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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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Consultant's comment

By the end of 2003, global certified forest area had reached around 166 million hectares, up from around 135 million hectares at the beginning of the year. Much of the recent growth in area has been in North America, both through the SFI Program and FSC. Europe and North America still dominate in terms of world certified forest area, but towards the end of 2003 there were significant developments in other parts of the world.

In September 2003, a breakthrough was achieved for tropical forest certification with the announcement by the Malaysian Timber Certification Council that it would recognize four more state forest management units (FMU) and reinstate a suspended certificate for a fifth FMU. This move meant that the area of independently certified forest in Malaysia increased from around 1.3 million hectares to 4.1 million hectares. MTCC is piloting the "phased approach" to forest certification in the tropics.

More news has emerged of efforts to develop forest certification schemes in Russia. FSC has had a presence in this country for some time, focusing mainly on certification of model forests. In November 2003, the Union of Timber Manufacturers and Exporters of Russia announced details of the "National System of Voluntary Forest Management Certification" or RSFC. The documents made available indicate that much development work has already been carried out. At present it is difficult to judge the extent of support for this system within Russia, and the nation's chaotic regulatory regime suggests that it may take years to achieve widespread implementation. Nevertheless, there may be considerable long-term implications of an independent certification framework designed specifically for the world's largest national forest estate.

Russia was also a focus of attention at the UNFCCC Conference to discuss international responses to climate change held in Milan in November. Russia is making the most of the fact that it effectively holds a casting vote on the survival of the Kyoto Protocol. Apparently in an effort to squeeze a better deal, Moscow suggested that it may not endorse the Protocol which aims to cut global emissions of greenhouse gases by 5.2% of 1990 levels during a five year period beginning in 2008. These uncertainties over the future of the Protocol did not prevent the parties to the agreement hammering out a compromise in Milan on the use of forests as carbon sinks.

The last quarter of 2003 saw other international negotiations which may be of great significance to the future of international forest policy. The first stages of renegotiation of a new International Tropical Timber Agreement seemed to progress smoothly, with early indications that there will be no major change in the scope of ITTO's work during the next decade.

The same cannot be said of the Convention of Biodiversity (CBD). In November, a meeting of the scientific body advising the parties to the Convention set out proposals for an expanded program of work on forest biodiversity with the central aim of "*applying the ecosystem approach to the management of all types of forest*". A wide range of measures are proposed, including expansion of the protected forest network and various trade measures designed to combat illegal logging. These proposals are due to be discussed at the next CBD Conference of the Parties to be held in Malaysia in February.

In Europe, the FLEG process continues to occupy policy makers. There was a barrage of meetings during December to discuss progress in national FLEG action plans and new public sector procurement policies. Increasingly European policy makers are demanding that wood product suppliers provide independent verification of legality, backed by full traceability of wood product flows.

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1 Forest certification developments

1.1 Global certified forest area

Table 1. Estimated global area of certified forest under different schemes 30 November 2003, million hectares

	FSC	PEFC	SFI	CSA	Other	Total area	% forest area d)
N. America	8.5		41	17.9	12.0 (a)	79.4	17%
W. Europe	12.2	47.0				59.2	47%
E. Europe	11.6	1.9				13.5	21%
Asia	0.4				4.1 (b)	4.5	<1%
S. America	3.5					3.5	<1%
Africa	1.6				2.3 (c)	3.9	<1%
Russia	1.4					1.4	<1%
Australasia	0.8					0.8	<1%
All	40	48.9	41	17.9	18.4	166.2	5%

a) "Other" in North America refers to the American Tree Farm System.

b) "Other" in Asia refers to the Malaysian Timber Certification Council scheme.

c) Areas under "other" in Africa include 1.2 million hectares in Gabon recognised by the Dutch Keurhout scheme, and 1.1 million hectares in Congo (Brazzaville). The latter certificate was issued by SGS to CIB and was recognised by Keurhout until 8 August 2002. However Keurhout withdrew this recognition on 8 August 2002 on a technicality raised by Greenpeace.

d) Forest area draws from FAO data and includes both commercial and non-commercial forest land. The proportion of certified commercial forest land will be higher.

Most of the increase in certified forest area this year has been in North America. The most dramatic increase has been certification under the Sustainable Forestry Initiative (SFI) Program. With around 41 million hectares of certified forest land, the SFI Program has overtaken FSC as the world's second largest forest certification scheme in terms of forest area (after PEFC).

Throughout 2003, the total area of FSC certified forests has increased by around 6 million hectares. Of this area, around 4 million hectares were in North America - mainly the Canadian forest holdings of Tembec and Nippissing Forest Management Inc.

In western Europe, the only large areas certified under any scheme this year have been in France. Around 1.8 million hectares of French forests have been certified through the PEFC scheme this year, mostly using PEFC's regional certification procedures. In the last few months of 2003, around 161,000 hectares were certified in Belgium, also through the PEFC scheme.

The area of certified forest outside North America and Europe has increased more slowly this year. The most significant FSC certification was in Russia covering around 1 million hectares of model forests in the western part of the country.

Tropical forest certification has been trailing behind. However the Malaysian Timber Certification Council (MTCC) scheme achieved a breakthrough in September 2003 when it issued new certificates covering forests in four states of Peninsular Malaysia and reinstated the certificate for another state. Seven State forest management units in Peninsular Malaysia covering 4.11 million has. have now been certified by the scheme.

Looking at future potential, there is still plenty of scope for expansion of certified forest area in North America and this region may remain the major growth centre in 2004. Now that most of the large state-owned forests of the Baltics and Poland are certified, the rate of further expansion in certified area in Eastern Europe may remain quite slow. However in Russia, large state ownership combined with the recent emergence of a national forest certification scheme may lead to extensive uptake in this country in coming years.

