



FOREST INDUSTRIES INTELLIGENCE LIMITED

Report for AF&PA

**Trade and Environment
Program in Europe**

November-December 2000 Report

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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Technical Consultant to the AF&PA Trade and Environment Programme in Europe

Technical Report for November and December 2000

Highlights

- PEFC exceed their target of 30 million hectares of certified forest by the end of 2000.
- Czech Republic and France submit national schemes for PEFC endorsement
- PEFC takes steps to expand in Eastern Europe
- FSC work on the development of a Russian scheme
- FSC establish technical committee on mutual recognition
- FSC Conference focuses on social issues. The organisation considers introduction of social standards into chain of custody certification, and forging closer links with organics and fair trade schemes.
- FSC adopt a pragmatic approach to FSC standards harmonisation, allowing for variation in performance standards to reflect prevailing national conditions and needs.
- Malaysian national forest certification scheme and FSC forge closer links
- ITTO releases study on auditing systems for sustainable forestry that may have implications for mutual recognition of forest certification in the tropics
- Two more European retailers, Castorama in France and Karstadt in Germany, join WWF Buyers Groups
- Large technology firms, including Microsoft and Intel commit to phase out use of wood products from “old growth” forests
- FAO estimate that the annual deforestation rate has fallen by about 10% to 10.2 million hectares a year
- Two new reports highlight the scale of illegal logging in Indonesia and Russia

1 Meetings

1.1 FSC Second Annual Conference, Oaxaca, Mexico, 10-13 November

FSC held their Second Annual Conference in Oaxaca Mexico during November. The meeting focused particularly on social issues –notably on how these may be further integrated into the FSC certification process. Discussions covered:

- Introductory comments on recent developments within FSC, notably FSC’s membership of the International Social and Environmental Accreditation and Labeling Alliance (ISEAL)
- Increasing the involvement of social organizations in FSC and integration of social standards into FSC certification, including the chain of custody.
- Principles and procedures for the international harmonisation of FSC National Standards
- The role of FSC in relation to community forestry, indigenous people and small forest enterprises

A full report prepared by the Technical Consultant based on FSC official documentation is attached.

1.2 29th Session of the ITTC, Yokohama, Japan 30 Oct-4 Nov

The most recent meeting of the International Tropical Timber Organisation (ITTO) was an acrimonious affair. Sharp divisions emerged between producer and consumer nations over forest certification and illegal logging. However some important Decisions were endorsed, most notably relating to Objective 2000.

Problems at the meeting began when both the ITTO Executive Director and the Indonesian Forestry Minister referred to illegal logging in the tropics openly in their speeches and made strong appeals for the ITTO to take effective action. The Indonesian Government stated that illegal logging amounts to at

least 60% of the timber felled in the country and is seriously undermining the country's efforts to achieve sustainable forest management. Nevertheless, the Brazilian government, supported by the Malaysians, opposed the initiative making statements to the effect that too much blame for illegal activity is being attributed to producers and not enough attention focused on the activities of the consumer countries, who they accuse of driving demand for illegally sourced material. Despite the disagreement, ITTO eventually decided to send a technical mission to Indonesia to develop an action plan to combat illegal logging and restructure the forest industry.

Certification was another contentious issue. Some producer countries advocated that ITTO should take the lead role in the development of forest certification in the tropics - effectively becoming a body to oversee, recognise and rubber stamp tropical certification programs. However consumer countries were firmly opposed to this concept on the grounds that certification is a market based instrument which would benefit little from direct government intervention. The consumer countries argued that ITTO's role should be limited to information exchange on certification and the provision of technical and financial assistance to producer countries who wish to develop certification schemes. Further discussion of both illegal logging and certification was deferred until the next ITTO meeting in May.

More positive was ITTO's Decision to renew the Year 2000 Objective to ensure that all timber exports from tropical countries come from sustainably managed forests. It was widely acknowledged that progress toward achieving the Objective had not been sufficient, and producer countries were encouraged to develop appropriate action plans to address the constraints now impeding progress. Countries will also be encouraged to set up "ITTO Objective 2000 boards" to build broad-based support for and high level commitment to achieving Objective 2000. A separate project which aims to harmonise the ITTO and African Timber Organisation (ATO) Criteria & Indicators for sustainable forest management was also approved, which should help African countries in their pursuit of the Objective.

Trade concerns at ITTO are now being addressed through the newly formed Trade Advisory Group (TAG), which was established at the last ITTO meeting in Lima and which comprises timber industry members from both producer and consumer countries. The Group met several times in the margins of the main meeting and made two statements to delegates making specific reference to the issues of illegal logging, certification, ITTO Objective 2000 and the Communications Programme. The Trade Advisory Group now holds an Annual Market Meeting in the margins of ITTO meeting held each May. (Source: *hardwoodmarkets.com* – December 2000)

1.3 Future Meetings

FAO, GTZ and FAO will be jointly hosting a Seminar in Rome between 19 and 20 February on the theme "Building confidence among forest certification schemes". The meeting's main focus is on providing developing countries with an opportunity to have greater input into the international certification debate. International forest industry bodies, notably the International Forest Industry Roundtable, will also be promoting the concept of mutual recognition at the seminar.

The next meeting of the International Tropical Timber Council will be held in Yaounde, Cameroon, between 28 May and 2 June 2001. The Trade Advisory Group have scheduled a market discussion on "Regulations for a Sustainable Timber Trade - Relevant Issues."

