumers and producers would benefit from better market intelligence that would lead to more competitive and efficient markets.

37. However, IPF also identified the trade in illegally harvested timber supplies as a new and growing threat to the use of trade-related incentives for sustainable forest management.

III. ASSESSMENT OF RECENT DEVELOPMENTS

38. There have been some recent developments that may pose both new opportunities and challenges, including illegal trade, species extinction, international obligations and agreements, and recent market trends and their implications for sustainable forest management.

A. Illegal trade

39. Illegal trade in forest products include many activities that are prohibited by national laws and/or international agreements, such as trade in illegally harvested logs, logging of protected/restricted species, logging outside concessions, logging in protected areas, cutting under/oversized trees, extracting more than the allowable cut, and logging without authorization or in breech of contractual obligations. Smuggling of logs and processed goods, falsifying inventory and valuation of products, and illegal processing can also be included as illegal trade in forest products.

40. Although difficult to verify conclusively, there is some evidence that the scale of illegal trade in logs is continuing unabated and possibly even increasing. For example, the annual review by the International Tropical Timber Organization (ITTO) of member countries’ trade has indicated a perpetual problem of underreporting of log exports. Publicizing such discrepancies can have an impact: for example, as a result of the evidence of underreporting in ITTO’s annual review, Papua New Guinea has undertaken to tighten controls over its log exports.

41. Illegal logging and trade is also a serious setback for promoting sustainable forest management practices. By their very nature, such activities involve destructive and short-term practices that are damaging to forests. In addition, the loss in export duties, timber royalties and income taxes to developing country Governments means that less revenues are available to promote sustainable forest management and improve forest departments and institutions.

B. Endangered species and the Convention on International Trade in Endangered Species of Wild Fauna and Flora

42. Because of the concern over endangered species, a number of developed countries, strongly supported by conservation groups, have attempted to have various commercially important tropical tree species placed in one of three

appendix listings of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Recent attempts to have more commercially important tropical species listed have been controversial. Many trade and forestry interests, including exporting countries affected by the listings, have questioned whether some of the species proposed for listing are really endangered or threatened, and whether the procedures used to determine this are sound, given the generally poor information available on the inventory of species in tropical forests and on the actual species composition of traded timber products. A further problem with a CITES listing, as noted in subsection III.A above, is that it can create inducements to increase illegal trade in a species. A CITES listing places a large burden on the CITES authorities in countries involved in the trade of the listed species to implement the required controls. Without significant support by the relevant Governments and trade interests, CITES controls on trade may be less effective.

43. There is a genuine need to control trade in endangered species. However, it is important to ensure that any trade restrictions imposed are (a) necessary for guaranteeing the protection of an endangered species, and (b) capable of improving the survival of a species that would otherwise be endangered by commercial trade. It is not obvious that many timber species fall into both of these categories.

C. International obligations and agreements

44. The "Year 2000 objective" is an important objective of ITTO for enhancing the capacity of member countries to implement strategy for ensuring that all their tropical timber exports come from sustainably managed forests by the year 2000. This is one of the objectives of the new International Tropical Timber Agreement (ITTA) of 1994. During the process of negotiating the new Agreement, the issue of whether ITTA should be broadened to cover all the world’s forests was debated. Although the new ITTA has not been strictly altered beyond its original mandate to cover just tropical forests, the terms of the new agreement do allow some scope for such broadening of the ITTA mandate beyond tropical forests. Already, many consumer member countries - who are also major exporters of temperate forest products - have indicated that they are willing to follow commitments similar to ITTA to ensure sustainable management of their forests for the timber trade. Some other joint actions have been pursued by consumer countries in the Helsinki and Montreal processes, as well as under the auspices of the Food and Agriculture Organization of the United Nations (FAO) and other international organizations.

45. The issue of whether ITTO or any other international forum on forests should eventually negotiate a multilateral agreement to cover all trade in forest products, in particular to commit all producer and consumer countries to ensuring that the global forest products trade is derived from sustainably managed sources, is still an important proposal that IFF must address. The important issue of what international and national policies are required to facilitate the long-term management, conservation and sustainable development of all types of forests that are sources for the global forest products trade and whether such policies need to be endorsed through multilateral agreement and commitments is an important area for consideration by IFF.

D. Country certification

46. The role of certification in promoting sustainable forest management has been discussed in section II.C above. Given the pressing need to promote sustainable forest management globally, it is imperative to develop urgently other instruments complementary to timber certification that are more directly aimed at wholesome and timely improvements in forestry management policies and regulations in producer countries. One such approach is the concept of "country certification". Originally proposed in a report to ITTO, country certification involves certifying through explicit bilateral or multilateral recognition all timber products from a country that can prove it is complying with an internationally agreed objective, such as a sustainable forest management target. Such a scheme could be enacted for all timber producer countries through an international agreement on global forests. It might also require additional assistance for developing countries with inadequate financial resources to achieve, implement and monitor the key policy objectives. To be effective, country certification would require two broad sets of policy commitments from timber-producing and timber-consuming countries, respectively.

47. The first set of policies would require producer countries to undertake substantial reviews of their forest-sector policies and to correct those policy distortions that work against sustainable timber production objectives, because such distortions are believed to be at the heart of inefficient and unsustainable forest-sector development and timber-related deforestation (see section II above). Based on progress in those areas, such producer countries could be certified for complying with internationally agreed objectives. The second set of policies would require a commitment by consumer countries to removing any remaining tariff and non-tariff barriers to timber imports into domestic markets for producer countries that demonstrate a commitment to forest-sector policy reform, actively promoting the use of tropical timber imports from exporting countries that are implementing "sustainable management" policies and removing any "new barriers".