There is also likely to be strong growth in certified forest area in temperate areas of the southern hemisphere in the next two years. Large areas of radiata pine plantation in New Zealand and eucalyptus plantations in South Africa have already been certified under FSC and this trend is likely to continue. Meanwhile, Chile's national certification scheme CERTFORCHILE has become the first non-European scheme to be put forward for endorsement by the PEFC Council. So large supplies of Chilean radiata pine should soon be available with the PEFC label. The Australian Forestry Standard (AFS) certification scheme has been finalised and put forward for PEFC endorsement. Brazil's ABNT forest certification scheme is nearing completion, with much of the initial certified forest area likely to comprise eucalyptus and pine plantations in southern Brazil.

1.2 Chain of custody certificates

**Table 2. Chain of custody certificates issued by FSC and PEFC
30 November 2003**

Forest Stewardship Council				PEFC	
World total	2799	America	739	World total	992
		USA	419		
Europe	1553	Brazil	145	Germany	320
UK	299	Canada	85	France	241
Germany	212	Chile	20	Austria	232
Poland	195	Asia	318	Finland	74
Netherlands	181	Japan	121	Czech Republic	42
Switzerland	118	Vietnam	50	Sweden	40
Sweden	110	China	52	UK	15
Italy	66	Malaysia	34		
Belgium	66	Indonesia	27		
Latvia	62	Africa	131		
Denmark	52	South Africa	115		
France	46	Oceania	58		
Ireland	22	New Zealand	55		

Over the last 2 years, uptake of FSC and PEFC chain of custody certification has been rising at similar rates. Since end 2001, FSC has issued around 1050 chain of custody certificates bringing the total from 1750 to 2800. During the same period, PEFC CoC certificates have risen from 0 to 992 certificates.

The table illustrates the extent of European dominance in chain of custody and the supply of labelled products. All PEFC CoC certificates and around 55% of FSC CoC certificates have been issued to European firms. In addition, a large proportion of FSC certificates issued in Asia and Africa are to service European supply chains.

1.3 Programme for Endorsement of Forest Certification Schemes (PEFC)

1.3.1 General Assembly

At the PEFC General Assembly in November 2003, PEFC changed its name to reflect its extended geographical coverage. The new name "Programme for Endorsement of Forest Certification Schemes" acknowledges that non-European forest certification schemes are now included in its membership. A new PEFC Board was elected to reflect the increasing geographical diversity of members.

Other news from the General Assembly includes the admission into PEFC membership of Poland's national forest certification scheme. Australia also became the second non-European scheme, after Chile, to be submitted for the assessment process.

The General Assembly also agreed to a motion supporting strengthened links between the PEFC and the United Nations Forum on Forests (UNFF). Members of PEFC agreed that UNFF is “*the principal body at a global level to achieve a balanced approach to sustainable forest management*”. PEFC has applied for membership of UNFF.

1.3.2 PEFC strengthens links with international accreditation organisations

In recent months, PEFC has continued a dialogue with the International Accreditation Forum and the European Co-operation on Accreditation and has applied for membership of the former. The International Accreditation Forum, Inc. (IAF) is the world association of Conformity Assessment Accreditation Bodies and other bodies interested in conformity assessment in the fields of management systems, products, services, personnel and other similar programmes of conformity assessment. Its primary function is to develop a single worldwide program of conformity assessment which reduces risk for business and its customers by assuring them that accredited certificates may be relied upon. IAF members accredit certification or registration bodies that issue certificates attesting that an organisation's management, products or personnel comply with a specified standard (called conformity assessment). IAF accreditation body member programs must be in accordance with IAF endorsed International Standards (ISO standards) or Application Guidance approved by IAF.

1.3.3 PEFC Poland

Development of the new PEFC Polska scheme has been led by SITLiD, the Association of Foresters and Wood Technologists. It has been established to create and implement an independent national Polish forest certification system that intends to become mutually recognized within the PEFC Council. PEFC-Polska will develop a Polish forest certification system based on the Pan-European sustainability criteria, Polish law and on the rules and requirements contained in the PEFC Council documentation. The objectives of “PEFC Polska” include: support for sustainable forest management; use of timber as ecologically recycled natural resource; promotion of wood products; natural protection; and stable, balanced development of forestry. The 35 organizations involved in the PEFC-Polska initiative include forest owners’ organizations and their organizational units; non-governmental ecological organizations; wood working industries; scientific and educational institutions; and trade unions.

1.4 Forest Stewardship Council

1.4.1 New accreditation standards

An FSC technical committee met on the 12th-14th November in Bonn, Germany to review the latest draft of the new FSC Accreditation Standards, which are due to replace the current FSC Accreditation Manual in 2004. These standards govern FSC procedures to ensure that certification bodies are independent and competent to certify against the FSC standards.

The committee reviewed issues raised by certification bodies and others and provided recommendations to address these concerns. John Palmer, Chair of the FSC UK Standards Group, Liviu Amariei, FSC Consultant, Pierre Hauselmann, Pi Consulting, and Piotr Sroczynski, of the SGS Qualifor Program, attended the meeting coordinated by Matthew Wenban-Smith, Head of Policy and Standards Unit.

The new standards aim to incorporate lessons learned over the previous five years of the accreditation program, recommendations of the “FSC Change Management Team” report, and instructions from the 2002 FSC General Assembly. The 2nd draft of the Accreditation Standards were made available for a 60-day consultation period which ends on 7th January 2004.

1.4.2 FSC in Canada

On 14 November, Domtar Inc. and WWF-Canada announced that they had signed an agreement committing both organizations to work together to ensure the long-term conservation of forests in Canada. More specifically, Domtar agreed to certify all of its forests and mills to FSC standards, subject to the successful completion of two pilot projects.

According to WWF, Domtar's commitment to this agreement has the potential to more than double the acreage of FSC certified forest in North America. By certifying all its forest operations and mills to FSC standards, Domtar will be in a position to significantly expand its existing line of FSC certified products.

Domtar has a long-standing involvement with FSC. After completion of FSC standards for the Great Lakes/St Lawrence forest, Domtar certified its private forests in southern Ontario and upper New York State, and subsequently developed two FSC certified papers: Domtar Cornwall and Domtar Opaque – Plainfield.

