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### United Nations Forum on Forests

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**Common items for each session: trade**

### Trade and sustainable forest management

#### Note by the Secretary-General\*\*

#### *Summary*

Following the establishment of the United Nations Forum on Forests and the inclusion of trade in the Forum's multi-year programme of work and plan of action, trade will be one of the common items to be considered at each of its sessions. In addition, trade will feature as a principal part of the economic aspects of forests which the Forum will focus on at its third session. The present note provides the background and information on the overview of the Intergovernmental Panel on Forests/Intergovernmental Forum on Forests (IPF/IFF) process, global trade and forest resource trends, and the current status and assessment of developments concerning trade in forest products and services to facilitate the United Nations Forum on Forests in determining the arrangements of its work on trade and sustainable forest management in accordance with the provisions in its mandate.

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\*\* Prepared by the International Tropical Timber Organization (ITTO); the views and opinions expressed do not necessarily reflect those of the United Nations.



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## Introduction

1. In adopting its multi-year programme of work for the period 2001-2005<sup>1</sup> at its first substantive session, the United Nations Forum on Forests recognized the importance, inter alia, of international trade in wood and non-wood products in both developed and developing countries for the realization of the aims of the programme. The Forum also decided that trade would be one of the common items to be addressed at each of its future sessions.<sup>2</sup> Under the Forum's plan of action<sup>3</sup> also adopted at its first substantive session, trade is recognized as having an important role in the achievement of sustainable forest management. Accordingly, international trade and sustainable forest management have been identified as one of the 16 elements that are an important tool for the implementation of the Intergovernmental Panel on Forests/Intergovernmental Forum on Forests (IPF/IFF) proposals for action.<sup>4</sup> With regard to trade as one means of implementation of the plan of action, it has been acknowledged that the buying and selling of wood and non-wood forest products and services, including across international borders, have a profound effect on sustainable forest management, forest harvesting and the value of forest products.<sup>5</sup> Therefore, trade issues should be an integral part of the Forum's work which will endeavour to identify ways in which trade can best support the implementation of the IPF/IFF proposals for action.

## I. Background

2. The Rio Declaration on Environment and Development,<sup>6</sup> chapter 11 on combating deforestation and other relevant chapters of Agenda 21,<sup>7</sup> and the Non-legally Binding Authoritative Statement of Principles for a Global Consensus on the Management, Conservation and Sustainable Development of All Types of Forests (the Forest Principles)<sup>8</sup> provide a holistic framework for addressing issues relating to the world's forests including the relationship between trade and sustainable forest management. In identifying international cooperation as one of the critical social and economic dimensions in the effort to achieve sustainable development, particularly in developing countries, chapter 2 of Agenda 21 underlines the importance of the international economy's providing a supportive international climate for realizing

environmental and development goals by promoting sustainable development through trade liberalization and making trade and environment mutually supportive (para. 2.3). For forests, this translates into the pursuit of three interrelated objectives:

(a) Promoting sustainable forest management through trade liberalization;

(b) Making trade and sustainable forest management mutually supportive;

(c) Promoting trade in forest products and services, particularly those derived from sustainably managed forest resources.

3. Further guidance on the issue of trade as provided by the framework of the United Nations Conference on Environment and Development includes the following:

- Trade policy measures for environmental purposes should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade (Rio Declaration on Environment and Development, principle 12);
- Efforts of developing countries to strengthen the management, conservation and sustainable development of these forests should be supported taking into account the problem of achieving at least the replacement value of forests through improved market access for forest products, especially processed products (Forest Principles, principle 9 (a));
- Trade in forest products should be based on non-discriminatory and multilaterally agreed rules and procedures consistent with international trade law and practices. In this context, open and free international trade in forest products should be facilitated (Forest Principles, principle 13 (a));
- Reduction or removal of tariff barriers and impediments to the provision of better market access and better prices for higher value added forest products and their local processing should be encouraged (Forest Principles, principle 13 (b));
- Forest conservation and sustainable development policies should be integrated with economic, trade and other relevant policies (Forest Principles, principle 13 (d));

- Trade and other policies and practices that may lead to forest degradation should be avoided (Forest Principles, principle 13 (e));
- Unilateral measures, incompatible with international obligations or agreements, to restrict and/or ban international trade in timber or other forest products should be removed or avoided, in order to attain long-term sustainable forest management (Forest Principles, principle 14).

