

Report for AF&PA

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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Technical Report for April/May 2001

Commentary and highlights

Over recent months the debate over forest certification in Europe has descended into an acrimonious squabble between advocates of FSC and PEFC. Argument has been initiated by environmental groups intent on destroying the credibility of rival certification schemes. Meanwhile various organisations continue their efforts to bring together the different interests for discussions in the hope of building a consensus around a single international approach to forest certification. The European Forestry Institute and ITTO have both announced that they will hold yet more “stakeholder” meetings in an effort to break the deadlock. At this stage there seems little likelihood that their efforts will be successful. More likely is the emergence of two competing global systems – one tied to the FSC, the other linking national schemes through mutual recognition. However increasingly fears are being expressed that heated debate over the technical merits of different schemes may threaten the whole credibility of forest certification. This is worrying at a time when market demand for forest certificates is still patchy and not yet assured. Recent reports from trade shows in Europe and Asia suggest only limited interest in certification from the trading mainstream.

1 Meetings

1.1 Recent meetings

1.1.1 ITTO, Yaounde, Cameroon, 28 May -2 June 2001.

The 30th meeting of the International Tropical Timber Council, the governing body of ITTO produced a range of decisions related to sustainable forestry and certification in the tropics as follows:

- ITTC agreed to assist its producer member countries to build capacity in voluntary certification. However a proposal from the Malaysian delegation that ITTO should formalise its links with the Forest Stewardship Council was rejected. During discussion, the Council heard from Cote d'Ivoire's Minister of Water and Forests, Ms Angele Boka Agoussi, who called on ITTO to make certification a priority in its work. Ms Agoussi said that certification could help strengthen the sustainable management of tropical forests, but the socio-economic and cultural realities in many tropical countries make its immediate application extremely difficult. She said that there was a need to strengthen national capacity to support certification and to investigate the impact of certification on the competitiveness of tropical timber. The decision by Council calls for members to submit project proposals for building capacity for certification.
- A workshop to be financed from ITTO's Bali Partnership Fund - currently comprising contributions from the governments of Japan, Switzerland and the United States - will be held to review progress being made regarding the comparability and equivalence of certification schemes. A broad range of stakeholders will meet to discuss the principles, frameworks, and elements of certification schemes; identify principles and critical elements relevant to the development of standards for certification; review progress being made towards comparability and equivalence of certification schemes;

and obtain the perspective of buyers groups towards certification. The workshop will also assist members in developing suitable project proposals for ITTO funding.

- The governments of Japan and the United States will finance through ITTO a project to develop and implement guidelines to stop illegal logging in Indonesia. The project will implement a pilot study on ways to control illegal logging in production and protected areas in Riau and West Kalimantan. Outputs from the study will be used to develop guidelines for overcoming illegal logging nationwide.
- The Council agreed to send a mission to the five ITTO-member Congo Basin countries to strengthen sustainable forest management and forest protection. In a related move, the Council also approved projects worth about US\$2 million to support forest management and conservation in Congo Basin countries, with the immediate release of about US\$1 million in funding. The Congo Basin comprises Cameroon, Congo Brazzaville, the Democratic Republic of Congo, Gabon, and the Central African Republic.
- ITTO's Executive Director and Cameroon's Minister of Forests and the Environment signed an agreement to cooperate on the implementation of principles, criteria and indicators for the sustainable management of African forests. The agreement also outlines the setting up of a cooperation mechanism between ITTO and the African Timber Organisation (ATO) to monitor and evaluate sustainable forest management, and a mechanism to encourage external financial support for the implementation of the principles, criteria and indicators.
- Following encouragement from trade representatives at the ITTO meeting, the Council is considering a major tropical timber promotional campaign to be undertaken in collaboration with the trade. The aim would be to counter-act the long term decline in markets for quality tropical hardwoods.

1.1.2 Workshop of Central African forestry experts convened by ITTO, IUCN - the World Conservation Union, the Conference on Central African Closed Moist Forest Ecosystems and the United States Forest Service, Yaounde, Cameroon, 27 May 2001

More than 50 African logging experts met in Yaounde just prior to the ITTC Meeting to discuss ways of improving logging practice in Africa's humid tropical forests. The workshop brought together forest concessionaires, environmental organizations and national and international forestry agencies to promote the sustainable management of forest ecosystems through reduced impact logging (RIL). There was general consensus at the meeting that RIL must be adopted as a matter of urgency. The meeting called for changes in policy that would lead to long-term concession agreements - a measure that would increase incentives to invest in sustainable operations. Another recommendation was to increase the participation of local people in forest planning for reduced impact logging and in the harvesting of forest products. Participants also stressed the urgent need to train the forestry workforce in reduced impact logging. The meeting discussed a proposal being developed by ITTO to establish a reduced impact training school for Central Africa, designed to train hundreds of forest workers in good logging practice.