According to press information, Domtar is the third-largest producer of uncoated freesheet paper in North America. It is also a leading manufacturer of business papers, commercial printing and publication papers, and technical and specialty papers. Domtar manages 22 million acres of forest land in Canada and the US, and produces lumber and other wood products. The company also has a 50 per cent investment interest in Norampac Inc., the largest Canadian producer of containerboard.

1.4.3 FSC in Russia

FSC accredited certifier Smartwood, through its Russian partner NEPCon, has focused in recent months on certification of model forests in Russia. Most recently it issued a certificate to the Russian state forestry company STF Strug covering 18,444 hectares of forest in Pskov Oblast in the European part of Russia. This is the second certificate that the SmartWood Program has issued in Russia this year. The first was granted to Priluzje Leskhos, which manages an area of 800,000 ha. Both certified areas operate as special Model Forest Projects set up to support and develop environmentally responsible forest management practices. So far, seven forest management operations throughout Russia have been assessed and certified under the FSC system. NEPCon carried out the assessment of STF Strug, a subsidiary company of Stora Enso, in April 2003. According to NepCon, this certification was successful because substantial preparatory work has been done over the past three years with support from the Pskov Model Forest Project and Stora Enso.

1.5 Russia develops national forest certification scheme

While FSC has been concentrating on certification of Model Forests in Russia, other interests have been developing an alternative national forest certification program for Russia. Details of the "National System of Voluntary Forest Management Certification", referred to as the RSFC, were recently distributed to targeted export market contacts by the Union of Timber Manufacturers and Exporters of Russia.

The documents issued indicate that progress in the development of forest certification standards and procedures is well advanced. A set of Criteria and Indicators (C&I) for Sustainable Forest Management has been published. These are to form the foundation of forest certification under the scheme. The indicators may be modified and adjusted according to the different requirements of forest regions of Russia. In addition, the documents contain more detailed guidance on how conformance with each indicator will be assessed. A preliminary review suggests the C&I are fairly comprehensive covering legal conformance; security of land tenure; sustainable timber production and regeneration; efficient utilisation; preservation of forest protective functions and bio-diversity; preservation of forests of special environmental and cultural value; environmentally safe storage of timber; security of employee social rights; security of local access rights to forest resources; and availability of information about socially significant activities of the enterprise.

The RSFC's governing body will be appointed by a so-called "National Board on Voluntary Forest Certification". The governing body will comprise a chief executive officer, secretariat, department of auditor accreditation, department of certificate approval, appeal department and technical department. The scheme therefore does not fully conform with ISO Guidelines for accreditation (ISO Guide 61) since there seems to be no clear division between accreditation functions and other functions for running and managing the scheme.

Actual audits of forestry practice on the ground will be undertaken by "RSFC certification institutions". According to the available documents, requirements for these institutions fall short of ISO Guidelines for independent certification bodies (ISO Guides 62, 65 and 66). The main requirement is that individual auditors are qualified according to state standard "GOST R ISO 14012-98".

The documents also set out rules for monitoring and assessment of chain of custody of wood. As with forest management, chain of custody must be assessed by an auditor accredited by the RSFC governing body. Companies seeking chain of custody certification will be required to demonstrate that they have a reliable documented system to control wood inventory and account for wood flows. The certificate confirming the certificated origin of the timber materials may be granted under the following conditions:

- 1) the enterprise can demonstrate that certified and uncertified wood has been physically segregated either in time or space; or
- 2) the minimum share of wood from certified origins in the total volume of wood processed and shipped by the enterprise is 70%.

A mark of conformity bearing the insignia "RSFC" has been developed. Rules and procedures have been developed to govern the use of this mark. Certified enterprises can use the mark for labelling product and accompanying documentation as well as for advertising and other materials.

The documents made available to the Technical Consultant do not make clear the range of stakeholders involved during development of the scheme, of timescale before full implementation, or of likely extent of future uptake.

1.6 Malaysia

1.6.1 Growth in MTCC scheme

In September 2003, four more State forest management units (Johor, Kedah, Perak and Negeri Sembilan) covering a total of 1.80 million ha of permanent reserved forest in Peninsular Malaysia were awarded the Certificate for Forest Management by the Malaysian Timber Certification Scheme (MTCC). At the same time, the suspension of the Certificate imposed on the Terengganu State forest management unit with effect from 1 November 2002 was lifted. These decisions were taken by the MTCC Certification Committee at its Fifth Meeting held on 18 September 2003.

Since MTCC began operations in October 2001 using a phased approach, eight timber producing State forest management units (FMUs) in Peninsular Malaysia with a total area of 4.74 million hectares have been assessed against the MC&I (2001), the Malaysian standard for forest management certification which is based on the ITTO Criteria and Indicators. Of these eight states, seven covering a total of 4.11 million ha of PRF have now been certified under the MTCC scheme. The states of Pahang and Selangor have held certificates since December 2001.

The Kelantan State FMU failed an assessment in September 2002, but was scheduled to be reassessed in November 2003. Results of this reassessment have yet to be made publicly available.

In September 2003, MTCC awarded Chain-of-Custody certificates to an additional eight timber companies, bringing the total number of CoC certified companies to 37. These

certificates allow the companies to export MTCC-certified timber products using the MTCC logo. By the end of September 2003, a total of 3,882 m³ of MTCC-certified sawn timber had been exported to The Netherlands, Germany, Belgium, the United Kingdom and France. At present, MTCC offers no mechanism for chain of custody assessment and labelling outside Malaysia.

1.6.1 Malaysian government perspective

A high ranking Malaysian government official recently repeated the call for mutual recognition between forest certification schemes. He highlighted the need for forest certification schemes to reflect the needs of producers at least as much as the demands of consumers in importing countries. He also suggested that current forest certification practice continues to discriminate against smaller owners and poorer countries. These were main themes of a presentation by Hooi Chiew Thang, the Malaysian Deputy Director-General of Forestry (Planning and Development) to the World Forestry Congress in Quebec during September.