4. Efforts to build on the first global consensus on forests reached at the United Nations Conference on Environment and Development have been undertaken under the aegis of the United Nations through IPF (1995-1997) and IFF (1997-2000). Emanating from this process are two sets of proposals for action to be implemented by countries and other stakeholders to enhance the management, conservation and sustainable development of all types of forests. In the field of trade and environment, the consensual proposals for action cover a wide range of issues, although there were a number of contentious areas in which consensus was not reached. Following the establishment of the United Nations Forum on Forests and the inclusion of trade in the Forum's multi-year programme of work and plan of action, trade will be one of the common items to be considered at each of its future sessions. In addition, trade will feature as a principal part of the economic aspects of forests which the Forum will focus on at its third session.

## **II. Matters left pending by the Intergovernmental Panel on Forests/Intergovernmental Forum on Forests (IPF/IFF) process on issues relating to trade**

### **A. Overview of the IPF/IFF process**

5. Under IPF, matters on trade were considered under programme element IV: "Trade and environment in relation to forest products and services". Based on its consideration, IPF recommended several proposals for action on issues pertaining to market access, relative competitiveness of forest products, lesser used species, certification and labelling, full-cost internalization and market transparency (see

E/CN.17/1997/12). Areas where consensus was reached covered the following proposals for action:

- (a) Improve market access:
    - Reduce tariff and non-tariff barriers;
    - Encourage the private sector and forest owners to promote sustainable forest management;
    - Ensure that trade policies take account of community rights;
  - (b) Improve relative competitiveness of forest products, inter alia, by gathering more information and supporting community-based processing;
  - (c) Promote use of lesser used species, where consistent with sustainable forest management;
  - (d) Certification and labelling:
    - Ensure that such schemes are not a disguised restriction on trade;
    - Enhance the assessment capabilities of developing countries in relation to voluntary certification;
    - Support such concepts for certification as: open access and non-discrimination, credibility, non-deceptiveness, cost-effectiveness, participation of all interested parties, sustainable forest management, and transparency;
    - Carry out further studies on a range of topics, including effectiveness in promoting sustainable forest management, relationship between criteria and indicators frameworks and certification, equivalency and mutual recognition, and the role of government;
  - (e) Explore ways to establish full-cost internalization for both wood products and non-wood substitutes;
  - (f) Expand work on market transparency for trade in forest products.
6. There were, however, a number of options for action on which IPF was not able to reach consensus including:
- (a) Possible agreement in respect of issues related to non-discriminatory international trade in forest products from all types of forests;

(b) Relationships between obligations under international agreements and national measures, including actions imposed by subnational jurisdictions.

7. Building upon the progress made by IPF, IFF deliberated on matters relating to trade under programme elements I.a (Promoting and facilitating the implementation of the IPF proposals for action), I.b (Monitoring progress in the implementation of the IPF proposals for action) and II.b (Matters left pending and other issues: trade and environment). The following IFF proposals for action were agreed to (see E/CN.17/2000/14, sect. II, annex, paras. 41-42):

(a) Contribute to achieving trade in wood and non-wood products and services from sustainably managed forests;

(b) Carry out further cooperative work on voluntary certification and labelling while seeking to enhance international comparability;

(c) Carry out analysis of full-cost internalization;

(d) Undertake further work on life-cycle analysis of the environmental impacts of forest products;

(e) Improve market transparency;

(f) Promote international cooperation to reduce illegal trade in wood and non-wood products;

(g) Develop strategies for sustainable forest management with a long-term perspective;

(h) Recognize the special importance of imports of forest products for countries with low forest cover and fragile ecosystems and small island developing States.

8. IFF was not able to reach consensus on:

(a) Reference to the World Trade Organization as one of the parties urged to undertake further cooperative work on voluntary certification and/or labelling schemes;

(b) Support for continued efforts towards trade liberalization, giving special attention to removing trade restrictions which constrain market access, particularly for value-added forest products.