1.2 Future Meetings

United Nations Forum on Forests (UNFF) - meets for the first time in New York between 11 and 22 June.

PEFC 5th General Assembly of the PEFC Council – to be held on 19th June in Santiago de Compostella, Spain. PEFC Spain is organising the event.

European Forest Institute (EFI) and European Commission Environment Directorate, 6-7 September, Environment DG office, Brussels, “Forest Certification: Forging Novel Incentives for the Environment and Sustainable Forest Management”. – according to the background information, “*the EC wants to further examine the scope and options for using forest certification and possible validation or endorsement of certification schemes as an effective and efficient policy tool for promoting globally sustainable forest management – the meeting will contribute to the on-going international process on exploring mutual recognition*”. To include presentations by WTO, IFIR, CEPI, WWF, UK Forestry Commission, and EFI.

Nordic Certification Meeting, Taiga Rescue Network, September 12-14, Helsinki - brings together NGOs working on certification issues from at least seven countries: Norway, Sweden, Finland, Estonia, Lithuania, Latvia, and Russia..On the preliminary agenda: quality versus quantity, FSC vs. PEFC, FSC Principle 9 on High Conservation Value Forests, revision of the Swedish FSC Standard, National vs. Regional standards. Participation is by invitation only and will include NGOs, scientists, and representatives of FSC and certification bodies.

2 Forest certification developments

2.1 ENGO’s turn up the heat

2.1.1 Behind the Logo

Environmental groups continue to step up campaigns aimed at discrediting certification schemes not aligned to the FSC. In May, FERN, a UK based network of environmental organizations issued their “Behind the Logo” report which seeks to demonstrate “*why the PEFC, SFI and CSA are not credible forest certification systems*”. The report includes an assessment of FSC, PEFC, SFI and CSA against what FERN defines as “the basic requirements for a credible forest certification system.” FERN claims that to be effective, forest certification must:

- be based on objective, comprehensive, independent and measurable performance-based standards –both environmental and social;
- be based on equal and balanced participation of a broad range of stakeholders;
- be based on a labelling system that includes a credible chain of custody;
- be based on reliable and independent third party assessments and include annual field audits;
- be fully transparent to the parties involved and the public;
- take place at the forest management unit level (and not at country or regional level);
- be cost effective and voluntary;
- positively demonstrate commitment from the forest owner/manager towards improving forest management;
- be applicable globally and to all sorts of tenure systems, to avoid discrimination and distortion in the market place.

After a one-sided analysis, FERN conclude that “*while the PEFC, CSA and SFI incorporate some of the above features, only FSC delivers on every important component of a credible forest management certification system. Consequently, we consider the FSC to be the only available framework that meets the basic requirements outlined above. The FSC is therefore the only credible forest certification system that we can recommend to consumers or promote among forest managers, policy makers and the public.*”

The PEFC Secretariat retaliated with a press release stating that “*The Behind the Logo report is one more in a series of biased propaganda aimed at trying to discredit genuine*

attempts by all other stakeholders in society to promote sustainable forest management through a range of credible forest certification schemes. The attempts by certain elements of the ENGO community to push one scheme only and to denigrate all others, having rejected repeated invitations to participate, are merely counter-productive and an anathema to their stated aims of promoting products from well managed forests. It is ironic that these same environmental organisations normally associated with the promotion of diversity and opposed to globalised monopolies; are in this case attempting to stifle the diversity of credible national and local schemes by promoting only a one-world option”

2.1.2 WWF alleges that PEFC’s quality label is “illegal”.

The WWF entered the fray with another report targeted specifically at the PEFC which they claim “*confirms that PEFC's "quality label" for wood is illegal.*“

The report “*Competition and Civil Law Aspects of Lumber Certification through PEFC-Austria*” was commissioned by WWF from the Vienna University of Economics and Business Administration and focuses particularly on the PEFC Austria scheme. WWF claim that “*the names of forest owners who do not want to participate in the PEFC scheme as part of a regional certification plan are collected on a "black list" and passed on to the wood industry upon request. This is denigration and violates the Austrian Act against unfair competition. The study also determines that articles about PEFC published by Austrian chambers of agriculture are "deceptive advertising" and represent an "advertising harassment contra bonos mores."*