Thang suggested that the current proliferation of timber certification schemes may create problems for timber-producing countries, especially those that are export-oriented. He said that *“timber certification schemes using different sets of criteria and indicators to define and assess SFM have exacerbated the need for a set of internationally agreed criteria and indicators for assessing SFM practices at the forest management unit level, taking into account the different levels of socio-economic development of countries and their existing cultural and traditional values, or at the very least, an international framework for their mutual recognition.”*

Thang noted that *“Criteria and indicators based on the environmental conditions and needs of the importing country may be environmentally inappropriate, given the local conditions in the country of production”*.

Thang criticised current forest certification practice for being discriminatory: *“Although timber certification is expected to promote economic and social equity, and in particular corporate social responsibility, by including governance by social and indigenous people's groups, as well as trade unions in forest management decision-making, at the same time timber certification appears to work against that goal. The small farmers and producers often find certification too costly, and they are unable to access the capital, information and the markets that certification is meant to offer. Many poorer countries are also finding this discriminatory.”*

Thang noted the apparent gap between economic costs and benefits of forest certification in Malaysia: *“initial costs required to improve forest harvesting operations, as compared to current practices, would increase by US\$65.05 or 62.5% per ha, while the expected long-term gains from reduced post-harvesting activities have yet to be proven. In this connection, the success of timber certification introduced on a voluntary basis will depend on whether consumers are willing to pay more ('green premium') for timber products produced from sustainably managed sources.....However consumers in Europe are not very willing to pay more for forest products emanating from certified forests. This is also true for the United States of America where 81% of companies that own and manage forest lands and 70% of companies that manufacture and sell certified products, but play no role in the management of forest lands, are sceptical that any premium will emerge. Hence, increased production costs may not be readily passed to the consumer without a reduction in consumption.”*

1.7 Keurhout taken over by Netherlands Timber Trade Association

The independent foundation that runs the Netherlands Keurhout scheme is being liquidated at the end of December 2003. However the scheme will continue to be operated by the Netherlands Timber Trade Association.

Since its launch in 1996, the Keurhout scheme has allowed marketing of wood derived from forests managed in accordance with the Keurhout principles under a single “good forestry”

trademark in the Netherlands. Keurhout acts as a “gatekeeper” in the Netherlands, assessing forest certificates on their own merits, irrespective of which scheme has issued the certificate. In their latest listing of recognised forest certificates, Keurhout states that the total area of forest currently recognised amounts to 35.3 million hectares.

Two developments have forced the liquidation of the Keurhout Foundation:

Declining levels of financial support. When originally established the intention was for Keurhout to eventually become self-financing from participants’ contributions and a levy imposed per imported m3 certified timber. However these activities never covered the full costs of operation, and the resulting deficit has had to be jointly supplemented by the Netherlands Timber Trade Association (VVNH), the Netherlands Association of Joinery Manufacturers and the trade unions. This deficit has been growing as the import of certified timber has been falling rapidly as economic conditions have worsened in the Netherlands.

Lack of broad stakeholder support. Over the last 2 years, the Dutch government under the leadership of the Ministry of Spatial Planning, Housing and Environment has been undertaking a so-called “Broad Consultation” between the private sector and the ENGOs in an effort to build consensus around a new more widely accepted organisation to provide the so-called “gatekeeper function” in the Netherlands. While failing to reach any agreement on an appropriate alternative, it has become clear during these negotiations that the ENGOs would not accept a role for the Keurhout Foundation.

While the Keurhout Foundation is being disbanded, the scheme will continue to be run by the Netherlands Timber Trade Association. This is partially a stop-gap measure until such time as the “broad consultation” reaches agreement on an alternative framework. However VVNH comment that even with the development of a broad stakeholder scheme, there may still be a long term role for an industry-led initiative. VVNH also have plans to adapt the scheme to include recognition of “legality verification” procedures, in line with new public sector requirements, and in an effort to increase it’s relevance to the tropical hardwood trade.

The VVNH will therefore take over the Keurhout logo from the Keurhout Foundation and will make it available to its members. In so doing, it will become an instrument of and for the timber sector. Besides the Keurhout logo, the VVNH will also maintain the Board of Experts to assess timber certification schemes. The decision of the Council of Experts will become decisive.

2. International Agreements and Institutions

2.1 ITTO

2.1.1 ITTO Meeting, Yokohama, November 2003

The thirty-fifth session of the International Tropical Timber Council (ITTC-35) took place from 3-8 November 2003, in Yokohama, Japan. Most reports indicate the meeting was routine, focusing on administrative issues related mainly to project proposals and to financial matters. ITTO has been making a concerted effort over the past year to rationalize and consolidate its work, while at the same time to develop a stronger strategic focus. The lack of activity at ITTC-35 may therefore be a sign of things to come. With only four decisions taken at this meeting and even fewer envisaged for ITTC-36, the real focus of policy discussions in the ITTO over the next year is likely to be successor agreement negotiations.

2.1.2 Renegotiation of the International Tropical Timber Agreement

More significant for the long term future of international forest policy was the meeting immediately following ITTC-35 of the “*Preparatory Committee for the Negotiation of a Successor Agreement to the 1994 International Tropical Timber Agreement*”. This meeting, the second of the Preparatory Committee (referred to as PrepCom II) was attended by

around 100 representing ITTO member countries, potential members, intergovernmental organizations and non-governmental organizations (NGOs).

The International Tropical Timber Organisation (ITTO) and its governing Council (ITTC) operate under the terms of the ITTA. The first International Tropical Timber Agreement was negotiated with a limited life span under the auspices of United Nations Conference on Trade and Development (UNCTAD) and came into force in 1985. The successor agreement to the ITTA (1983) was negotiated in 1994 and came into force on 1 January 1997. The life time of this agreement is due to expire in July 2004.