9. These IPF/IFF proposals for action have been subject to varying degrees of implementation by countries and relevant parties. Unlike the more

definitive proposals for action, such as those on natural forest programmes and criteria and indicators, the IPF/IFF proposals for action on trade and environment in relation to forest products and services are less amenable to fixed targets and timetables for implementation. Accordingly, the implementation of these proposals is likely to be more process-oriented than prescriptive. Nevertheless, further emphasis will be given to the effective implementation of these proposals by the United Nations Forum on Forests under its plan of action. Some of the options for action on which IPF and IFF were not able to reach consensus may have been overtaken by developments in recent years. However, the opportunity remains open for the Forum to consider those options that are still relevant.

## **B. Global trade and forest resources trends**

10. Global production and international trade in forest products have continued to experience significant expansion. According to the Food and Agriculture Organization of the United Nations (FAO), worldwide roundwood production increased from 3.25 billion cubic metres in 1996 to 3.38 billion cubic metres in 2000, with over half of this used as fuelwood, primarily in developing countries. Global production of industrial roundwood rose from 1.50 to 1.515 billion cubic metres over the same period, with about 60 per cent of this being sawn and veneer logs and the rest destined for pulping or other uses. The global value of primary forest products exports (logs, sawnwood, panels, pulp and paper) grew from \$134.57 billion in 1996 to \$141.56 billion in 1999, with pulp and paper products accounting for the majority of this (almost two thirds in 2000). Global trade in secondary processed wood products has grown more rapidly than that in primary products, rising almost 25 per cent from about \$32 billion in 1996 to almost \$40 billion in 2000. While trade statistics on non-wood forest products are not well established, the significance of the trade is reflected in the value of trade in bamboo and rattan products estimated at \$1.5 billion annually.

11. Although expanding, international trade in forest products remains a relatively small proportion of global production. Approximately one quarter of wood-based panels and paper products and one fifth of sawnwood and wood pulp are traded internationally, while only 7 per cent of global industrial roundwood

output is currently traded. Trade is still dominated by a limited number (mostly developed) countries, although some developing countries are making an impact on certain segments of international trade. The share of secondary processed wood products in the overall international trade in forest products has also expanded, particularly in respect of developing countries. Trade remains concentrated in the three major regions of the Pacific Rim, North America and Europe, with Japan, the United States of America, Canada and the European Union (EU) continuing to be the biggest markets. China has emerged, however, as a significant importer of raw materials and a growing exporter of finished products in recent years. At the same time, the domestic consumption of wood products in developing countries has been increasing rapidly. It is envisaged that forest products from plantations will continue to expand and offset the anticipated reduction in the availability of tropical forest products in the international markets. The share of forest products from plantations is likely to expand further in relation to that of products derived from natural forests.

### **C. Current status and assessment of developments concerning trade in forest products and services**

#### **Market access**

12. In recent years, the international trade in forest products has benefited from the provisions of the Uruguay Round of multilateral trade negotiations which secured further reductions in most tariffs for forest products, and reduced uncertainty through the binding of tariffs in major markets, as well as reduced the degree of tariff escalation. However, the continuing use of barriers, particularly non-tariff barriers which are aimed, inter alia, at encouraging domestic processing, promoting products from sustainably managed forests and restricting imports of unsustainably and/or illegally produced forest products, has affected market access for many forest products. Furthermore, in the context of the IPF/IFF process, consensus has yet to be reached in respect of some important issues including removal of unilateral measures to the extent that these are inconsistent with international agreements; removal of unilateral bans and boycotts inconsistent with the rules of the international trade system as called for under principle 14 of the Forest Principles; increased market

transparency in order to improve market access for forest products and services, including those coming from sustainably managed forests; and removal of trade restrictions that constrain market access, particularly for value-added forest products.

13. The promotion of trade in forest products and services produced from sustainably managed forests is pivotal to efforts at making trade and sustainable forest management mutually supportive. It is thus a matter of priority that appropriate and workable measures be found to ensure complete market access for these products and services while addressing the concern of developing countries regarding the implications this would have for their exports of products derived from forests that have yet to be sustainably managed. Following the outcome of the fourth Ministerial Conference of the World Trade Organization, held at Doha from 9 to 13 November 2001, opportunities for further improvement of the multilateral trading system are likely to have a salutary effect on the trade in forest products and services if further efforts are focused on reducing tariffs on higher-valued and processed forest products and dismantling existing non-tariff barriers on forest products.