The WWF report also criticises operational aspects of Austria’s regional certification procedures suggesting that “*Individual forest operations were not assessed and the 11,500 forest owners affected were not given sufficient information.*”

PEFC countered with the following statement: “*constructive criticism aimed at improving a scheme is always welcome. Although the legal opinion sought may, possibly, fall into this category, the inaccurate, sensationalist press release and associated discredited secondary report do not. PEFC requires adherence to national law and therefore regards WWF ’s attempts to dress up legal "opinion "as "confirmation" of violation of Austrian law as irresponsible, misleading and not becoming to the organisation ’s reputation....PEFC notes that yet again, reports have been commissioned and views sought by WWF without any reference to the organisation in question. PEFC questions the value and motives behind such negative "campaigns" normally associated with the more radical end of the conservation organisations spectrum.....PEFC continues to invite and calls on WWF to participate actively in the PEFC process and to play a constructive role in the forest certification debate.*”

2.2 Pan European Forest Certification Scheme (PEFC)

Two more national independent forest certification schemes – the Swiss Q label Holz and Belgian Forest Certification scheme - have been submitted to the PEFC Council for assessment against its requirements for credible forest certification schemes. The schemes wish to join the five other schemes already endorsed by PEFC – in Norway, Sweden, Finland, Austria and Germany - which now account for around 36 million hectares of forests. Two other national schemes, in Latvia and France, are still undergoing assessment. The Swiss and Belgium schemes may account for around 600 thousand hectares of certified forests within the next two years.

2.3 Forest Stewardship Council (FSC)

2.3.1 Boost to membership

There seems to have been some increase in the momentum of FSC since the start of 2001. Coming close on the heels of the announcement of a 30% increase in chain of custody certificates since the start of 2001, FSC announced that they had acquired 64 new members during the same period, a 16% increase. The new members come from all three of its chambers (economic, environmental, and social) and from all areas of the globe. The economic chamber gained 37 new members, the environmental chamber 17 new members, and the social chamber 10 new members. 14 of the new members this year are from the Southern hemisphere. FSC's membership elects the Board and votes on policy matters at General Assembly meetings.

2.3.2 New accreditation body

FSC has accredited its first African certification body, the South African Bureau for Standards (SABS). However, the scope of accreditation is limited to chain of custody within South Africa and the Southern African development corporation. The ten other FSC accredited certification bodies are all based in Europe and North America.

Skal, the Dutch certification organisation whose FSC accreditation was suspended earlier in 2001 has since been reinstated.

2.3.3 FSC Boreal Standards Workshop

FSC has begun a process to define certification standards for boreal forests. Around 50 participants from boreal countries met in Toronto recently to discuss certification in the boreal region. Those present included scientists, representatives of indigenous peoples, social and environmental NGOs, government authorities, certifiers, FSC and forest companies. The first part of the workshop included presentations on conservation biology and boreal forest ecology at landscape and forest stand levels. The second part consisted of break-out discussions amongst groups to identify, list and discuss issues relevant for boreal FSC standards.

2.3.4 Estonian State Opts For FSC

The Estonian State Forest Management Center, which manages 800.000 hectares of state forest land (around 50% of the total) has decided to certify its management against FSC and ISO 14001 in a combined certification. The assessments will be carried out by SmartWood and Bureau Veritas respectively. In December last year, a group of 23 governmental, industry and environmental organisations endorsed a set of criteria and principles for the sustainable management of Estonian forests. It is anticipated that this standard will be developed towards a national FSC standard during the coming years.

2.3.5 New Zealand to develop FSC standard

James Griffiths, Chief Executive of the New Zealand Forest Industries Council comments in this month's Pine Magazine that the New Zealand forest sector has decided to launch a national initiative to develop national performance standards for plantation forestry to be compatible with the FSC Principles. Griffiths notes "*we are designing the process with other stakeholders right now...the standard should be completed by the end of the year, FSC endorsed and available for use in January or February 2002.*"

However, in the same article, Devon McLean, the Chief Operating Officer of Carter Holt Harvey, New Zealand's biggest forest owner, said that his company still had reservations about the FSC process. The company is concerned about the lack of industry participation in setting FSC's rules, and also felt that New Zealand companies should build on existing

national initiatives like the Forest Accord and Plantation Principles. On market demand, McLean noted that *“we have some customer pressure. They would like us to have certification in place. It’s just a question of whose we will use and to what standard it is certified. We also want to be certain there is a definite advantage down the track. Why would we voluntarily put our cost structures up when we [wood] are battling so hard against concrete, steel and plastic?”*