The aim of Prepcom II was to review a draft working document of the successor ITTA. In the end, delegates at PrepCom II produced a final draft text that will serve as the basis for discussion at the UN "*Conference for the Negotiation of a Successor Agreement to the ITTA*" to be held in Geneva in July 2004.

Much of the discussion at PrepCom II seems to have focused on financial arrangements with the aim of putting ITTO on a sustainable financial footing. There was much pressure from tropical producer countries to increase "annual assessed contributions" from timber consuming countries, particularly from the European Union. "Annual assessed contributions" are regular payments to ITTO calculated for tropical importing countries on the basis of market share, and in the case of producer countries on extent of tropical forests. These regular payments are distinct from the voluntary contributions made by ITTO member countries to fund ITTO projects.

There was also much discussion of the scope of the successor Agreement. Reports suggest that many interventions during PrepCom II called for replicating the basic character of ITTA (1994) as a commodity agreement and cautioned against moving too far away from its current focus on managing the flow of tropical timber from sustainably managed sources. The prevalent view seems to be against dramatic changes in the scope. There seems to have been little or no pressure to extend the agreement beyond tropical forests and to accommodate all types of forest which was so much a characteristic of the 1994 re-negotiation.

Even though the scope of the agreement may not drift far from ITTA (1994), there may be a major change in how delegates view the Organization's future role in the international policy domain. There were a number of interventions made by delegates to rename the Organization the "International Tropical Forest Products Organization" or the "International Tropical Forest Organization". Such requests reflected a desire to move sustainable forest management policy higher up on the international political agenda.

2.1.3 ITTO Communication

ITTO has stepped up its communication activities in the last two years in an effort to demonstrate the role it is playing to improve forest policy in tropical developing countries, and to encourage consumers to buy sustainably managed tropical forest products to help ensure long-term conservation of tropical forests.

ITTO's increased focus on communication partly reflects the relative lack of effective private sector initiatives. Due to limited resources, marketing expertise and direct knowledge of export markets, tropical wood producers have often not been well represented in major consumer countries. And in Europe, marketing efforts by importing associations and companies have tended to weaken in line with the declining importance of tropical hardwoods in the market place. Furthermore, according to ITTO, the traditional links between tropical hardwood producers and timber importers in Europe that used to encourage information exchange are now breaking down. In former years, European agents and buyers would regularly visit tropical suppliers, concessions and mills. However this practice is now being abandoned as profit margins have narrowed, as cost savings have become necessary, and as fewer importers buy direct and instead rely on a limited number of large trading companies.

Under pressure from environmentalists, more and more European importers have chosen to adopt policies focused on promotion only of certified tropical hardwoods, and of excluding uncertified products. Broader marketing and PR based approaches designed to explain the importance of continued trade in tropical hardwood products have been abandoned by large swathes of the European importing industry.

ITTO is now taking steps to fill this information gap. It has improved coverage of tropical forest issues and increased circulation of its quarterly Tropical Forest Update, published in the three working languages of ITTO (English, French and Spanish). ITTO claims this now has a circulation of 11,500. It has prepared a series of promotional and informative brochures covering the germane themes of ITTO activities including, in particular, the ITTO Objective 2000. ITTO also recently collaborated with Earthscan and Professor Duncan Poore – a tropical forestry expert - to publish “Changing Landscapes”, a review of policies for the sustainable forest management in the tropics with a particular focus on the formulation and work of ITTO.

After several attempts, ITTO has finally secured the approval by the ITTC for phase 1 of a project "*A Consumer Awareness Programme to Address Market Failures for Tropical Hardwoods*". The purpose of this project is to gather and generate promotional materials which could be used by both ITTO and its members in launching generic promotional campaigns for tropical timber and products. ITTO are now seeking funding for the implementation of this project.

2.2 Kyoto Protocol

Much of the headline news surrounding the latest meeting of the UN Framework Convention on Climate Change (UNFCCC) revolved around conflicting signals from Russia on their willingness to ratify the Kyoto Protocol. Equally significant from the perspective of the timber industry were lower key decisions taken on the use of forests as carbon sinks. The Earth Negotiations Bulletin even suggests that the 9th Conference of the Parties to the UNFCCC (COP-9) held in Milan during November may be remembered as the “Forest COP”.

Russia’s weaving statements on the ratification of the Kyoto Protocol are certainly significant. With the EU and Japan supporting ratification and the US against, Russia now effectively holds the casting vote. Failure by Russia to ratify the Protocol would mean it would not come into force. The Protocol aims to cut emissions of greenhouse gases by 5.2 percent of 1990 levels during a five-year period beginning in 2008.

In recent weeks, one senior Kremlin aide has said Moscow cannot ratify the pact in its current form. He was then immediately contradicted by an official from the economy ministry who said Russia was moving toward ratification. Russia's Foreign Ministry has said Moscow still has not decided whether to approve the treaty.

This approach to the Protocol has been widely interpreted in Europe as Russian brinkmanship as Moscow seeks to use it’s casting vote to squeeze the best possible deal. European analysts suggest that Russia already gets a good deal from the Kyoto Protocol. Russia’s national targets for reductions in greenhouse gas emissions were agreed based on emission levels at the end of the Soviet era when old state-run industries were belching out vast quantities of pollution. The collapse of these industries has meant that Russia is already well on it’s way to meeting these targets and would be well positioned to profit from the trade in “carbon credits” to be established through the Protocol.

The Russian stance has encouraged the EU to play it’s own game of brinkmanship. To date, the E.U. has always given it’s full support to the Protocol. It has already drawn up legislation to help member states meet emissions targets under the pact and has created the world's first emissions trading scheme. But in December, the European Energy and Transport Commissioner Loyola de Palacio's said the E.U. must now review its strategy of unconditional support. The Italian Industry Minister Antonio Marzano also noted the E.U.

could suffer competitively if it was alone in implementing Kyoto. This is the first time that the E.U. has ever suggested it may be unwilling to implement the Protocol. But it may simply be a ploy to encourage a more positive attitude in Moscow.

