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**Special topic: trade and environment issues in the forest and forest
products sector**

(Item 5 of the provisional agenda)

Note by the secretariat

This document presents the background to the special topic on trade and environment, and the three speakers who will make presentations on the subject.

The Committee is invited to decide, on the basis of the presentations, the discussion and the considerations outlined in the document what activities, if any, it should undertake in this field.

Delegations are invited to come prepared to make a contribution to the discussion after the presentation of the three speakers.

1. At its session in 1998, the Committee "discussed possible new activities, on the basis of proposals prepared by the secretariat, in consultation with the bureau. It identified two areas where the Committee, with the EFC, could usefully undertake new activities, within its existing mandate and in accordance with its comparative advantage. The first of these, addressed by the present document, is trade and environment issues in the forest and forest products sector. (The second was the promotion of environmentally sound use of wood.). The Committee considered that "trade and environment issues in the forest and forest products sector could be addressed at a high level seminar, possibly in 2000. This seminar should be prepared in close cooperation with the ECE Committee on Trade, Industry and Enterprise Development and the Committee on Environmental Policy, with WTO, and a wide range of other bodies, including NGOs. Care should be taken, when deciding on the seminar's scope, to build on, and not duplicate, work undertaken elsewhere, notably under the auspices of IFF, such as the Brazil/UNCTAD seminar on trade related aspects of sustainable forest management of all types of forest, to be held in February 1999¹". (ECE/TIM/91, para 20).

2. The European Forestry Commission however took a more cautious view in October 1998. It "noted that trade and environment issues in the forest sector were highly topical, important and controversial, which necessitated a prudent approach, based on FAO/ECE's comparative advantage (e.g. the possibility of a cross-sectoral approach through WTO and the ECE committees on environment policies and trade). Any work undertaken should take fully into account the work under the auspices of IFF, especially through ITTO. The Commission requested the Secretariat to explore possible approaches with potential partners, and prepare proposals for the Executive Committee in April 1999, which would decide whether or not the work should be pursued." (FO:EFC-REP 98, para 17)

3. The bureaux of the two bodies agreed that it was appropriate to devote the special topic of the Committee's 1999 session to trade and environment issues, and on the basis of this discussion, and progress in other fora, notably the Intergovernmental Forum on Forests (IFF), to decide, what if any further action should be undertaken.

Organisation of the special topic discussion

4. It is proposed that the discussion be divided into the following three parts:

- presentations by major (not purely forest oriented) organisations concerned with trade and environment issues;
- a general discussion of these issues from the forest and forest products sector point of view (interventions by Timber Committee delegations)
- decision on future activities, if any.

5. Delegations are therefore invited to come prepared to participate in discussion along the above lines, which should take up the whole morning of Wednesday 29 September.

Invited speakers

¹As of July 1999, this seminar has not taken place.

6. The secretariat has been fortunate to secure the presence of the following speakers from three major trade and environment oriented organisations:

- Mr. J-E. Sorensen, Director, Trade and Environment Division, World Trade Organisation (WTO)
- Mr. C. Arden-Clarke, Head, Trade and Investment Unit, World Wide Fund for Nature (WWF)
- Mr. A. Fry, World Business Council for Sustainable Development (WBCSD)

The speakers will be introduced by a keynote speech from Dr. Carol Cosgrove-Sacks, director of the ECE Trade Division

Future activities of the Timber Committee and the European Forestry Commission

7. On the basis of these discussions, the Committee is invited to draw up plans for future activities, if any, taking account of ECE/FAO's comparative advantage, resources available or which could be made available, and the activities of other bodies.