#### **Relative competitiveness of forest products**

14. The competitiveness of forest products relative to non-wood competing products and substitutes are determined by technical, specification, supply and cost/price factors. In spite of their being natural and renewable as well as requiring less energy to produce, forest products are being increasingly subjected to the requirements of sustainability and certification which are not necessarily applied to some of the competing products that are non-renewable, non-biodegradable and less environment-friendly. Competitors of forest products, especially those from the steel and plastic industries, are utilizing simplified comparisons to aggressively promote their products in their competition with wood. Comprehensive life-cycle analysis (LCA)-based studies are needed to communicate the real environmental and social impacts of alternative products. The costs of meeting the requirements of sustainability and certification could possibly affect the price competitiveness of forest products vis-à-vis competing products. Substitution of temperate forest products for tropical forest products in some uses has also taken place as a result of technological advancement and product development

coupled with the stability of supply and price competitiveness of temperate forest products. In the context of the IPF/IFF process, proposals for action have been recommended in respect of the gathering of information and the conduct of studies on the potential competition between wood and non-wood substitutes as well as the supporting of developing countries in their effort to increase productivity and efficiency in downstream activities. Appropriate measures are necessary to safeguard and enhance the competitiveness of forest products and to ensure that efforts to meet the requirements of sustainability and certification will not affect the price competitiveness of forest products. IFF also recommended that further work be undertaken on full LCA of the environmental impacts of forest products and their substitutes. There have been some highly positive LCA results for some wood products, suggesting that LCA could be used for positive market promotion of these products. However, this may be seen as yet another requirement for the producers and exporters of forest products who are already faced with the challenges of sustainable forest management and certification.

#### **Lesser used species**

15. In spite of the call for the intensification of efforts to promote lesser used species in domestic and international markets, the actual progress achieved in this regard is still limited. Apart from facilitating the development and adaptation of technologies including traditional forest-related knowledge, further work on product development and promotion and marketing of lesser used species is required. Certification has proved to be a tool in assisting some tropical producers in promoting less used species.

#### **Certification and labelling**

16. As a market-based tool to promote sustainable forest management per se and to promote trade in forest products from sustainably managed forest resources, voluntary certification of forest management and labelling of forest products have made notable progress in recent years. To date, the area of certified forests is estimated at 118 million hectares compared with 5 million hectares estimated in 1998. More than 97 per cent or 114.85 million hectares of the certified forests are located in temperate countries. Certified forests in tropical countries are currently estimated at only 3.15 million hectares which is less than 0.2 per

cent of the 1.7 billion hectares of extant natural tropical forests and less than 3 per cent of the total area of forests presently certified. This is a clear indication of the trend that certification and labelling are progressing, particularly in developed countries, and that tropical and developing countries are lagging behind. There is thus a need to support the efforts by developing countries that want to engage in voluntary certification and labelling to enhance market acceptance of their forest products. This is also applicable to small and medium-sized forest-owners and enterprises in developing and developed countries.

17. In spite of the progress that has been made in the field of certification and labelling, its actual effectiveness in promoting sustainable forest management and related trade has yet to be conclusively affirmed. The uncertainty of securing premiums for certified and labelled forest products in the international markets underscores the concern whether certification and labelling would provide the trade and market incentives for attaining sustainable forest management and meeting its attendant costs. Other concerns relating to proliferation of initiatives, credibility of schemes, compatibility with World Trade Organization and international trade rules, transparency, non-discrimination, costs and affordability, impact on markets and needs for capacity-building have still to be adequately addressed. There are ongoing efforts to enhance comparability of international certification and labelling schemes by examining the possibilities and requirements for a framework and criteria for recognizing credible and accepted schemes, possibly on the basis of mutual recognition.