While all this was going on, the official negotiations at COP-9 reached consensus on the use of forests as sinks under the so-called Clean Development Mechanism (CDM) of the Kyoto Protocol. Ever since COP-4 in 1998, the issue of sinks in the CDM has been plagued by complex and time-consuming discussions and often diametrically opposed negotiating positions. However a long period of sessional and inter-sessional consultations helped to forge good relationships among negotiators and provided the basis for a much more cordial atmosphere at COP-9.

Essentially, the debate could be viewed as one between buyers and sellers of carbon sequestration credits. The buyers, including the EU, Norway and Switzerland, were mostly concerned about the quality of the product and sought conditions that would protect their investments and maintain credibility with environmental NGOs. Some insisted on rigorous criteria for socioeconomic and environmental impacts of new plantations to be awarded carbon credits. Questions were raised specifically on the propriety of using GMOs and exotic tree species for these plantations. The sellers, including Bolivia, Colombia, and other Latin American countries, on the other hand, strove for favorable market conditions aimed at avoiding "crippling" transaction costs. They sought a more flexible trading framework for carbon credits and environmental and social impact assessments that are not excessively strict and costly.

After years of negotiations, a compromise package was agreed at COP-9. While the value of the compromise still needs to be tested, for now, all Parties agreed that the only way forward is learning by doing. In their decision on "afforestation and reforestation" under the CDM, the COP declares an awareness of relevant provisions in international agreements, taken to include various inter-governmental sustainable forestry processes (such as UNFF, ITTO etc.). The decision recognizes that Parties should evaluate risks associated with GMOs and use of exotic species according to their own national laws. The decision also invites Parties' submissions on simplified procedures for small-scale forestry projects and their implementation, and requests the Secretariat to prepare a technical paper on the matter based on Parties' submissions for consideration at COP-10.

2.3 Convention on Biodiversity

Recent inter-sessional meetings of the Convention on Biological Diversity (CBD) have highlighted the extent to which this Convention is straying into forest policy issues.

The CBD requires participating countries to implement national programs to conserve biodiversity. The Convention is notable for its extensive global coverage, including most, if not all, of the key timber supplying countries with the notable exception of the United States. The United States signed the Convention but never ratified.

In the past, CBD avoided over-lap with forest-sector specific organisations – such as UNFF and ITTO – by ensuring that its provisions were extremely general and non-sector specific. But this changed at the 6th meeting of the parties (COP-6) in the Hague in April 2002. At this meeting, a decision was taken expressing the need for urgent action for forests that are threatened, important for biodiversity, and have potential for conservation, sustainable use and benefit-sharing.

Since then environmental campaigning groups have focused heavily on influencing activity undertaken under the Convention. They are regular participants at the COP and at the inter-sessional meetings of the scientific body advising on implementation, known as the the Subsidiary Body on Scientific, Technical and Technological Advice (SBSTTA). The private sector has not been so heavily involved.

Activity through the Convention has also been galvanised following the World Summit of Sustainable Development (WSSD) held in South Africa in September 2003. This established an international target to "reduce significantly the rate of biodiversity loss" by 2010. In line with these ambitious targets, there has been pressure for the Convention to move away from a passive approach to become an outcome-oriented process based on the establishment of targets and development of appropriate monitoring and indicators. Issues of targets and indicators were politically taboo during CBD meetings only a few years ago, but are now becoming an integral part of the Convention's operation.

This then forms the background to discussions at the 9th meeting of the SBSTTA held in November. The underlying aim of this meeting was to prepare the ground and make recommendations for the 7th meeting of the parties to the CBD which will be held between 9 and 20 February in Kuala Lumpur, Malaysia.

At the November meeting, the SBSTTA made some potentially significant recommendations on CBD action in relation to forestry. In particular it recommended that CBD "adopts an expanded programme of work on forest biological diversity that identifies priority setting, actors, timeframes and ways and means for implementation, as well as indicators of progress supplemented by targets".

There was much consideration at the meeting of the relationship between CBD and the various inter-governmental sustainable forestry processes such as UNFF and ITTO. This relationship is complicated by the fact that CBD uses different terminology. Rather than supporting "sustainable forest management" in line with other processes, the central aim of the recommended CBD work plan is "To apply the ecosystem approach to the management of all types of forests".

Much energy is being expended by the SBSTTA to examine what the ecosystem approach actually means in relation to forest management and how it relates to SFM. In simple terms, it seems the SFM approach is perceived by SBSTTA to focus more heavily on individual forest management units, whereas the "eco-system" approach is more oriented towards management of whole landscapes. Furthermore, SFM is perceived to place greater emphasis on timber production while the eco-system approach is more focused on biodiversity conservation issues. SFM is also perceived to lack the cross-sectoral linkage of the eco-system approach. However SBSTTA perceives that the SFM approach has certain strengths compared to the eco-system approach, notably its reliance on criteria and indicators and the systems for monitoring against these criteria.

On a less esoteric level, the "expanded programme of work on forest biological diversity" recommended by SBSTTA includes as a goal: "Combat illegal logging, illegal exploitation of non-timber forest products, illegal exploitation of genetic resources, and related trade. A whole range of activities are suggested to achieve this goal including:

- encouraging parties to CBD to provide information on a voluntary basis on the extent and effects of illegal logging;
- evaluate and reform, as required, legislation to include clear definition of illegal activities and to establish effective deterrents.
- develop methods and build capacity for effective law enforcement.
- develop codes of conduct for sustainable forest practices in logging companies and the wood-processing sector to improve biodiversity conservation.
- encourage and support the development and implementation of tracking and chain-of-custody systems for forest products to seek to ensure that these products are legally harvested.
- and invite governments and relevant organizations to develop and forward to the Secretariat case-studies and research on the impacts of illegal exploitation and trade in timber and non-timber forest products.