8. It should be borne in mind that several activities wholly or partly related to the topic are already carried out under ECE/FAO's auspices. These include:

- general review of trade patterns and developments in market review (annual publication, Committee discussion)
- consideration of strategic issues in outlook studies (ETTS V)
- monitoring markets for certified forest products (in annual review and at annual Committee session)
- review of national forest policies at EFC sessions

9. For the convenience of Committee delegations, the relevant parts of the report of the third session of IFF are annexed to the present document. Of the topics identified by IFF, the secretariat considers that the Timber Committee and EFC could make a contribution in the following areas:

- continue monitoring markets for certified forest products;
- further work on life cycle analysis of the environmental impacts of forest products and their substitutes;
- consider whether it can contribute to improving market transparency (in addition to its existing programme of monitoring and providing market information)
- help develop strategies for sustainable forest management with a long term perspective (linked to outlook study work)

10. Broadly speaking it appears there are three options:

- I. Continue low profile monitoring/analysis activities as at present;
- ii. Hold a major, high profile meeting in, say, 2001 or 2002;
- iii. Carry out some more focussed activity, either by a team of specialists or a more limited meeting. In this case, the topic and scope of the activity should be defined quite clearly by the Committee.

11. In any case, the secretariat would ensure that all relevant organisations, including the ECE Committees on Trade, Industry and Enterprise Development, and on Environmental Policy, the Executive Body of the Convention on Long-range Transboundary Air Pollution, the IFF, and the organisations to which the three speakers belong, should be informed of plans, and invited to cooperate.

12. Availability of resources should also be borne in mind. At present the Timber Section is stretched to the utmost limit, and could not "absorb" extra tasks, at least in the short term. Therefore, if the Committee wishes to

undertake new work on trade and environment issues, it should either organise work in such a way that the main burden (e.g. for organising a major meeting, or carrying out a study) is borne by countries, working with the secretariat, or make available resources so that the secretariat can hire additional staff, on a temporary basis, for this particular task. Another alternative would be to drop certain existing tasks, and redeploy resources, but in practice this may be quite difficult: those activities employing substantial secretariat resources (market analysis, statistics, forest resource assessment, outlook studies, as well as the servicing of meetings and teams) are those to which the Committee has allotted high priority in the past and are, in any case closely interlinked.

13. On the basis of the above considerations, the Committee is invited to decide what further activities, if any, it should undertake in the field of trade and environment issues in the forest and forest products sector.

Annex

Extracts of the report² of the third session of the Intergovernmental Forum on Forests (IFF), held in Geneva in May 1999, relevant to trade and environment (text in square brackets has not yet been the subject of consensus)

B. Matters left pending on trade and environment (programme element II.b)

Conclusions

1. Mutually supportive trade and environment policies can effectively promote the achievement of the management, conservation and sustainable development of all types of forests. Taking account that trade and environment policies have their specific objectives, decision-makers, including trade partners, should contribute to achieving trade in wood and non-wood forest products and services from sustainable managed forests, and implement policies and actions, in particular, avoiding policies that have adverse effects, either on trade or on the sustainable management of all types of forests. It is important to take into account the needs of developing countries for social and economic development and environmental protection, in particular poverty alleviation.

2. The impact that international trade in wood and non-wood forest products has on sustainable forest management can be both positive and negative. Trade liberalization adds value to the resource and has the potential to promote economic development, contribute to poverty alleviation and reduce environmental degradation, provided it is accompanied by sound environmental and social policies. However, trade liberalization must not be a vehicle for undermining domestic environmental and health standards which are consistent with international trade rules. Countries should study the positive and negative impacts of trade policies on sustainable forest management. The Uruguay Round yielded significant reductions to tariffs affecting forest products. Special attention should be given to remaining and emerging trade restrictions which constrain market access, particularly for value-added products. Trade measures intended to promote sustainable forest management should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.

3. IFF recognised the potential role of voluntary certification of forest management and labelling of forest products as among the potential tools in promoting sustainable forest management and differentiating forest products and services in the market. However, more practical experience is necessary to reach conclusions on the effectiveness of such programmes. Moreover, unsuitable design or non-transparent application of such schemes may, in some cases, lead to unjustified obstacles to market access. In particular, small and medium-sized forest owners and enterprises, including those of developing countries, may find it excessively costly to implement certification and or labelling schemes. In the context of these issues, the IFF took note of the work of the WTO with regard to voluntary eco-labelling schemes. Proliferation of certification and or labelling

² Advance unedited text, downloaded from IFF website.

schemes calls for further cooperative work, in line with the recommendations of the IPF, towards achieving their international comparability and considering their equivalency while taking into account the diversity of national and regional situations.