2 Forest certification developments

2.1 Pan European Forest Certification Scheme

32.37 million hectares of European forest had been certified by PEFC-endorsed schemes by the end of 2000. In the last quarter of the year, the first areas in Austria were certified and new certificates issued in Finland and Germany. In December 2000, the National Certification Centre of the Czech Republic and the Association Francaise de Certification Forestiere (AFCF – equivalent to PEFC France) officially handed over completed forest certification schemes for assessment by the PEFC Council. The French scheme included procedures for chain of custody certification. Details of the schemes have been placed on the PEFC website (www.pefc.org) and tenders have been requested from independent expert consultants to assess the schemes according to procedures outlined in the PEFC Technical Document. The Swiss national scheme is expected to be submitted to the PEFC Council in early 2001.

The ACFC forest certification scheme put forward for endorsement by the PEFC Council operates on a regional level in France. Each region is required to establish a regional certification body structured in the same way as the national ACFC and which includes representatives from all interests from forest to final consumer. Regional bodies have so far been established in Normandy, Central France, and Burgundy. Other regional bodies in Lanquedoc, Franche-Comte and Aquitaine will be established in early 2001.

More PEFC Logo usage licences have been issued in Finland. Ten of the thirteen regions certified to the Finnish Forest Certification Scheme have now received licences, while two more PEFC logo usage licences have been issued to Finnish forest industry companies following certification of their chain of custody procedures by the Finnish Forest Certification Council. Six companies, all Finnish, had licences to use the PEFC logo on their products by the end of 2000. This figure is expected to increase rapidly in early 2001.

Schemes Endorsed by PEFC	Hectares Certified (Millions)
Austrian Forest Certification Scheme	0.55
Finnish Forest Certification Scheme	21.90
German Forest Certification Scheme	3.02
Norwegian Living Forest Standards and Certification Scheme	5.60
Swedish Forest Certification Scheme	1.30
TOTAL	32.37

PEFC has been also been working to extend their scheme into other countries. The PEFC recently held a seminar in Poland in conjunction with the Polish State Forestry Service and part funded by the European Commission's General Directorate for the Environment. The seminar aimed to assist the various stakeholders develop a Polish national forestry standard and certification scheme. To date, the Polish State Forest Service has relied on the FSC certification framework.

Similar work is on-going in Western Russia. Following seminars organised by the Finnish Forest Certification Council in St Petersburg and Moscow in September, a similar seminar was recently held in the Vologda, Forest Region in the Russian Federation. The programme included speakers from the Vologda Area Forest, and Russian Federation Forest Administrations, timber exporters, Finnish Forest Industries Federation, the Finnish Forest Certification Council, PEFC Council and an independent consultant experienced in forest certification schemes.

Presentations on the PEFC process have also been made several countries including Australia, Chile, and Gabon. The next PEFC General Assembly will be held in Luxembourg on 26th January, while a larger General Assembly is provisionally planned for 19th June 2001.

2.2 FSC and Mutual Recognition

There are reports that the Forest Stewardship Council is currently in the process of putting together a technical committee on mutual recognition. James Griffith who has chaired the International Forest Industry Roundtable (IFIR) Working Group on Mutual Recognition may participate as an "industry advisor".

FSC is also part of a consortium of certification bodies funded by UK's Department for International Development (DFID) to the tune of US\$100,000 to undertake further research work designed to extend the practice of forest certification. To date much of the work has been undertaken by Proforest, a consultancy with strong links to SGS in the UK, and has focused on group certification of small forest enterprises. The first three papers funded by DFID are available at www.proforest.net. The next stage of the project, which according to DFID is still under negotiation, may include work to consider criteria for mutual recognition. DFID have made it clear that this work would build on that already undertaken by the Confederation of European Paper Industries (CEPI) and the International Forest Industry Roundtable.

2.3 Malaysia

Malaysia is now very heavily involved in the international forest certification debate. However, like many other countries, different interests are exhibiting a wide range of views on how to progress the issue.

Malaysia's nation-wide scheme, run by the National Timber Certification Council of Malaysia (NTCCM), is forging increasingly close links with the Forest Stewardship Council. NTCCM and FSC are to commission and jointly fund a study to compare the Malaysian Criteria and Indicators for Forest Management Certification (MC&I) with the FSC Principles and Criteria. The study will include recommendations to ensure compatibility between the two sets of standards. Two consultants have already been appointed to undertake the study, which is due for completion in January 2001. The decision was made at a two-day FSC-NTCCM Collaboration Workshop held in Kuala Lumpur during December. The Workshop was jointly organised by the NTCC, FSC, WWF Malaysia, the Tropical Forest Trust and the German Agency for Technical Cooperation (GTZ). There were 180 participants. NTCCM are now working towards a full formal agreement with FSC that will enable Malaysian certified timber products to carry both the NTCC and FSC labels. The Workshop agreed to set up a national steering committee within the next few weeks to work out a framework of collaboration with FSC. The committee will comprise 24 members, selected from social and environmental NGOs, the timber industry, foresters and the Government.

At the same time, Dr. Wan Razali who is Deputy Director-General of the Forest Research Institute of Malaysia recently wrote to the ITTO arguing forcefully in favour of an ISO14001 based approach to forest certification. Razali suggested that *"the framework of ISO 14001 EMS - given its generic nature, the fact that it is non-sector/non-commodity specific, and its explicitly required environmental policy - should be the standard approach to be used by all forest management auditors/certifiers. This will reduce variability in certification, leaving only standards of performance to be argued intelligently and professionally. [At the same time] there is no compelling reason to accept a single set of performance standards because it would defeat the idea of auditors being innovative, flexible and anticipatory in carrying out forest management certification. Furthermore, forests are situated in different ecological zones and forest owners have different priorities for their use, based on many factors. If one accepts ISO 14001 EMS as the operational standard framework of system-based forest management certification, then the various standards and guidelines – such as ISO 14004, ISO 14010, ISO 14011 and ISO 14012 – become very handy and will further reduce variability in other aspects. Those who wish to explore the potential of ISO 14001 EMS in forest management certification should refer to a joint publication between Universiti Putra Malaysia (UPM), the United Nations Environment Programme and the Danish Cooperation on Environment and Development entitled 'Environmental Management Standards: ISO 14000 – Towards a Sustainable Future', published in 1999 by UPM Press.....The use of ISO system-based certification adds up to greater international credibility and transparency in forest management practices."*