At present FSC certified forests in New Zealand cover a total of 377,446 hectares with an annual harvest of 4.6 million m³ and are capable of supplying 165,000 m³ of sawn lumber each year. Forestry organisations managing 317,000 hectares have also been certified to ISO14001 EMS standard. These forests produce 1.445 million m³ of logs each year and supply 48,000 MT of tissue, 190,000m³ of sawn lumber, and 20,000m³ of manufactured wood products.

3. Market developments

3.1 Ramin trade ban

In response to allegations of widespread illegal logging in the Tanjung Puting National Park in Indonesia, an activity alleged to endanger orangutans and other primates, the Indonesian Minister of Forests, Marzuki Usman, has banned the domestic and export trade in ramin (*Gonystylus* spp). The harvesting, transportation, processing and export of ramin from Indonesia was banned from 1 May 2001. The United Nations Convention on International Trade in Endangered Species (CITES) later confirmed that as from August 9 its 153 member states will no longer be able to import ramin in any form. The ban followed claims by the Environmental Investigations Agency (EIA), a UK-based group, that illegal logging of ramin contributed to large-scale destruction of lowland forests in Kalimantan and Sumatra, the major habitat for orangutans. EIA suggested this has led to orangutan numbers plummeting across their range in Indonesia. Indonesian exports of ramin were destined primarily for Italy. Ramin is a hardwood sourced from swamp forests in Indonesia and Malaysia. It is used for various high value applications including fine furniture, mouldings, picture frames, and window blinds.

3.2 Market study suggests weak UK demand for certification

A market study has confirmed that demand for certified products in the UK is driven almost entirely by the large DIY stores rather than by consumer pressure. The study was carried out by Ian Munro, who works for a door and joinery firm, as part of his MSc in environmental issues at Worcester University. Munro interviewed 100 timber-buying customers at major DIY outlets and found just 4% knew the FSC logo and knew what it represented. A total of 79% said they would not change suppliers to obtain certified goods. His survey of 77 national house-builders indicated that just 4% of their customers enquired about the source of the timber. Further, 89% were not aware of any pressure in the past two years to use certified timber.

3.3 Trade shows indicate limited interest in forest certification

Surveys at recent trade shows in both Europe and Asia suggest that forest certification is still maintaining a low market profile.

Representatives of the American Hardwood Export Council who attended Interzum, Europe’s leading international wood industry show, commented that there was an *“almost total absence of any environmental labels at the show, with the exception of the large group from Pennsylvania offering both FSC-certified and SFI-produced hardwood.”*

Contacts returning from visits to the Poznan (Poland) Furniture MEBLE and woodworking DREMA shows, the largest in Eastern Europe, also suggested there was little interest in forest certification – surprising against a background of Eastern European dependence on European Union markets. There was only one Polish company – Haste - displaying products with any forest certificate. This was displayed on just one range of FSC certified garden furniture made from Polish acacia (*Robinia*). There was also one foreign owned Polish company - Kronopol, the largest board (PB, MDF & OSB) producer in Poland – which claimed total FSC certification for all its products under the “minimum 40% content” rule. Manufacturers questioned about the need for certification labels for their products, especially for export sales, showed no interest or knowledge of certification.

A report in Pine magazine from Asia’s largest furniture fair, the Singapore International Furniture Fair held in March, tells a slightly different story. As at the European shows, the profile of forest certificates was very low indeed. Only one exhibitor, Holztech Wood – an Indonesian garden furniture manufacturer – was displaying the FSC label. The article notes, however, that despite there being nothing remarkable about the Holztech products, the stand appeared to be very busy. The major draw was apparently the bold presence of the FSC symbol. Nevertheless the Holztech representative at the stand was still unhappy; *“FSC is not good for business. All the people come to visit us, but getting the FSC certification is very expensive and our prices are 10% higher than our competitors....so nobody buys”*. Holztech is one of 35 timber processing companies in Indonesia with FSC chain of custody certification. Most FSC production in Indonesia is of garden furniture in teak derived from state-run plantations on the Island of Java. An increasing volume of this product is destined for Europe, notably the UK and the Netherlands.