#### **Valuation of forest products and services and full-cost internalization**

18. The desirability of ensuring that forest products and services and their substitutes are adequately valued through full-cost internalization has been emphasized, as this can contribute to the generation of financial flows to sustainable forest management in the long run. In the context of the IPF/IFF process, recommendations were made for analyses of the implications of full-cost internalization for forest management and economic development to be undertaken and for full-cost internalization strategies for forest products and services and their substitutes to be implemented. The practical difficulties related to valuation of forest-based

products and services are due to market and policy limitations which do not make it possible for costs and benefits of non-marketable outputs to be internalized. These should be addressed at the local, national, regional and international levels. At the international level, rules and procedures regarding carbon sequestration benefits are being developed under the Clean Development Mechanism and Joint Implementation of the Kyoto Protocol<sup>9</sup> to the United Nations Framework Convention on Climate Change.<sup>10</sup> The Global Environment Facility (GEF) Operational Programme on Integrated Ecosystem Management as a compensation mechanism for global environment benefits has recently been launched and it is likely to cover several forest activities. The development of international rules or a framework for trading of compensating environmental forest-based benefits is envisaged to feature prominently in the near future. It would be appropriate for work on policy development to be continued regarding the valuation of forest-based products and services, including exploring mechanisms for new strategic and holistic approaches comprising all forest-based benefits, and focusing on such benefits for which the necessary preconditions such as tenure rights, existence of potential markets and verifiability exist.

#### **Market transparency**

19. The role of market transparency in promoting the mutually supportive relationship between trade and sustainable forest management has been recognized. Improved information is particularly useful in addressing problems related to illegal trade, transfer pricing and other market distortions. In the context of the IPF/IFF process, all interested parties have been called upon to take action to improve market transparency, taking into account the role of the private sector. The importance of enhancing market transparency has been reinforced in light of increased attention being given to the problems of illegal logging and illegal trade in forest products as well as the challenges of promoting the trade in value-added forest products.

#### **Illegal trade**

20. The problem of illegal trade in forest products was first raised at IPF but it has emerged as an issue attracting the growing attention of countries and stakeholders in recent years. The undesirability of

illegal trade in forest products including forest-related biological resources, which has been linked to the problems of illegal logging and forest law enforcement, and its damaging impact on efforts to achieve sustainable forest management, on the international trade in forest products and on the revenues of Governments, have been widely recognized. However, the level of effectiveness in efforts to control and reduce illegal trade is still grossly inadequate. Although inextricably related, the decoupling of the various practices of illegal logging from acts of illegal trade covering smuggling, illegal trading, illegal pricing and classification, undocumented trade and illegal trading in forest species included in the appendices to the Convention on International Trade in Endangered Species of Wild Fauna and Flora<sup>11</sup> may be the first logical step towards unravelling these complex issues.

21. The solution to the problem can be found in appropriate measures to be taken at both national and international levels aimed at tightening enforcement, control and supervision; reducing and eliminating incentives for illegal practices by raising the costs and risks of these practices; limiting and impeding access to markets for illegally traded forest products; applying third-party verification of the legality of forest product flows; and enhancing international cooperation and coordination involving the Convention on International Trade in Endangered Species of Wild Fauna and Flora, the World Customs Organization and Interpol. There have been a number of attempts by importing countries to address the issue of illegal trade by means of legislation and policy measures. These include the declaration by Japan that it would not import illegally harvested logs, especially tropical hardwood, the decision of the Parliament of Denmark to restrict the use of tropical timber by public institutions to timber that is legally and sustainably produced, and the policy of the Government of the United Kingdom of Great Britain and Northern Ireland of making it compulsory that timber purchases by its departments should be from documented well-managed sources. The effectiveness of these initiatives to legislate against the importation and use of illegally traded forest products and their implications for non-discriminatory trade in forest products have yet to be conclusively evaluated.



### Trade in endangered species

22. In the past, attempts by non-range countries to include commercially important tree species in the appendices to the Convention on International Trade in Endangered Species of Wild Fauna and Flora had been controversial. Nevertheless, no specific conclusion or proposal for action on the issue was adopted under the IPF/IFF process. To date, some 15 timber and wood species have been included in the appendices to the Convention and tree species appear in all of these appendices. In addressing the controversy, a Timber Working Group was established by the Convention to address the technical problems relating to the inclusion of timber species in the appendices to the Convention. Following recent notifications by several countries on the inclusion of *Swietenia macrophylla*, *Cedrela species (spp.)* and *Gonystylus spp.* in appendix III to the Convention, renewed interest has been generated regarding the effects of these inclusions on the international trade in forest products. The Mahogany Working Group has been established by the Convention to examine the status, exploitation, management and trade in big-leaf mahogany throughout the range as well as to review the effectiveness of the appendix III listing, assess information management, study measures to widen the scope of the appendix III listing and examine matters relating to legal and illegal trade.