Meanwhile, the Malaysian government has been a leading advocate of a legally binding international forest convention. For example according to a report in the Malaysian Timber Bulletin, in his address to the International Union of Forestry Organisations during the summer 2000, Malaysian Prime Minister Dr Mahathir Mohamad regretted the *"glaring vacuum in the global agenda on forestry relating to a legal binding instrument on forests"*. According to Dr Mahathir *"we are only too aware of the arguments that did not allow for such an instrument to be developed in time for Rio (the UNCED "Earth Summit" in 1992), but now, eight years down the road from Rio, and after extensive and intensive debates, the issue of a legal instrument has yet to be resolved. We are still no closer to a legal instrument than before"*. According to the Bulletin *"Malaysia's position is that a legally binding*

instrument on all types of forests is a necessity for addressing a whole range of issues on forestry in a holistic, integrated and comprehensive manner”.

2.4 Canada

A recent survey conducted by the Canadian Sustainable Forestry Certification Coalition indicates that the management of more than 21 million hectares of forest land across Canada has now been certified. This represents an annual allowable cut of almost 33 million m³, about 19% of Canada's annual harvest. For stewardship as well as competitive reasons, several companies are using two or more standards. The total areas certified to each standard (by 1 September 2000) amounted to 21.5 million hectares to ISO14001; 3 million hectares to CSA; 0.7 million hectares to SFI; and 21,000 hectares to FSC. By the end of 2003, Canadian companies intend to seek certification to ISO14001 on around 92 million hectares; to the CSA standard on 36.5 million hectares; to SFI on 9 million hectares; and to FSC on 5.5 million hectares.

2.5 ITTO Work on Forestry Criteria and Auditing

Despite political wrangling (see 1.2 above), ITTO continues to make a significant contribution to the technical work required for the effective development of both forest policy and forest certification in the tropics. Two recent examples are the development in 1999 of a Manual providing guidelines for the implementation of sustainable tropical forest management; and in 2000 the completion of a survey of existing auditing systems in the tropics, both in the public and private sector, for demonstrating Sustainable Forest Management.

2.5.1 Manual for the application of criteria and indicators of tropical SFM

During the 1990s, ITTO pioneered the development of criteria and indicators for assessing sustainable tropical forest management. In 1991 it published Criteria for the measurement of sustainable tropical forest management; and in 1998 it adopted a revised version of these and published them as Criteria and indicators for sustainable management of natural tropical forests.

Over the last 2 years, ITTO has been taking steps to assist implementation of the criteria and indicators on the ground. In 1999, ITTO formulated the *“Manual for the application of criteria and indicators for sustainable management of natural tropical forests”* in two parts: Part A for measuring and describing the C&I at the national level, and Part B for doing the same at the forest management unit (FMU) level. The basic aim of the manual was to assist forest managers to assess the sustainability of forest management at both the national and field levels. During 2000, ITTO organised the testing of the manual in the field in Malaysia, Indonesia and Ecuador. It also conducted workshops in the three countries to provide training to 'trainers' on the effective use of the manual.

2.5.2 Survey of auditing systems for demonstrating SFM

In November 2000, ITTO published a survey of existing auditing systems and protocols for demonstrating SFM in both public and private sectors of member countries. The aim of the survey was to provide background information for ITTO producer member countries seeking to develop these systems.

The study, conducted by consultants E.O. Nsenkyiere and Markku Simula, gave equal emphasis to auditing procedures in both public forest administration and voluntary certification schemes. The study was based on a mail survey of 16 ITTO producer countries and field visits in five countries (Brazil, Cameroon, Côte d'Ivoire, Ghana and Malaysia).

The study noted that auditing can be applied as an instrument of policy enforcement, but its role is much broader than that. Increasingly, the role includes:

- Internal auditing - the internal monitoring of performance in forest organisations in order to assist management achieve their objectives
- External auditing - the external verification of compliance with specified requirements for the purposes of communication to the market or other interested parties. This usually forms part of “forest certification”.

The authors drew several conclusions from their review of public-sector audit systems in tropical countries:

- current auditing systems are generally inadequate for the effective monitoring of forestry legislation enforcement in general and of SFM in particular;
- however, considerable progress is being made to broaden the scope of public sector forest management auditing. The underlying normative manuals, handbooks and other similar guidance documents play an important role in this;
- audit criteria do not yet cover all the necessary elements for assessing SFM. So far only (Peninsular) Malaysia has made a comprehensive systematic effort to this end; and
- there is a growing tendency in public forestry for outsourcing, which can be expected to include auditing services as well. However, external auditing for other than certification purposes has been rare to date.

The study's review of private-sector auditing systems covered nine planned or operational national certification schemes and the two existing international schemes (the Forest Stewardship Council and the Pan European Forest Certification program). It concluded that:

- many schemes have only recently reached an operational status;
- there is considerable commonality between schemes in their certification/auditing procedures;
- the audit criteria are generally derived from, or referenced to, an appropriate international or regional set of C&I for SFM (such as that of ITTO) covering the various aspects of SFM;
- some audit criteria address the management system in a comprehensive way, but others only partially;
- there are important differences between the schemes in, for example, how the performance requirements have been developed and the degree to which sources of data, means of verification and the audit procedures are specified;
- the definition of the unit to be audited varies depending on country conditions: it can be a forest management unit, a defined forest area, an organisation and its activities in a defined area, or an area covered by a group of forest owners;
- the frequency of baseline audits varies from three years upwards, five years being a typical case;
- almost all schemes rely exclusively on an external third party in audit work;
- schemes have varying definitions of what constitutes a competent auditor;
- with the exception of the Forest Stewardship Council, all schemes draw on or intend to draw on national accreditation bodies either as part of ISO 14001 accreditation or by other means.