3.4 German demand for forest certification

The Malaysian Timber Industry Board recently undertook a brief review of demand for certified wood products in Germany. They conclude that *“Although a number of DIY retailers, mail order companies, furniture and window manufacturers are assigned to the FSC program, the FSC logo has not yet gained prominence. Customers are more interested in regional certification. The domestic furniture industry utilises a label identifying the furniture as of German origin distinguishing the product from imported furniture. Meanwhile PEFC report that they will only publicly advertise PEFC-certified wood when the product volume is sufficiently available”*.

3.5 FSC Present in Finnish Stores

Several retail-chains across Finland are selling FSC-labelled garden furniture for the first time. This spring the retailer chains ASKO, SOTKA, MAXI and EUROMARKET are offering FSC labelled furniture to Finnish consumers. These products are made of tropical timber and originate from Asia. A leaflet on FSC certified products will be available in the stores. The leaflet has been published by WWF Finland with the support of the Ministry of Foreign Affairs in Finland. Over recent years Finland’s demand for garden furniture in tropical hardwood has been increasing.

3.6 UK trade policy on forest certification supports mutual recognition

The Timber Trade Federation (TTF), which represents importers and timber agents in the UK and Eire, has released a new policy on forest certification. It endorses the value of certification as a tool to provide assurances that timber comes from legal and well-managed forests and encourages TTF members and their suppliers *“to work towards certification wherever practicable”*. However it is acknowledged that *“suppliers, particularly in developing countries, face considerable difficulties in the development and implementation of certification schemes due to the social, political and economic context in which they*

operate....TTF members do not therefore demand that all suppliers should be certified and acknowledge that sound forest management can be practiced without the forest concerned being independently certified.” At the same time, TTF is concerned “*that the proliferation of schemes, none of which enjoys universal support from all stakeholders, is in danger of diluting the significant market opportunities provided by certification. TTF therefore support mutual recognition initiatives which are seeking to bring together different schemes under a formal mutual recognition arrangement.*” TTF calls for collaboration between FSC, PEFC, and IFIR to achieve this goal.

3.7 Pressure on PVC

The PVCu industry is finding itself under increased pressure in Europe. The Ospar agreement, signed by 16 European countries, lists 'suspect chemicals' it wants phased out, which includes many in PVCu products. In the UK, a government report has been released which says timber windows are more environmentally friendly than PVCu. The UK's Department of the Environment, Transport and the Regions undertook the study to inform debate on PVCu and examine the risks and environmental impacts of the material. The report shows that timber windows consume less energy than PVCu over a 30-year life cycle. The PVCu system consumes over three times more coal and oil, mainly as a result of the production phase, while energy consumption for wood was attributable to production of paints for coatings. The wood system was found to generate 43% less waste than PVCu throughout its life cycle. PVCu generated more waste during production plus through the lack of degradation in landfill. Greenhouse gases, air acidification, ozone depletion and depletion of non-renewable resources were all lower for timber windows, but photo-chemical oxidant formation was higher for wood as a result of regular painting.

3.8 Bolivian experience

As the only tropical country with a large area of certified forest, Bolivia is an interesting test case of the impact of certification. The World Wide Fund for Nature have also relied on Bolivian examples in their constant stream of “good news” press reports designed to carry the message that FSC certification is good for the tropical forest sector. However, a harder look at Bolivia suggests that the benefits of certification are far from clear.

In recent press releases, WWF have sought to highlight the advantages that Bolivian exporters have derived from FSC certification. Four years ago, Bolivia completely overhauled the nation's forestry regulations so that they more-or-less coincided with the demands of FSC certification. Since then it appears some companies have benefited. WWF report that one company, Aserradero San Martín S.R.L, now sells 80% of its products as certified with annual sales of US\$ 5 million. Only a few years ago, according to WWF, the company was struggling to survive. The company's general manager suggests that many buyers now offer price premiums, paying 10-15 per cent more if wood is certified. Three of the company's six forestry concessions are under certification, totalling 300,000 hectares and by the end of 2002, the company expects to add the rest for a grand total of 460,000 certified hectares. San Martín also has "chain of custody" certification for its finished wood products.

This is all very well, but Bolivia's export figures seem to tell a different story (table 1). Data presented in ITTO's *Review of Tropical Timber Trade 2000* (available at www.itto.or.jp) indicate that Bolivia's timber exports have plummeted since introduction of the new laws in 1996, while log and sawn lumber production have actually increased. The figures bear witness to the severe problems of the Bolivian forest sector over the last 5 years. In 1996, Bolivia had about 130 companies working 22 million hectares of long term, but largely untaxed, concessions. Logging consisted of relatively limited extraction over an extensive area of only a few commercially valuable species, notably mahogany for export to the US

and Europe. Forest operators held on to their concession areas for years, preventing conversion to other uses.