23. The genuine need to control trade in endangered species through the Convention on International Trade in Endangered Species of Wild Fauna and Flora is fully recognized. The main challenge is to ensure that commercially significant timber species are included in the appendices to the Convention only if and when the scientific criteria are met. In this regard, the Convention is in the process of reviewing the criteria for listing of species in its appendices.

### Public procurement policies

24. Public procurement policies are increasingly being used as a potential means to promote sustainable forest management. In the previous decade, several local governments in some importing countries undertook to restrict or prohibit the use of tropical timber in public projects or to require that the product be certified. As noted above, recently the Danish Parliament has taken a decision to restrict the use of tropical timber by public institutions to timber that is legally and sustainably produced; and the Government of the United Kingdom has implemented a policy

making it compulsory that timber purchases by government departments shall be from documented well-managed sources. Proposed legislation to set a purchasing preference for certified wood is also under consideration by the New York City Committee on Contracts.

25. The World Trade Organization Agreement on Government Procurement<sup>12</sup> appears to allow sufficient scope for public procurement policies aimed at purchasing forest products from sustainably managed sources, provided that the policies are not expressly aimed at products from particular countries. This is attributed to the exceptions contained in the agreement and its plurilateral nature in that its membership is limited to countries of the Organisation for Economic Cooperation and Development (OECD). Nevertheless, the implications of these policies, particularly in the context of principle 12 of the Rio Declaration on Environment and Development and principle 14 of the Forest Principles, as well as for efforts to promote sustainable forest management, especially in developing countries, should be examined.

### International obligations and agreements

26. The outcome of the 2001 World Trade Organization Ministerial Conference, held at Doha, augurs well for the future of the multilateral trading system as embodied in the World Trade Organization despite the current global economic downturn. Under its adopted work programme, the World Trade Organization has agreed, inter alia, to negotiations on market access for non-agricultural products aimed at reducing, or as appropriate, eliminating tariffs including the reduction or elimination of tariff peaks, high tariffs and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. For forest products, most tariffs on primary products are already at low or zero levels. Hence, the reduction or elimination of tariffs on higher-value and processed products including tariff peaks and tariff escalation, together with the dismantling of existing non-tariff barriers, should be the focus if the new round of negotiations is to have further salutary impact on the trade in forest products and services. The impact of further trade liberalization and globalization in relation to forest products and services on sustainable forest management and the environment should also be examined.

27. With regard to trade and environment, the World Trade Organization has agreed to negotiations on the relationship between existing World Trade Organization rules and specific trade obligations set out in multilateral environmental agreements (MEAs),<sup>13</sup> procedures for regular information exchange between MEA secretariats and the relevant World Trade Organization committees, and the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services. The World Trade Organization Committee on Trade and Environment has been instructed to give attention to the effect of environmental measures on market access, especially in relation to developing countries, the relevant provisions of the Agreement on Trade-related Aspects of Intellectual Property Rights<sup>12</sup> and labelling requirements for environmental purposes. The direction and outcome of the deliberations on these elements of the World Trade Organization work programme are expected to have some implications for the work of the Forum in enhancing the mutually supportive relationship between trade and sustainable forest management. The Forum should therefore take advantage of this opportunity to offer appropriate advice and recommendations to the World Trade Organization with regard to the implementation of the elements of its work programme that are of relevance to the international trade in forest products and services.

28. A comprehensive assessment of the progress made towards the achievement of the International Tropical Timber Organizations (ITTO) Year 2000 Objective was carried out in 2000. The objective embodies the commitment of all producing and consuming members by which they, through international collaboration and national policies and programmes, would progress towards achieving sustainable management of tropical forests and trade in tropical timber from sustainable resources by the year 2000. In essence, the assessment indicated that encouraging progress has been achieved, particularly in the area of policy and legislation reform. Nevertheless, problems of full implementation are still existent, inter alia, with regard to illegal logging and poaching, application and enforcement of rules and guidelines, sustainable harvesting and reduced-impact logging. Following the assessment, producing and consuming members of ITTO reaffirmed their full commitment to moving as rapidly as possible towards achieving exports of tropical timber and timber products from

sustainably managed sources under the ITTO Year 2000 Objective.