The study recommended that ITTO should provide two additional policy instruments to help countries develop their own C&I, integrate these into their planning, monitoring and evaluation activities, and develop voluntary certification/verification systems for SFM. These are:

- **A guide to the development of national C&I for SFM at national and forest management unit levels:** The study suggests that Malaysia's experience in developing C&I shows that interpreting the ITTO C&I in the national context is a demanding exercise where external guidance could be helpful
- **Guidelines (or manual) for the auditing of ITTO C&I:** The study suggests this document is needed to help countries develop their own auditing systems whether implemented by the forestry authorities or by external auditing bodies. The purpose would be to explain the necessary elements of effective auditing systems to ensure consistency of assessment results and the transparency and reliability of the audit/ evaluation processes.

Note that the development of these documents may serve to facilitate the mutual recognition of national forest certification schemes in tropical countries.

2.6 FSC in Europe

There have been a number of FSC-related developments in Europe over the last two months:

- The Swedish State Property Board, which manages 1.1 million ha of the Swedish forest land, has been FSC certified by the Soil Association Woodmark scheme. The certification report

included 19 preconditions and 14 conditions. The Property Board mainly manages forest land in the mountainous regions of Northern Sweden. Large portions of the forest holdings have "old-growth characteristics" and almost all the holdings are traditional reindeer grazing land. The certification goes ahead despite Property Board heavy environmentalist criticism of "old-growth" logging in the area.

- Also in Sweden, FSC has approved SCA Forest's group certification system for small forest-owners. There are currently 7 different umbrella organizations offering FSC-group certification in Sweden and a total of 300 000 ha have been certified through these organizations.
- The FSC certifier SmartWood has announced the first Estonian FSC-certificate, apparently a relatively small privately owned forest.
- WWF Finland have announced there will be a FSC-working group starting in Finland. Furthermore a pilot FSC-certification has started in five private-owned forest sites in Finland. The Finnish Forest Industry, leading advocates of the PEFC, have responded by suggesting FSC-based auditing will bring nothing new to Finland and will only demonstrate that Finnish forests already fulfill FSC requirements.

2.7 FSC in Russia

According to a report in the green-lobby journal Taiga Forest News, the MacArthur foundation conducted a seminar promoting FSC certification in Russia during December. The seminar was attended by certifiers, representatives of academia, forest industry and NGOs. The report suggests that many of the large Russian timber exporters are now interested in voluntary certification as a means of improving market access.

According to Taiga Forest News, at present, Russia has only one FSC certified forest enterprise in Altay, Siberia. However several forest units in Nizhniy Novgorod (Volga region), Vologda and Archangelsk regions (European North) have now completed the first stage of the FSC certification procedure. The largest Russian private timber company Ilim Pulp Enterprise (IPE) is also planning to undergo FSC certification for part of its forest plots in the Archangelsk and Irkutsk regions. IPE has budgeted to spend at least \$700,000 on the certification operation this year. In 2000, IPE was the largest wood raw material processor in Russia, accounting for 7 million m³. Most of this wood derived from smaller groups as the company itself harvested only 2.6 million m³.

It is also reported that several enterprises in the Trans-Baikal region of South Eastern Russia are now considering FSC certification in response to requests from partner companies in neighbouring China.

Taiga Forest News suggests that plans by the Russian Federal authorities to establish a mandatory system of state "certification" of forest management under the terms of the Russian Forest Code are in confusion. It notes that *"since the abolishment of the Russian Forest Service no-one knows which form of certification will be promoted by government officials."*

2.8 Solomon Islands "Eco-forestry"

A press report relating to "Eco-Forestry" in the Solomon Islands has been circulated on the internet. It notes that the *"first shipment of Solomon Islands eco-timber to Australia has just reached Sydney"*. The shipment to Sydney came mainly from the Marovo Lagoon area in the western Solomon Islands. The area is managed by the Solomon Islands Eco-forestry Project, a joint initiative of Greenpeace, the Solomon Islands Development Trust, Foundation for the People of the South Pacific and the New Zealand Imported Tropical Timber Group. The project is designed to *"empower the local communities by helping them manage, maintain and market their own natural resources in sustainable ways while protecting their own environment and culture."* The project involves community-based planning and control coupled with environmental guidelines that are externally monitored. It is currently pursuing FSC certification, which is expected later this year. The Eco-forestry Project marks a departure from typical commercial practices in the Solomon Islands which are carried out under industrial concession agreements, primarily by Australian and Asian logging companies. Over the last 3 years the project has exported around 1000 m³ of timber, much of it destined for New Zealand.

3. Certified forest products - market developments

3.1 European retailers join Buyers Groups

Over recent weeks, two more European retailers have joined WWF Buyers Groups thereby committing to purchasing FSC certified products when these are available. The large French group Castorama joined the Club Pro Foret, the French Buyers Group established in 1999. The German warehousing group Karstadt, with 208 stores throughout Germany, joined the Gruppe 98.

3.2 Availability of FSC Wood in the Netherlands

The Dutch Foundation Good Wood recently released the results of a study on the availability of FSC-certified forest products on the Dutch market. The study shows that the availability of FSC-certified wood almost doubled between 1998 and 1999 (from 180 000 m³ to 327 000 m³), and that an additional increase of 223 000 m³ is expected during 2000. In addition, approximately 70,000 to 100,000 pieces of FSC-certified garden furniture were imported. FSC-certified wood and wood products currently account for 4 % of the total market. The majority of the certified wood available is domestic coniferous wood (69%), followed by imported coniferous wood (23%) and tropical sawnwood (9%). Additional supplies are expected during 2001 as a result of the efforts of the Dutch forest service to seek FSC certification for all its forest holdings.