In 1996 this situation was transformed. Following input from overseas consultants and a large input of foreign aid, Bolivia reformed its forest policy to create – at least on paper - a model regulatory framework. Concessions were to be taxed heavily, and strict environmental standards imposed. Logging would require pre-harvest inventories and extraction would be limited to 5% of concession area operated on a 20 year rotation. High value species like mahogany would be protected, while harvesting would focus on lesser known species – i.e. species for which there is currently limited market demand. In theory demand would be generated on the back of growing world demand for certified wood products.

000s m3	1996	1997	1998	1999	2000
Production					
Logs	491	600	797	502	621
Sawn	176	250	380	244	345
Veneer	1	5	8	1	2
Plywood	15	15	4	4	5
Exports					
Logs	0	0	0	3	0
Sawn	138	133	81	42	52
Veneer	1	1	3	1	2
Plywood	11	10	0	1	2

Table 1. Bolivia wood production and exports

Source: ITTO

On current evidence it seems that a limited number of companies with adequate financial resources succeeded in making the transformation to FSC certification following big investments in forest management and chain of custody management systems. Some, like Aserradero San Martín, were then successful in securing lucrative contracts with large western companies that are members of WWF Buyers Groups, and are now doing reasonably well.

However, much of the rest of the industry went under. Reports from traders familiar with Bolivia suggest that following the 1996 reforms, the industry returned about 19 million of the 22 million hectares of productive forest to the Bolivian government and that numerous companies went out of business. Overall levels of export have been hit as Bolivian shippers have struggled to sell little known certified products to a generally unreceptive international market. At the same time, there also appears to have been a big increase in domestic consumption of sawn lumber as production of lower value species has risen.

4. Environmental issues

4.1 Greenpeace focus on the Amazon once again

This year Greenpeace has focused heavily on illegal logging practices in the Brazilian Amazon. It is undertaking what it describes as an “ongoing investigation to document and expose illegal cutting and transport of timber in different areas of the Amazon.” Greenpeace have been cross-checking data on the origin of the logs, location of rafts, volume, species, owners and intermediaries against official data from the Brazilian Environmental Agency (IBAMA). In May, Greenpeace announced that information they supplied to IBAMA led officials to fine two loggers the equivalent of US\$200,000 for illegal logging. The species

involved were samauma and virola logs and were destined for a Manaus-based Chinese-owned plywood factory. Greenpeace suggest that *"The result of this investigation confirms that illegal logging in the Amazon continues to be the rule, and not the exception."*

Greenpeace have also sent to the Federal Prosecutor's Office in Amazonas State what they describe as *"a comprehensive plan to regulate the sector"*. In the plan Greenpeace propose that *"the industry would have four years to get their operations up to the standards defined by the FSC. The plywood companies and sawmills would have 12 months to legalise their contracts with loggers and suppliers, and would be obliged to help them to comply with current legislation."*

4.2 Amazonian deforestation on the rise

Satellite data has shown that 19,836 square km of Amazon rainforest were cleared in the 12 months between September 1999 and August 2000, a 15% increase on the previous 12 month period. Brazil's authorities suggest the increase is due to economic growth following the recession of early 1999 which boosted demand for timber, settlement, agricultural products and infra-structure.

4.3 The Economist takes a look at forest certification in Brazil

"The Economist" included a lengthy article on conservation of Brazil's tropical rainforest in its edition of 12 May 2001. The article is less significant for its content, which is rather naive, and more for its wide circulation in a leading international journal. An extract from the article follows:

"across Brazil, including areas outside Amazonia, there are now thought to be 10,000km² of forest under sustainable management. Foreign consumers of tropical hardwoods - furniture makers and sellers, for instance - are increasingly asking for timber that has been independently certified as coming from well-run RIL (reduce impact logging) schemes, so that they can promise their environment-conscious customers that they are not contributing to the destruction of the rainforest.

The Rosa Group, a big timber firm in Paragominas, started using RIL in 1998, and is now applying for certification by the Forest Stewardship Council (FSC), an international agency that sets standards for sustainable forestry. Antonio Rosa, the firm's boss, sees certification as key to his plan to expand its exports to Europe and North America. Foreign buyers, he says, seem prepared to pay extra for certified timber, making it even more attractive.