48. As with certification of timber produced from sustainably managed forests, any country certification scheme needs to be voluntary, transparent and internationally agreed.

E. Recent market developments

49. Encouraging trade-related incentives for sustainable forest management is a long-term process. Attainment of such a long-term goal may be affected by major disruptions to key markets and price trends. There is a need to monitor the impact of "shock events", such as the Asian market crisis, on the region’s forest products trade, as well as their implications for global trade. Although it is too early to determine the long-term impacts of this crisis, in particular its implications for the objective of improving trade-related incentives for sustainable forest management, the short-term indications are not good. The vulnerability of Asian and other developing country forest industries to such crises could make it extremely difficult for such industries to plan and implement long-term strategies for ensuring that their trade is derived from sustainably managed forest sources. There is a need to consider ways in which

the international community could develop contingency plans and assistance to support countries and industries in retaining a long-term perspective on sustainable forest management in the face of severe short-term economic crises, such as the recent Asian difficulties.

IV. CONCLUSIONS AND PROPOSALS FOR ACTION

50. IFF can build on the proposals for action advanced by IPF and consider further proposals for action in line with recent developments concerning trade and environment issues of importance to the world's forests. The main objective of trade and environment policies is to encourage all countries to achieve trade in forest products from sustainably managed forests and to use this trade as an incentive for making the transition to sustainable forest management.

51. Market transparency is essential for providing information to facilitate independent market and economic analyses of market competitiveness and long-term substitution of forest products, and of the costs and benefits of implementing sustainable forest management in producer countries.

52. Thus, in the following key areas for policy action that could improve the role of trade-related incentives in encouraging sustainable forest management globally, IFF may wish to:

(a) Support continued efforts by WTO to encourage all its member countries to reduce further tariff and non-tariff barriers to trade in forest products;

(b) Support efforts by WTO, FAO, ITTO, the United Nations Conference on Trade and Development (UNCTAD), the European Union (EU) and other international bodies to conduct more independent market and economic analyses of potential competition between different wood products and between products from different regions of origin, and between wood and non-wood substitutes, analysing in particular the likely substitution effects of any rises in forest product price that might accompany a global initiative to improve sustainable forest management;

(c) Encourage current international efforts to promote the parallel and cooperative development of international timber certification initiatives, as well as related national and regional schemes, with the overall objective of achieving international harmonization and mutual recognition of standards for timber certification;

(d) Support the efforts of WTO to ensure that existing and new certification and eco-labelling schemes for wood products in importing and consumer markets are not used in a discriminatory way as a form of disguised protectionism;

(e) Support efforts by WTO, FAO, the Centre for International Forestry Research (CIFOR), ITTO, UNCTAD, EU and other international institutions to develop more independent market and economic analyses of the potential additional stand-level and industry-wide costs resulting from the transition to sustainable forestry management and policy reforms. Such analyses should also examine the potential long-term benefits of improved efficiencies and sustainability at all levels of the forestry industry, as well as the development and coordination of international efforts for improved market intelligence;

(f) Encourage greater market transparency to ensure the objectives of improved market access for timber products, international harmonization and mutual recognition of standards for timber certification, international commitments to a country certification process, and assessing the international financial and technical assistance needed by developing countries;

(g) Support ongoing efforts by WTO, FAO, ITTO, EU, UNCTAD and other international bodies to improve market transparency and intelligence;

(h) Reaffirm the IPF proposal for action that requested countries to provide an assessment and share relevant information on the nature and extent of illegal trade in forest products, and to consider measures to counter such illegal trade, support ongoing efforts by WTO, FAO, ITTO, EU, UNCTAD, the World Bank and other bodies to monitor and investigate the illegal trade, and encourage them to coordinate their efforts;

(i) Urge the CITES Timber Working Group to work with member countries to ensure that any trade restrictions imposed through CITES are necessary for guaranteeing the protection of a species, can be effectively and efficiently implemented, and are capable of improving the survival chances of a species;

(j) Consider appropriate mechanisms and arrangements to cover all forests that would commit all producer countries to ensuring that the global forest products trade is derived from sustainably managed sources. In particular, the issue of what international and national policies are required to facilitate sustainable forest management globally and whether such policies need to be endorsed through multilateral agreement and commitments is an important area for consideration;

(k) Given the pressing need to promote sustainable forest management globally, consider setting up a country certification process involving an international commitment by producer countries to adopt policies and practices towards encouraging sustainable management of production forests and timber products. Meanwhile, developed consumer countries should adopt policies and practices for improving international market access to those products;

(l) Recognize the need to monitor closely such events as the economic impact of the Asian market crisis on the region’s forest products trade and its implications for global trade, and promote consideration of ways in which international contingency plans could assist and support countries and industries to retain a long-term perspective on sustainable forest management in the face of severe short-term economic crises, such as the recent Asian difficulties.

53. The above tasks clearly build upon existing efforts and work being conducted by several international bodies, such as WTO, FAO, CIFOR, ITTO, the International Trade Centre, UNCTAD, EU, the World Bank and others. There is considerable scope for these different bodies to collaborate and coordinate activities on these tasks, as well as to jointly identify additional areas for further joint work.