3.3 High tech firms commitment to phasing out “old growth” wood

Eight high-tech companies have announced their intention to stop using wood products from the world's so-called “old-growth forests”. Although not clearly stated, the term seems to include both the temperate rain forests of western North America, and the natural forests of tropical regions. The companies include Microsoft; Intel; Texas Instruments; AT&T; CMGI Inc.'s AltaVista search engine; the networking firm 3Com; the E*Trade Group Inc; and the online brokerage firm and computer-systems provider IKON Office Solutions Inc. The move is largely symbolic as few technology companies use much timber save for copy paper and packaging. However the high-profile of these companies has clear marketing implications.

3.4 First PEFC certified plywood

Schauman Wood Oy, part of UPM-Kymmene Group, has delivered its first Pan European Forest Certification (PEFC) labelled WISA plywood. The company's first PEFC delivery went to RET Jongeneel in Holland, the largest single customer of the Schauman Wood Pellos mills.

3.5 First FSC certified journals

The BBC Wildlife Magazine is the world's first journal carrying the FSC-logo. BBC is now planning to print all its 37 journals on FSC paper. The Swedish Society for Nature Conservation recently published the first Swedish journal, Sveriges Natur, on FSC-certified paper. Swedish SCA, which delivered the paper to both journals, is currently the only large-scale producer of FSC-labelled journal paper

4. Environmental issues

4.1 Deforestation

The long awaited United Nations Food and Agriculture Organisation's (FAO) most recent assessment of the world's forests, carried out once a decade, was released on 31 December 2000 (<http://www.fao.org>). It suggests the rate of forest loss worldwide has declined somewhat over the last decade; but not by much. During the 1980s, deforestation of an estimated 11.3 million hectares occurred worldwide each year. The FAO now estimates that the annual deforestation rate has fallen by about 10% to 10.2 million hectares a year. The deforestation rate in developing countries, which harbour more than half of all extant forests, was higher (14m hectares lost each year between 1990 and 2000). But this destruction was partly offset by an increase in tree cover in industrialised countries.

4.2 Illegal Logging

Overcoming the problem of illegal logging is centrally important to the promotion of sustainable forestry. Not only can illegal logging cause social and environmental disruption in the countries where it occurs, but it also tends to undermine international market prices for wood products. By doing so it can reduce financial returns to legitimate forestry operations and undermine investment in sustainable forestry practices in all areas of the world. Two recent studies highlight the extent of the problem in two leading wood exporting countries – Indonesia and Russia.

4.2.1 Indonesia

The study “Wild Logging” by John McCarthy of the Indonesia-based Centre for International Forest Research (CIFOR) involved an in-depth analysis of the Indonesian illegal logging sector at district level, using the District of South Aceh, on the Island of Sumatra as a model. The paper highlights how illegal logging has become institutionalised and endemic within Indonesia. McCarthy describes a vicious circle whereby the whole community gains a vested interest in illegal logging. The process begins with local entrepreneurs who seek accommodations with local government officials willing to operate outside legal norms. The entrepreneurs then encourage local villagers to provide labour for illegal logging operations, for whom they pay taxes to the local leaders. In this way community members face losing out completely unless they join the logging network. As the control of community leaders over community property comes under challenge, they respond by attempting to ensure the village benefits from the illegal operations. Consequently the community leaders become involved in the wider web of patronage surrounding logging. In the absence of other opportunities, the illegal operations have given impoverished villagers an (unsustainable) survival income. But at the same time they have created a serious obstacle to bio-diversity conservation.

McCarthy comments that solutions to these problems will take time, requiring a drawn out process of community consultation and consensus building, to develop workable systems of resource regulation. Furthermore, in areas where illegal logging has taken root, there will be a need to find alternative sources of income that do not involve unsustainable forestry practices. But McCarthy’s conclusions are grim: *“it will be difficult for project interventions to succeed before widespread environmental damage has occurred. The community may not shift to other activities before logging becomes economically unviable”*.

4.2.2 Russia

Russian and western NGOs are increasingly drawing public attention to the scale of illegal logging in parts of Russia. One recent report highlights the growing demand for logs from the Siberian Far East in leading Asian markets including China, Japan, and South Korea. This demand, it is suggested, is fueling illegal operations. The report “Plundering Russia’s Far Eastern Taiga” has been jointly prepared by the Bureau for Regional Oriental Campaigns (based in Vladivostok, Russia), Friends of the Earth–Japan, and Pacific Environment & Resources Center (based in Oakland, California). It suggests that *“illegal logging is flourishing in the Russian Far East, and the lack of regulation is apparent on all levels. Logging practices remain extremely wasteful and destructive, as 40 to 60 percent of the logged timber is lost during logging and transport. Government control over forest management has diminished due to weak federal legislation, declining budgets, and infighting among numerous federal and regional government agencies. Regulatory bodies, including the forest service and environmental protection committees, rarely use their authority to control the explosion of small logging firms that have cropped up since 1996. Illegal practices such as logging without a license, logging in protected forest zones, taking protected tree species, and logging outside of concession boundaries are widespread. Further, in order to avoid the high taxes demanded by the Russian tax system, many Russian firms conceal at least some of their profits through clever, complex methods of documentary fraud and bribes.”*

“To secure hard currency and maintain their infrastructure, local districts of the Russian Forest Service (leskhozy) had — until recently — become some of Russia’s most active loggers and organizers of illegal logging. Abusing loopholes in rules governing “salvage” or “sanitary” logging, Forest Service leskhozy would themselves cut or issue licenses for others to log commercially valuable ash, Korean pine, and oak forests — despite the fact that the leskhozy were the very government bodies responsible for monitoring logging operations and maintaining forest health. And while the Forest

Service leskhozzy only logged trees to cover their budgets, their staff did not curtail other logging operations in the forest, which led to uncontrolled logging.”