But most timber felled in Amazonia is used in Brazil, so the growth of sustainable forestry-and the decline of reckless chopping-will depend on how quickly Brazilian consumers switch to demanding certified timber. There are signs that this is starting to happen. In 2000, 40 Brazilian firms, including Tok & Stok, a big furniture retailer, formed a "buyers' group" to coordinate their purchases of certified wood, and jointly pledged to stop using uncertified timber by 2005. By creating a growing market for certified timber, it is hoped, supply will grow too. Imazon (a research institute based in Amazonia) is conducting what it believes is the first-ever study of who distributes and buys timber in Brazil, to suggest ways of accelerating the switch to sustainable forestry.

4.4 Indonesia reports slow progress on forest reform

An interim meeting of the Consultative Group on Indonesia (CGI) concluded two days of discussions in Jakarta in April. The CGI group brings together representatives of major international donor agencies, including IMF and the World Bank, with members of the Indonesian government. The April meeting was designed to allow the Indonesian

government to report on progress on the reform agenda discussed at the Tenth Meeting of the CGI in Tokyo last October. In return for reform, the CGI had pledged \$4.8 billion to Indonesia at the Tokyo meeting.

Among the reforms Jakarta pledged last year to the CGI were eight key steps for saving its rapidly depleting forests. They included combating illegal logging and unlicensed sawmills, accelerating forest resources assessment and a moratorium on opening up forests for timber cutting. Also pledged was a cutback of wood-processing industries, closing heavily indebted timber companies and enhancing sustainable forest management.

At the April meeting, Indonesia's Minister of Forestry Marzuki Usman opened by stating his conviction that *"No forest means no future."* He admitted that progress in addressing forest problems since the last CGI has fallen far short of the objectives set by the Government. However, he expressed optimism that the process that is now established in partnership with national and international stakeholders will translate Indonesia's objectives into sustained and lasting action. The Minister cited several recent actions as examples of redoubled effort to achieve sustainable forest management: a Presidential Instruction to all agencies to halt illegal logging; prosecutions of organizers of illegal logging; listing *ramin* under the Convention on International Trade in Endangered Species (CITES); and a statement from President Abdurrahman Wahid condemning illegal logging as an economic, ecological and social evil that must be eradicated.

Commenting on the April meeting as Chairman of the CGI, Mark Baird, the World Bank's Country Director for Indonesia, said that *"donors urged the government to persist with its reform agenda and assured it of continued support should it do so."*

A World Bank briefing paper for last October's CGI meeting described illegal logging in Indonesia as a flourishing business that was larger than the legal logging industry. It was estimated that Indonesia was losing \$650 million annually in royalties and reforestation fund repayments as well as 1.8 million hectares of forest. The Bank said the wood-processing industry had expanded beyond the limits of sustainable log supplies, creating a strong demand for illegal timber.

4.5 Liberia – a forestry rogue state

Over the last two years, the West African state of Liberia has become major supplier of logs to Asia and Europe, notably China and France. Reports emerging from the country suggest wide-spread malpractice in the logging sector. Most recently, Global Witness, the UK based environmental monitoring group, issued a report on the Liberian timber industry which includes allegations that sections of the industry are supporting the Revolutionary United Front (RUF) rebels in Sierra Leone. The industry is alleged to be actively involved in the illicit trade in diamonds and arms with the RUF rebels. Global Witness suggest that Liberia's forestry industry is contributing to "regional insecurity", and call for an existing UN embargo on Liberia's trade in diamonds to be extended to timber.

The report is also heavily critical of Liberian President Taylor's far-reaching control of the forest sector since passage of the Strategic Commodities Act in mid 2000. The law states that the President has *"sole power to execute, negotiate and conclude all commercial contracts or agreements with any foreign or domestic investor for the exploitation of the strategic commodities of the Republic of Liberia"*. Global Witness also note that the President's brother, D. Robert Taylor, is Director of the Liberian Forestry Development Authority (FDA), the government body assigned to monitor and document forest practices and exports.