### **III. Linkages/relationship of trade with elements to be focused on at the second session of the Forum**

29. In accordance with its multi-year programme of work, the Forum has decided that its second session will focus on the following elements:

- (a) Combating deforestation and forest degradation;
- (b) Forest conservation and protection of unique types of forests and fragile ecosystems;
- (c) Rehabilitation and conservation strategies for countries with low forest cover;
- (d) Rehabilitation and restoration of degraded lands and the promotion of natural and planted forests;
- (e) Concepts, terminology and definitions.

30. The linkage and relationship between international trade and sustainable forest management should be viewed in the context of the pursuit of the three interrelated objectives indicated in paragraph 2 above. In addition, reference should be made to the relevant principles of the Rio Declaration on Environment and Development and the Forest Principles as highlighted in that paragraph and, in particular, to principle 12 of the Rio Declaration and principles 9 (a) and 13 (d) and (e) of the Forest Principles. In essence, it is imperative that international trade in forest products and services be carried out in support of sustainable forest management and that international trade and sustainable forest management be made mutually supportive in order to generate synergy in support of sustainable development. From this perspective, international trade in forest products and services, particularly those derived from sustainable managed forest resources, should be promoted and facilitated.

31. The impact of the expansionary trend in the international trade in forest products on the state of the world's forests, which have been suffering from destruction, degradation and decline over the centuries, is a subject of critical importance and relevance for deliberation by the Forum. Although expanding, the volume of world trade in forest products remains

relatively small in comparison with the volume of global production. As such, trade can still be regarded as having a lesser impact on the world's forests vis-à-vis the major underlying causes of deforestation and forest degradation and decline within and beyond the forest sector, such as poverty, land-use policies and energy. Yet, with demand for forest products projected to rise even higher in tandem with the continuing growth in the population of the world, the need to ensure that international trade is not increasingly linked to the problems of overexploitation of forest resources, erosion of forest biological diversity, resource depletion, forest law infringement, illegal logging and illegal trade has become critically important. It is thus essential that international trade in forest products be conducted and promoted not in a manner that will contribute to deforestation and forest degradation but in a way that is supportive of sustainable forest management and efforts at conserving, protecting, rehabilitating and restoring the world's forests and ecosystems.

#### **IV. Suggestions for consideration by the Forum at its second session**

32. Trade has been accorded due importance within the overall mandate of the United Nations Forum on Forests. It has been included in the Forum's multi-year programme of work as one of the common items to be considered at each of its future sessions as well as in its plan of action, which will also be considered at each of these sessions. In addition, trade will feature as a principal part of the economic aspects of forests which the Forum will focus on at its third session. In view of these provisions, the Forum will have the opportunity to deliberate on issues relating to trade and sustainable forest management in a comprehensive manner and to build on the progress that has been made since the United Nations Conference on Environment and Development and the IPF/IFF process. In this connection, the Forum may wish to consider its work on trade and sustainable forest management in accordance with the provisions in its mandate as follows:

##### **(a) Implementation of the plan of action**

Under this category, the Forum may consider at each of its future sessions the extent to which the adopted IPF/IFF proposals for action relating to trade

and sustainable forest management are being effectively implemented in the context of its plan of action. Based on its monitoring and assessment, the Forum may make recommendations on how these proposals could be more effectively implemented. The work of the Forum in this area should focus on the implementation of the specific IPF/IFF proposals for action relating to market access, relative competitiveness, lesser used species, certification and/or labelling, full-cost internalization, market transparency, illegal trade, trade in wood and non-wood products and services from sustainably managed forests, life-cycle analysis of the environmental impacts of forest products and substitutes, long-term perspective of strategies for sustainable forest management, and the special importance of imports of forest products for countries with low forest cover and fragile ecosystems and small island developing States. Emphasis should be placed on identifying the factors constraining or impeding the full implementation of these proposals for action with a view to formulating appropriate measures to overcome the obstacles. The outcome of the Forum's consideration of this category of work should also serve as a relevant input in facilitating the Forum's deliberation on matters relating to trade as a common item and as one of the economic aspects of forests;