Rupert Oliver
AF&PA Technical Consultant
15 January 2001

FSC Second Annual Conference, Oaxaca, Mexico, 10-13 November 2000

Note prepared by the AF&PA Technical Consultant drawing on the full formal report of proceedings provided by the FSC Secretariat.

1 Social focus of the Conference

The year 2000 Conference focused particularly on social issues. The aims of the Conference were outlined in an opening presentation by Dave Nahwegahbow, a Canadian on the FSC Board. He noted that the mission of FSC includes socially responsible management, but that social groups are often disadvantaged and have had more difficulty in participating in the FSC process. FSC now has a renewed emphasis on social issues and has established a process to address these issues. FSC has drafted a strategy document for strengthening the social chamber. Results from the annual conference will be fed into this rough outline, which will then be sent out for consultation before final consideration by the FSC Board. Important themes include the low levels of involvement of social group members; standards development that doesn't adequately address social considerations, and the low capacity of many social groups, which tends to be a barrier to their participation in certification processes.

The Conference involved a series of presentations, followed by workshops designed to generate recommendations for future action by FSC. Discussion focused on the following topics:

- Introductory comments on recent developments within FSC, notably FSC's membership of the International Social and Environmental Accreditation and Labeling Alliance (ISEAL)
- Increasing the involvement of social organizations in FSC and integration of social standards into FSC certification
- Principles and procedures for the international harmonisation of FSC National Standards
- The role of FSC in relation to community forestry, indigenous people and small forest enterprises

2 Introductory Comments on Recent FSC Developments

2.1 Achievements

James Sullivan of the FSC Secretariat reviewed FSC's achievements over recent years as follows:

- the development of a credible standard development process that is transparent and inclusive;
- the steady increase of total certified forest area (now over 20 million hectares) and growth in numbers of Chain of Custody certificates in various countries;
- continuing increase in the number of accredited certification bodies;
- the establishment of 42 National Initiatives in Asia, Africa, Europe, North and South America;
- growth in FSC membership, which as of May 2000 numbered 369 members.

Lack of funds has been a challenge that is being worked on. FSC needs to diversify the sources of funding in upcoming years. FSC's Five Year Vision is that responsible forest management will meet or exceed FSC standards throughout the world; that FSC certification standards will be recognized worldwide as the benchmark of responsible forestry; and that consumers will be able to access FSC certified products anywhere wood products are sold.

2.2 FSC's Participation in ISEAL

The formation of ISEAL was essentially a reaction against the exclusion of international social and environmental labeling schemes such as FSC from ISO-linked bodies such as the International Accreditation Forum.

James Sullivan gave a presentation on FSC's membership of ISEAL and on the role of the new organization. Members of ISEAL are the Conservation Agriculture Network (CAN), Fairtrade Labelling Organizations (FLO) International, FSC, International Federation of Organic Agriculture Movements (IFOAM), International Organic Accreditation Systems (IOAS), Marine Stewardship Council (MSC), and Social Accountability International (SAI). The aim of ISEAL is to promote and safeguard social

and environmental concerns in international trade by setting social and/or environmental standards for product and process certification; by accrediting certification bodies; and by using marks of conformity. ISEAL aims to ensure that standards are set through multi-stakeholder processes; are truly global; address the concerns of primary beneficiaries; are appropriate to ecological, cultural and economic realities; and are flexible enough to evolve with best practices. ISEAL's current activities include a peer review system for accreditation and standards-setting; a forum for logo management; and shared public representation and political lobbying facility.

Sullivan commented that ISEAL faces opposition from free trade advocates, governments and from the traditional standard-setting and accreditation community.

3 Integrating social standards into FSC certification

3.1 Labor Union Involvement

Gisbert Schlemmer of the German Union Industriegewerkschaft Mettal highlighted the importance of Labor Union involvement in forest certification at all levels from negotiations at the work-site to input into international processes like FSC. The ultimate objective of Labor Unions is to achieve safe, stable and well-paid jobs. Stable employment is dependent on sustainable forestry. He noted that FSC has prepared a Guide to the International Labour Organisation text that is relevant to forestry, which includes a core set of criteria and indicators on issues such as human input, sharing of benefits, and participation and conflict resolution. He suggested the Guide may be used to improve the coverage of social and labor issues in FSC criteria and indicators.

3.2 Dilemma's raised by FSC Social Standards

Inge Johansson of the Swedish Forest and Wood Trade Union highlighted the dilemma's already being raised by FSC's commitment to social criteria. He noted that a certified company in Sweden has started a process to move towards 100% contracted workers, and has informed all forest workers that they must leave their permanent employment with the company. According to Johansson, FSC standards state that workers shall be offered long-term employment. In his view the company concerned is failing to comply with FSC certification. Johansson's Union had complained to the certification body, but their complaint had been rejected. Johansson suggested that this case implied FSC was failing to meet it's social objectives.

3.3 Introducing social criteria into chain of custody certification

Delegates at the seminar took the view that social standards, which are currently incorporated only into FSC forest certification, should also be incorporated into chain of custody certification. FSC CofC only controls the flow of material not the conditions of work. Participants at the workshops noted that the division of workers in the forest sector comprises 5% in the forests and 95% in manufacturing operations. They believed that *"FSC's credibility is at stake, as consumers become aware that the FSC logo implies good practices in the forests but not in the factories."*

In her presentation, Marion Karmann of German-based IFBWW called specifically for the incorporation of the International Labor Organisation (ILO) Code of Practice on Safety and Health in Forest Work into Chain of Custody certification. She suggested that a start has already been made. For example, IFBWW and IKEA signed a co-operation agreement on matters concerning working conditions, the natural environment, and health and safety for workers at enterprises throughout the world that manufacture and supply goods to IKEA. IKEA now demands that its suppliers respect relevant ILO Conventions and Recommendations and that working conditions at least comply with national legislation or national agreements. Karmann suggested that *"Consumers want to be sure that the FSC logo guarantees wood from an entirely sustainable system, and this includes the wood industry."*

3.4 Workshop Recommendations on Social Standards

The Workshops recommended that:

- FSC establish an expert panel to measure implementation of the criteria and indicators of the ILO Guide by FSC;

- social standards should be included in all new FSC National Initiatives and added to national endorsed standards (if not already there);
- training courses on social standards should be offered for certifiers;
- an expert panel should be established to prepare a motion at the next FSC General Assembly calling for social standards in Chain of Custody certification.