3. National forest policy

3.1 Big risks for the Russian forest sector

A paper to the World Forestry Congress in Quebec during September provides a valuable and timely insight into the current state of Russian forest policy and timber industry. Although there are some positive signs, forest policy and management remains chaotic and there is a severe threat of cataclysmic wild fire losses in coming years.

The paper by Anatoly Shvidenko, International Institute for Applied Systems Analysis in Austria on "Russian forests at the beginning of the third millennium" highlights that the heavy economic and social crisis of the last decade has affected all components of the Russian forest sector. Forests remain a federal property, but the state budget does not cover even 50% of what is required to provide adequate support to inventory, research, restore and protect forests. Annually inventoried areas have decreased threefold during the last decade, and the obsolescence of forest inventory data has become critical.

The major economic problems of the forest sector have not been solved. Forest science and professional education are in deep decline. Forest fire protection is completely inadequate. The soviet forest industry sector has been destroyed and not been replaced in any meaningful sense by the new emerging private sector. In 1998, Russian wood removals were only 22.0% of levels prevailing in 1988. Currently, the Russian share of global wood removal is only 3.2% despite the nation's vast forest resources covering close to 900 million hectares. The average stumpage price across the country is probably the lowest in the world (US\$0.83 per 1 m³ for rent forests and US\$2.7 per 1 m³ of wood sold at auctions in 2002). The actual volume logged is about one-fifth of the annual allowable cut (22% in 2001), but the available resources of regions with developed infrastructure are nearly exhausted.

Virtually no new roads are being built, and from 1993 to 1998 alone 54 000 km of timber-carrying roads in European Russia became unfit for use. The depredation of forests has become even more evident than before. According to official sources, illegal harvest (in diverse forms) is negligible (within the limits of 1 million m³/yr in 2001 and 2002). But according to non-governmental organization data and other independent estimates, the amount of illegally harvested wood reached 10-30% in regions of basic logging, and in some export-oriented regions more than 50% of most valuable species and assortments.

All these problems generate a paradoxical situation whereby the forest income of the world's biggest forest country does not meet the needs of adequate forest management, and the forest industry provides just 2.5% of GDP. The country has no clearly defined national forest policy. The latest reorganization of state forest management in Russia in 2000 terminated the Federal Forest Service as an independent governmental body, which has brought additional organizational and institutional problems.

The legislative and institutional reforms of the Russian forest sector during the last decade have been slow and often inconsequential and ineffective. However, the last two to three years have seen evidence of increasing political and social interest in forest problems and the forest sector. The government approved the Concept of Development of Forest Management in the Russian Federation for 2003-2010, and a new Forest Code is under consideration. Appropriate legislative decisions on forest concessions are currently being debated. The budget for 2003 supposes a substantial financial increase for forest inventory and forest fire protection. Basic economic indicators of the forest industry sector have increased slightly in 1999-2002.

The above actions are more than timely, especially since the trend in forest fires and insect attacks appears to have worsened and the country currently lives in a changing climate, with rising temperatures and increasing instability of the regional climatic system. Some models predict that a major part of Russian forests may be completely destroyed in the twenty-first century by catastrophic natural disturbances if major scenarios of climatic change for the Russian boreal zone are true, and the level of forest protection is not improved.

3.2 Malaysia claims it is taking enforcement issues seriously

The Malaysian government has stepped up its efforts to demonstrate that it is taking its responsibilities seriously to help enforce the log export ban from neighbouring Indonesia. These efforts follow recent allegations by the Indonesian government that demand for illegal logs by Malaysian companies was fuelling illegal exports from the country.

In recent weeks the Security and Assets Protection Unit (SAPU) of the Sarawak Forestry Corporation seized 10 tons of sawn ramin wood at a border crossing point in Sarawak. Ramin is cited under the CITES (Convention on International Trade of Endangered Species) Appendix III protection and any trade of this species of timber must be accompanied by proper documentation from the relevant authorities of the host nation where the timber is sourced from. The confiscated shipment was not covered by any proper CITES documentation.

When reporting the seizure, SAPU claimed that reports of massive illegal shipments across the border from Indonesia to Malaysia were over-stated. *"As to allegations that huge amount of illegal timber is being shipped across the border, anyone who has been to the border check points will know that such cases are mere exaggerations. In fact, we are making sure that such illegal shipments are confiscated and furthermore, to bring in the amount alleged would require heavy machineries and literally thousands of trucks just to carry them. The roads at the border crossings are not able to accommodate these huge amount of traffic and they cannot pass through our border check points without being noticed."*

SAPU were obviously stung by recent allegations by the Indonesian forestry minister that Malaysia had colluded with wood smugglers in illegal timber trade and the Minister's call for wood consuming countries like Japan, the European Union and United States to cease buying wood products from Malaysia. SAPU suggest that *"Such allegations are purely to deflect the real issue of illegal felling of trees in their own areas which are beyond the jurisdiction and reach of outsiders. While stating that outsiders are colluding with the timber smugglers, it is clear that the authorities concerned there are aware of such activities being rampant in their areas and rightly should be taking steps to put a stop to such activities. By highlighting the issue instead of taking action at the source, it is clear that the authorities concerned only wanted to smear our name and reputation in the eyes of the international community."*

4 National timber procurement policy

4.1 United Kingdom

4.1.1 Responsible Timber Procurement seminar

AF&PA's Technical Consultant attended a meeting to discuss UK government timber procurement policy held on 9 December 2003 in London and arranged by the UK Forest Partnership for Action. This organization is a partnership of government, the forest industry and environmental groups set up to promote sustainable development in the forestry sector, both in the UK and internationally. Its membership includes various central government departments, the UK Forest Industries Development Council, Forestry Commission, Kingfisher plc, Timber Trade Federation and WWF-UK. The meeting was attended by a junior Foreign Office Minister, a large number of key government timber procurement officials, and the usual mix of industry/NGO people. Discussion focused on UK government timber procurement policy. The FO Minister made clear this is now considered a key issue at the highest levels of government.