##### **(b) Trade as a common item**

Under this category, the Forum may undertake a review of the developments as regards trade in forest products and services and address specific issues on trade for substantive consideration at each of its future sessions. These developments and issues may comprise (i) recent and latest developments in respect of the specific IPF/IFF proposals for action included in the plan of action as referred to in category (a) above, (ii) new and emerging issues as contained in section II.C of this note and (iii) other issues or matters that the Forum deems relevant. Some of the germane developments and issues include:

- Efforts by countries to reduce or, as appropriate, eliminate tariff and non-tariff barriers to trade in forest products and services, particularly in the context of the negotiations as scheduled in the World Trade Organization work programme adopted at the Doha 2001 World Trade Organization Ministerial Conference, with emphasis on non-tariff barriers and tariffs on high-valued and processed products;

- Promotion of trade in forest products and services produced from sustainably managed forests and its implications for trade in products and services from forests that have yet to be sustainably managed;
- Review of the actual level of competitiveness of forest products in relation to non-wood competing products and substitutes in light of meeting the requirements for sustainable forest management, certification, life-cycle analysis and legal compliance;
- Promotion of cooperative work on certification and labelling with emphasis on supporting developing countries that want to engage in voluntary certification and labelling to enhance market acceptance of their forest products and on ongoing efforts to enhance comparability of international certification and labelling schemes;
- Addressing constraints on, and difficulties in, enhancing valuation of forest-based products and services and attaining full-cost internalization and capitalizing on emerging opportunities relating to carbon sequestration benefits;
- Improving market transparency in light of problems of illegal logging, illegal trade in forest products and promoting trade in value-added forest products;
- Enhancing effectiveness of efforts to control and reduce illegal trade in forest products through national actions and international cooperation;
- Impact of the inclusion of commercially significant timber species in the appendices to the Convention on International Trade in Endangered Species of Wild Fauna and Flora on international trade in forest products;
- Implications of public procurement policies for international trade in forest products and efforts to promote sustainable forest management, especially in developing countries;

### (c) Trade as one of the economic aspects of forests

Under this category, the Forum is scheduled to consider trade as one of the principal economic aspects of forests at its third session in 2003. A report of the Secretary-General on the element will be prepared to facilitate its consideration by the Forum. It will, inter

alia, highlight the overall role of trade in forest products and services in optimizing the economic functions of forests in full support of sustainable forest management and address germane issues including the economic feasibility and viability of sustainable forest management and the impact of further trade liberalization and globalization in relation to forest products and services on sustainable forest management.

33. In determining its work on trade and sustainable forest management, the Forum may wish to take full cognizance of the priority of ensuring the full and effective implementation of the IPF/IFF proposals for action on trade and environment in relation to forest products and services.

### Notes

<sup>1</sup> See *Official Records of the Economic and Social Council, 2001, Supplement No. 22 (E/2001/42/Rev.1)*, part two; chap I, sect. B, resolution 1/1.

<sup>2</sup> *Ibid.*, resolution 1/1, para. 6.

<sup>3</sup> *Ibid.*, resolution 1/2, annex.

<sup>4</sup> *Ibid.*, resolution 1/2, annex, para. 15 (o).

<sup>5</sup> *Ibid.*, para. 20.

<sup>6</sup> *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I, *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex I.

<sup>7</sup> *Ibid.*, annex II.

<sup>8</sup> *Ibid.*, annex III.

<sup>9</sup> FCCC/CP/1997/7/Add.1, decision I/CP.3, annex.

<sup>10</sup> United Nations, *Treaty Series*, vol. 1771, No. 30822.

<sup>11</sup> *Ibid.*, vol. 993, No. 14537.

<sup>12</sup> See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7).

<sup>13</sup> It was agreed in this connection that the negotiations shall be limited in scope to the applicability of such existing WTO rules as subsist among parties to the multilateral environment agreement (MEA) in question and that the negotiations shall not prejudice the World Trade Organization rights of any member that is not a party to the MEA in question.