4 International Harmonization of FSC National Standards

4.1 Reasons for FSC Harmonization

It was clear from the Conference documentation that the FSC Secretariat regard harmonization of FSC national standards as an increasingly urgent need as more and more of these standards are being evolved. The Secretariat was therefore looking for guidance during the Conference on the development of a “harmonization framework”.

4.2 FSC Harmonization in the United States

A presentation was given by Nick Brown and Bill Wilkinson of WWF US and FSC US respectively explaining the process of FSC standards harmonization in the US. The FSC has divided the US into 9 regions determined geographically, socio-politically and to some extent ecologically. In response to inconsistencies in the development of regional standards, in 1999 the FSC-US Board established a Standards Committee to create national indicators for use as a common baseline. These would be drawn up using the draft regional standards, committee expertise, and further research. The national indicators are currently being refined through a public review period. The national indicators lack regional specificity, and are not to be used stand-alone for assessments, and will not be sent to FSC for endorsement. The process of developing and endorsing regional FSC standards in the US is as follows:

- Regional Working Groups propose regional standards through a participatory process using the FSC P&C and national indicators as a guide.
- The draft regional standards are then reviewed and approved by the national Standards Committee and the FSC US National Working Group.
- Finally, regional standards are negotiated and endorsed by FSC International in Oaxaca

4.3 FSC Harmonization in Europe

Two speakers from FSC national initiatives in Europe spoke in favor of international procedures to harmonize FSC national standards. Anna Jenkins of FSC UK described the areas needing harmonization and the approach taken so far for harmonization in Europe. She concluded that harmonization was a useful process for learning from other countries and improving on FSC standards. She noted that harmonizing the standards’ structure enables easier use and comparison, and ensures all points are covered. However FSC has not yet reached a clear consensus on what the goals of harmonizing endorsed standards should be; of what harmonization is; of the methodology for FSC harmonization; and of who should lead the process (at present harmonization is mainly led by FSC National Initiatives). She also noted that, beyond FSC internal harmonization, harmonization options with other certification systems should also be analyzed.

Anders Lindhe of WWF International saw FSC harmonization as a process to share experiences, explore similarities, and reconcile differences between national standards. According to Lindhe, the basis for harmonization is that all standards must meet the Principles and Criteria requirements. Differences have arisen due to the need to adapt the P&C to the regional/local environmental, and to social and economic realities. He noted that differences are not a major problem as long as they do not cause substantial differences in the relative overall costs of compliance with certification standards. An uneven playing field can distort competition, damage the perception of FSC, and reduce certification in “more expensive” areas.

4.4 Workshop discussion – A Pragmatic Approach to FSC Harmonization

A rather pragmatic approach to harmonization of FSC standards appears to have come through at the workshops. There was recognition that a risk of harmonization is that an FSC “template” would be too “top down”. It was acknowledged that there are legitimate differences between standards that are due

to adaptations of the FSC Principles and Criteria to specific local/regional environmental, social and economic realities. Participants felt these differences are justified and do not need harmonization. Furthermore harmonization should also focus on regions with similar forest types, interdependent markets, and similar cost structures.

Participants suggested that the main priority for FSC harmonization should be to avoid differences in costs of compliance that would substantially distort the market. Attention should therefore be given to national differences in costs of compliance; in the number of complaints or the level of contention; and in the different length or clarity of documents. It was noted that to some extent differences in relative costs of compliance will be evaluated by the market. It was recognized that in order to avoid creating differences in costs of compliance, it is necessary to ensure truly representative standards setting bodies.

The workshops recommended that FSC should:

- promote harmonization as early as possible;
- develop a methodology for harmonization that takes into account the lessons and experiences of existing processes in Europe and North America;
- compile case studies comparing FSC national standards;
- promote comparative field testing of national standards;
- develop guidelines for harmonization.

5 Community Forestry, Indigenous People and Small Forest Enterprises

5.1 Introduction to Community Forestry

Dominique Irvine, Coordinator of the FSC Social Chamber, introduced discussion on community forestry. Irvine viewed community forestry as ranging from indigenous peoples to peasants to small forest owners, with diverse tenure, scale and social organization. She noted that community forests account for a significant proportion of the world's forest area. Furthermore strong communities that depend on forests have historically managed forests well.

FSC currently has 30 community forestry certificates, the majority of which are in Mesoamerica. However many of these communities do not use their certificates for timber marketing. Indeed certified wood markets are not well developed, and the economic benefits have not covered costs. However the non-market benefits have been significant, and there is increasing interest in certification as a possible tool to improve community forest management. Nevertheless the small scale and the cost of certification are barriers. Irvine felt that forest certification should not become an incentive for communities to enter into the timber market because timber management requires high levels of investment and high social costs while other production options require less support and have less social costs.