A report of the meeting is attached. Copies of the presentations are available at: <http://www.ukforestpartnership.org.uk/pages/conference.html>

4.1.2 UK FLEG Programme

The UK's Forest Law Enforcement and Governance (FLEG) Programme is a three-year programme aimed at facilitating reforms by national and international institutions to address failures of governance, policies and markets that sustain illegal logging. The programme is guided by the UK government's Interdepartmental Working Group on Illegal Logging led by Ministers of the Department for International Development (DFID) and the Department for Environment, Food and Rural Affairs (DEFRA). There are also regular meetings with representatives of the UK timber trade and NGOs.

UK Government actions specifically aimed at tackling illegal logging were initiated following the 1998 G8 Summit but a formal programme bringing these together was launched only in October 2002. This Programme is led by DFID. After a year, DFID has been assessing progress made in implementing the programme and, on the basis of that assessment, looking at ways to take the work forward.

To assist with this evaluation, the Royal Institute of International Affairs assembled a small group of stakeholders to a one-day workshop at Chatham House, London on 1st December 2003. The aim of this meeting was to help DFID develop an overview of achievements to date and ensure that future actions are as effective as possible in achieving the programme's overall goals.

Part of the background documentation provided for this consultation is attached to this report. It provides a good summary of the main action points of the UK FLEG Program and of progress to date. It covers four elements:

- The Indonesia-UK Memorandum of Understanding
- Regional Forest Law Enforcement and Governance (FLEG) Processes
- Private Sector Initiatives
- Policy Research and System Development

5 Environmental campaigns and issues

5.1 Greenpeace in cyber-space.

Greenpeace have launched a campaign to encourage members of the public to become "Forest Guardians", a web based network of volunteers that "*campaigns to end the destruction of nature's ancient forests.*" Forest Guardians are invited to choose a "role" within the network to help Greenpeace organise volunteer resources around each forestry campaign. Volunteers may choose one of 4 roles:

*"**Sentinels** are the forest eyes and ears. They report those who attack and damage the forests, and identify new allies who will work with us to prevent destruction.*

***Creativ-Teks** use their talents to create the tools and resources we use to protect the forest.*

***Forest Activists** find targets and take action--in both the real and cyber worlds--to protect the forests.*

***Messengers** spread the word to allies, enlist supporters and new community members, write articles and let people outside the network know about the campaign."*

Details of the network and this new approach to campaigning are available at http://guardians.greenpeace.org/guardian_central. Their most recent campaign targets copy paper with the aim of generating pressure on European retailers to pursue a policy of purchasing only "Ancient forest friendly paper".

5.2 Greenpeace in Brazil

Reports are emerging of serious confrontations between environmental groups and loggers in the Amazon rain forest. During November, Greenpeace claim that three hundred loggers

from Porto de Moz in the northern part of Para State in Amazonia surrounded their vessel MV Arctic Sunrise and threatened local forestry activists with attacks. Greenpeace had been campaigning against illegal logging in the region. Greenpeace claim that the protest and threats were aimed not only against their organisation but also against attempts by the Brazilian government's Environmental Agency (IBAMA) to enforce Brazil's forest laws. Greenpeace suggest that IBAMA inspectors working in the area were trapped in their hotel for a week during November when they were surrounded by armed loggers. Greenpeace allege the loggers were incited by an inflammatory speech by Federal Deputy Nicias Ribeiro, who accused the loggers of "having no balls" unless they forced Greenpeace from the area. For their part, the loggers accused Greenpeace and IBAMA of causing economic chaos. Logging ground to a halt in the vicinity of Porto de Moz when IBAMA arrived to enforce forestry regulations. Logging is the main activity in the area and source of income for local communities of around 15,000 people.

6 Meetings

6.1 Future meetings in Europe

UNFF-4: The Fourth Meeting of the United Nations Forum on Forests (UNFF-4) will convene from 3-14 May 2004 in Geneva, Switzerland. For more information, contact: Mia Söderlund, UNFF Secretariat; tel: +1-212-963-3262; fax: +1-212-963-4260; e-mail: unff@un.org; Internet: <http://www.un.org/esa/forests/session-intro.html>

SIXTH INTERNATIONAL SYMPOSIUM ON LEGAL ASPECTS OF EUROPEAN FOREST SUSTAINABLE DEVELOPMENT: This Symposium, organized by IUFRO, will be held on 1 June 2004, in Brasov, Romania. For more information, contact: Peter Herbst; tel: +43-4242-52471; fax: +43-4242-264048; e-mail: hp@net4you.co.at; Internet: <http://iufro.boku.ac.at/>

ITTC-36: The thirty-sixth session of the ITTC will be held 20-23 July 2004 in Switzerland. For more information, contact: Alistair Sarre, ITTO Secretariat; tel: +81-45-223-1110; fax: +81-45-223- 1111; e-mail: itc@itto.or.jp; Internet: <http://www.itto.or.jp>

6.2 Future meetings outside Europe

SEVENTH MEETING OF THE CONFERENCE OF THE PARTIES TO THE CONVENTION ON BIOLOGICAL DIVERSITY (COP 7), 9 to 20 February 2004, Putra World Trade Centre (PWTC), Kuala Lumpur, Malaysia. The Conference of the Parties is the governing body of the Convention. The Seventh Meeting of the Conference of the Parties will focus on the issues of Biodiversity in mountain ecosystems, the role of protected areas in the preservation of biological diversity and the transfer of technology and technology cooperation. In addition to these, the COP will also review recommendations for an expanded work plan on forestry biodiversity.

SIMFOR 2004: Third International Symposium on Sustainable Management Of Forest Resources (SIMFOR 2004), organized by IUFRO, will be held from 21-23 April 2004, in Pinar del Rio, Cuba. For more information, contact: Fernando Hernandez Martinez; tel: +53- 82-779363; fax: +53-82-779353; e-mail: fhernandez@af.upr.edu.cu; Internet: <http://iufro.boku.ac.at/>

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