The report provides data on the Liberian timber industry, suggesting that such information is limited because of the industry's financial importance to President Taylor. The only comprehensive data available is contained in the FDA reports. However this data is suspect since the FDA does not have access to all areas and receives little government funding. FDA figures indicate that China and France are the main importers of Liberian timber. The FDA semi-annual report covering the period from January to June 2000, indicated that in those six months, log production was estimated at 679,352.76 m³, more than that of the previous four years put together. The report states that 342,523 m³ of this was exported primarily in log form and mainly to five principle destinations China (46.4% of total export); France (17.9%); Italy (9.3%); Korea (3.8%) and Turkey (3.7%) of total export. The Oriental Timber Company (OTC) produced 57% of round logs and were responsible for 54% of total exports.

A copy of the complete Global Witness report is available at www.oneworld.org/globalwitness

4.6 Asian companies' massive involvement in tropical logging

An article published in May in the Philadelphia Inquirer highlights the increasing role of Asian companies in the exploitation of tropical forests. The article suggests that *"Fueled by a growing economy at home and falling trade barriers abroad, big Asian timber companies have fanned out across the globe..Barely on the scene a decade ago, Chinese and other Asian companies now control 90 percent of the \$10 billion tropical timber trade, according to a European Commission study.....These Asian companies - according to forestry, environmental and economic-development officials - tend to cut more intensively and more rapidly than the European companies that once dominated the trade. They also have tended to focus on the smaller, more remote countries - such as Suriname or Equatorial Guinea - where regulation is weak and corruption rampant....International aid officials also voice concern that one of the most valuable natural resources of these poor nations is being exported without adequate compensation....Eighty percent of all tropical timber exports go to China, Japan, Malaysia, Indonesia, Taiwan and South Korea, according to the International Tropical Timber Organization....China and Japan alone account for two-thirds of all tropical wood imports."*

4.7 UK industry rebels against climate levy

The UK's Construction Products Association (CPA) has come out strongly against new tax measures designed to tackle climate change. Their decision followed a poll of CPA members which suggested that the UK's Climate Change Levy could add £80m a year to the costs of the UK construction products industry. Respondents estimated that the levy would add an average 7% to the cost of their fuel. Consequently, the CPA is calling on the government to change its policies on industry and the environment. The CPA now believes that *"reductions in emissions would be better achieved through the proposed emissions trading scheme and by encouraging end-users and clients to use more energy-efficient products, through the reduction in VAT on such products."*

Meanwhile, the Wood Panels Industries Federation (WPIF) has repeated its warning that the climate change levy could make UK board producers less competitive in Europe since it is not applied equally across the continent. The WPIF has negotiated an 80% rebate for the board industry which includes producers like Kronospan, Nexfor, Egger and Sonae. However, Kronospan still estimates it will pay £1m this year.

The Climate Change Levy is a UK tax on all the industrial and commercial use of energy – it applies to natural gas, electricity, coal, and liquid petroleum gas. It is based on the number of energy units used for business purposes. It has been introduced as part of the UK government's climate change program with the aim of helping the UK meet the Kyoto targets.

4.8 World Bank Forestry Loan Signed

Russia and the World Bank have signed a 5-year pilot project for the development of Russian forest management worth USD 60 million. The project would be initially carried out in three regions - north-western Leningrad, Siberian Krasnoyarsk and Far Eastern Khabarovsk.

4.9 Russian Illegal Logging

In April, the State Duma approved amendments related to illegal logging to the Criminal Code. Penalties have been toughened and a criminal now risks up to three years in prison. Environmental groups claim that some 20% of the Russian timber is logged either illegally or severely violating the existing legislation. The Russian Forest Act, although sophisticated, has never been fully implemented. Authorities in the Primorsky krai of the Russian Far East have reported that close to 1,700 cubic metres of illegal timber were confiscated and nearly four million roubles were returned to the state during the course of a three-month long Operation Timber. Police officers have staged raids and checks in the northern parts of the territory where they detected over 2000 cases of illegal logging and had 92 criminal cases opened.

4.10 Environmentalists recruit Santa Claus

Recent decisions to abandon planned protected areas on the Kola peninsula in Russia have resulted in a steady flow of foreign and Russian NGO protests. A local demonstration planned in Murmansk in April didn't get the required permission from the local authorities. However local environmental groups went ahead to stage a demonstration with Ded Moroz (the Russian Santa Claus) delivering NGO demands on forest management to the Murmansk Governor. Green activists note that *"the reason for Santa Klaus' involvement is that current forest management in the region threatens his home – the forests."* The NGOs were demanding a public evaluation of current forest management in the Murmansk area and regional legislation to protect traditional land-use and indigenous participation in forest utilisation. The Russian authorities seemed unimpressed - Santa Claus was arrested and later fined.

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