5.2 Bolivia illustrates lack of FSC involvement in community forestry

Víctor Fernando Aguilar Nuñez de Vela of the Bolivian organization CBCFV noted that, having completely adapted their national legislation to meet the requirements of FSC certification, Bolivia is host to the largest area of FSC certified tropical forest in the world – around 885,000 hectares. However much of this land is under industrial concession management. Only one indigenous community in Bolivia has been FSC certified. This raises a number of questions:

- Is FSC certification only for timber companies?
- Will FSC certification satisfy social expectations?
- Can certification become a tool for indigenous peoples in the future?
- Or, when faced with a demanding market, is certification more likely to become an obstacle to the management of forests by indigenous people?
- When evaluation costs are high, will certification ensure legal security of land tenure?

5.3 FSC's commitment to social issues contrasted with PEFC

Lack of concern for indigenous rights was raised at the Conference as a criticism of the rival Pan European Forest Certification (PEFC) scheme. Olaf Johansson of the National Union of the Swedish Sami People described how the nomadic Sami reindeer herders of Northern Scandinavia follow the

reindeer south to forested lands in the winter. Although the Sami have customary rights to graze reindeer in the forests, the areas of use are not specifically designated and private landowners are suing the Sami for use of their lands. According to Johansson, in court the onus is placed on the Sami people to prove their long-term use of the land. However their lack of written documentation means they usually lose the court cases and subsequently their grazing rights. Johansson suggested that one possible benefit of FSC certification for the Sami is that they will be able to continue their traditional lifestyle of reindeer herding, since the Swedish FSC standards go further than Sweden's legislation. FSC's Swedish standards require that the Sami's traditional winter grazing rights be "recognized", while Swedish legislation requires only that they are "respected".

Johansson suggested that the unwillingness of the association of private forest owners to recognize the rights of the Sami people was their major motivation for leaving the FSC and working under PEFC which, he commented, "*does not include indigenous rights and could further endanger the Sami reindeer herding.*"

5.4 Group Certification of Small Forest Owners in the United States

Kathryn Fathryn of the US based Institute for Agriculture and Trade Policy described a process whereby owners of small forest parcels (generally 20 to 100 hectares) in Central United States are forming forest owner groups and seeking FSC certification. According to Fathryn, these owners' motivations extend beyond market benefits of certification. They believe that the principles of FSC certification will help ensure that forest management creates local employment opportunities and support the local economy. Fathryn suggested that the challenges faced by these forest owners include growing pressure to harvest, increased expenses of landownership, and a mounting understanding of the importance of sustainable forestry techniques to maintain biodiversity.

Fathryn noted that FSC certification is often viewed as too expensive for small landowners to afford. However Fathryn believes group certification has made certification accessible and affordable. Group certification is favored by forest owners in the region over individual certification on grounds of cost; and over resource manager certification as it places less reliance on an external agency and ensures forest owners have greater control.

5.5 Forest Certification by the Small Enterprise

Mathew Wenban-Smith of the UK based Soil Association, an FSC accredited certifier, considered the issues of forest certification by the small enterprise. Barriers to certification for small forest owners were identified as follows: certification and compliance costs; lack of understanding; and problems of access to certifiers. It was noted that the availability of local certification bodies is essential for access. At present the cost and complexity of FSC certification make certification difficult. The length and complex language of FSC standards can also be a barrier, and some FSC requirements are inappropriate for small forests. To help overcome these problems, Wenban-Smith proposed that FSC national standards should include specific guidance or interpretation for small enterprises, and that a single document should be produced summarizing the specific requirements for small forest owners. He proposed that the draft FSC Guide on group certification scheme should be reviewed.

5.6 Certification of Non-Forest Wood

Wenban-Smith also spoke on the issue of certification of "Non-forest wood" – described as a continuum from single trees to very small woodlands and including non-forest management techniques (such as agro-forestry systems). Wenban-Smith suggested the FSC Principles and Criteria are inappropriate for certification of non-forest wood. Three FSC policy options for non-forest wood were identified:

- FSC could continue to consider non-forest wood as non-certified wood (current FSC policy);
- FSC could consider non-forest wood to be neutral (like recycled wood);
- FSC could certify and promote non-forest wood.

Wenban-Smith preferred the third option and proposed that a new set of Principles for the evaluation of non-forest wood should be developed.

5.7 Workshop Recommendations – Indigenous People

The general consensus at workshops was that the current level of participation from Indigenous groups within FSC is inadequate. This may reflect lack of awareness of FSC, lack of funds, and uncertainty about the merits of FSC. A number of recommendations were made to address this issue. FSC should find out why indigenous peoples are not more involved. FSC should improve communication and outreach to indigenous communities by:

- building a database of indigenous peoples and developing a contact list;
- promote workshops between indigenous peoples and FSC at regional and national levels;
- establish a strong indigenous peoples sub-chamber, and potentially even a fourth chamber;
- provide funding to promote indigenous involvement in FSC;
- identify staff to liaise with indigenous people.

5.8 Workshop Recommendations – Community Forests and Small Owners

The workshops came up with a wide range of recommendations for FSC measures in relation to community forests and small owners.

- FSC's P&C should be revised and made more relevant to small landowners and community forests;
- FSC should broaden its concept of forest management to a more holistic approach that recognizes non-timber uses of the forest.
- FSC should promote lower cost certification schemes (e.g. group certification).
- FSC should encourage the development of local certification agencies to reduce cost and increase the relevancy of forest certification.
- FSC should create an advisory committee to develop market mechanisms that identify and acknowledge the social value of community-produced products.
- Related to the last recommendation, FSC should continue to expand the dialogue with Fair Trade and Organics, to ensure that the benefits of forestry go to the producers. FSC should consider putting forward certified forest products from community forests to Fair Trade Organizations. FSC may also consider adding wording to the label claim identifying wood from these forests.
- FSC should analyze the social impacts and non-market benefits of certification.
- Because public policies are essential to determining the success of community forest operations, FSC should be more involved in the international arena of forest policy and should study the legal barriers facing community forests. FSC members should also lobby governments for legislative reform.