4. Forest products and services and their substitutes should be adequately valued through full-cost internalization which in turn would influence competitiveness of these products and services. In this context, countries should undertake analyses of the implications of such valuation on forest management and economic development. Countries should also implement full-cost internalization strategies for forest products and services, and their substitutes, taking into consideration the potential costs and benefits of improved efficiency and sustainability of the forest sector.

5. Some available studies carried out on the relative full life-cycle analysis of the environmental impacts of forest products and their substitutes suggest that the former may be preferable, but further work on such life-cycle analysis is needed.

6. Increased market transparency is essential in order to improve the market access for forest products and services [, including those coming from sustainable managed forests]. In this regard, the role of the private sector is vital but action is also needed by all interested parties to improve market transparency. A better understanding by both producers and consumers of the potential relationship between trade in forest products, forest services and their substitutes and sustainable forest management, could help to promote responsible choices in the supply and demand for forest products, forest services and their substitutes.

7. The nature and extent of illegal trade in wood and non-wood forest products [, including forest biological resources,] is a serious concern due to damage to ecosystems, loss of biodiversity, lost revenue by governments, forest owners and local and or indigenous communities, and distortion of markets for forest products and services. National policies and international cooperation are important to reduce illegal trade with the aim towards its elimination.

8. Recent changes in the markets for forest products, such as those caused by the recent financial crisis, have raised concerns on the ability to continue the implementation of measures aimed at sustainable forest management but have at the same time increased the need for it. The long-term impacts of such unpredictable events on efforts to promote sustainable forest management need examination and monitoring. Such situations highlight the need to develop strategies for sustainable forest management with a long-term perspective so that the negative effects of short-term market changes can be minimized.

9. Developing countries with low forest cover and small island countries have special problems in developing their forest sectors to meet local needs for forest products and services. They depend, in many areas, on other countries to satisfy their needs for forest goods and services. Trade is essential to meet such needs and international economic and trade policies may have serious impacts on the efforts of these countries to expand and rehabilitate their forest cover.

Proposals for action

10. The IFF stressed the importance of implementing IPF proposals for action on Trade and Environment. In order to further their effective implementation the IFF:

a) Urged countries, including trade partners, to contribute to achieving trade in wood and non-wood products and services from sustainable managed forests, and implement policies and actions, in particular, avoiding policies that have adverse effects, either on trade or on sustainable forest management;

b) [Supported continued efforts by countries and the World Trade Organization towards trade liberalization with special attention to removing remaining and emerging trade restrictions which constrain market access, particularly for value added forest products;]

c) [Urged countries, international organizations [including the WTO] and other interested parties to undertake further cooperative work on certification and or voluntary labelling schemes, in line with the recommendations of the IPF, towards achieving their international comparability and considering their equivalence, taking into account the diversity of national and regional situations [and to ensure such schemes do not lead to unjustified obstacles to market access;]]

D) bis [[and to ensure such schemes do not lead to unjustified obstacles to market access.] Urged that, when voluntary certification and or labelling schemes are developed and applied, they be done so in a way to promote sustainable forest management and to avoid unjustified obstacles to market access;]

E) Urged countries to undertake analyses of the implications of full-cost internalization on forest management and economic development and implement full-cost internalization strategies for forest products and services and their substitutes;

F) Requested countries, international organizations and other interested parties to undertake further work on full life-cycle analysis of the environmental impacts of forest products and their substitutes;

G) Called upon all interested parties to take action to improve market transparency, taking into account the role of the private sector, to help promote responsible producer and consumer choices in the supply and demand for forest products, forest services and their substitutes;

H) Called upon countries to consider appropriate national level actions and promote international cooperation to reduce the illegal trade in wood and non-wood forest products [including biological resources] with the aim of its elimination;

I) Urged countries to develop strategies for sustainable forest management with a long term perspective so that the negative effects of short term market changes, such as the recent regional financial crises, can be minimised;

J) Urged countries to recognize the special importance of imports of forest products for countries with low forest cover and fragile forest ecosystems, and small island developing states to satisfy their needs for forest products and services to assist them in expanding and rehabilitating their forest cover.