

## INTERGOVERNMENTAL POLICY DELIBERATIONS ON FORESTS: TRADE AND ENVIRONMENT

### Communication from the Intergovernmental Forum on Forests (IFF) Secretariat<sup>1</sup>

This background paper is circulated to Members in preparation for the MEA Information Session on 24 October 2000.

## I. INTRODUCTION

1. This communication is a follow-up to two earlier communications from the Secretariat of the Intergovernmental Forum on Forests (IFF) to the Committee on Trade and Environment, namely “The Intergovernmental Policy Dialogue on Forests: The Intergovernmental Forum on Forests of the United Nations Commission on Sustainable Development” (WT/CTE/W/122, 29 June 1999); and “Recent Developments in the Intergovernmental Forum on Forests, Full Text of the Programme Elements of the IFF” (WT/CTE/W/140, 20 June 2000).

2. The purpose of this communication is to recapitulate the process of the Intergovernmental Panel on Forests, IPF (1995-97) and Intergovernmental Forum on Forests, IFF (1997-2000), in particular as related to policy deliberations on trade and environment. The note also summarizes the recent developments since the fourth and last session of the IFF in February 2000, which are expected to result in the establishment of a permanent body within the UN intergovernmental machinery, the United Nations Forum on Forests (UNFF).

## II. IPF/IFF PROCESS (1995-2000)

3. At the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro in 1992, forests were among the most controversial issues being negotiated. Several years of international attention focusing almost exclusively on deforestation in tropical forests had created a situation in which developing countries, in particular forest-rich tropical countries, felt that their sovereignty over their natural resources was being threatened. The prevailing North-South polarization concerning forests, therefore, did not permit agreements beyond the non-legally binding “Forest Principles”, and Chapter 11 of Agenda 21 “Combating Deforestation”.

4. In contrast, the “post-Rio” period, from 1992 to 1995, was a confidence building period with emerging North-South dialogue and partnerships, enabling the United Nations Commission on Sustainable Development (CSD), in 1995, to establish the Intergovernmental Panel on Forests (IPF), to continue the intergovernmental forest policy deliberations.

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Website: <http://www.un.org/esa/sustdev/forests.htm>.

5. The work of the Panel in 1995-1997 focussed on facilitating the implementation of forest-related decisions of the UNCED; international cooperation in financial assistance and technology transfer; forest assessment and criteria and indicators for sustainable forest management; trade and environment in relation to forest products and services; as well as international institutions and instruments, including legal mechanisms. The intensive deliberations resulted in over one hundred negotiated proposals for action on a number of issues related to sustainable forest management. This outcome was endorsed by the 19th Special Session of the UN General Assembly (UNGASS) in 1997.

6. At that time it was evident, however, that some issues needed further consideration, either because consensus could not be reached on them or because further analysis was required. These included issues related to trade, finance, technology transfer and international institutional arrangements. Aware of these outstanding issues, UNGASS recommended the continuation of the intergovernmental forest deliberations. Subsequently, the UN Economic and Social Council (ECOSOC) decided to establish the Intergovernmental Forum on Forests (IFF) under the CSD for the period of 1997-2000. The purpose of the IFF was to promote the implementation of the already agreed proposals for action; consider matters left pending from the IPF; and decide on future international arrangements to promote the management, conservation and sustainable development of all types of forests.

7. Following the establishment of the IPF, an informal high-level Inter-Agency Task Force on Forests (ITFF) was formed, which has supported the intergovernmental forest policy deliberations in a coordinated manner during both the IPF and IFF. The ITFF is composed of the Secretariat of the Convention on Biological Diversity (CBD), Centre for International Forestry Research (CIFOR), Department for Economic and Social Affairs of the United Nations (DESA), United Nations Food and Agriculture Organization (FAO), International Tropical Timber Organization (ITTO), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP) and the World Bank.

8. The IPF/IFF process has been instrumental in identifying priority issues as well as creating a political consensus on national and international action on forests. It has established a holistic approach that deals with all types of forests from a sustainable development perspective, with a balanced consideration of environmental, economic and social aspects. In this process the main driving force has been the political will to vitalize the international cooperation on forests. The IPF/IFF process has also fostered North-South partnerships as well as increased participation and broader engagement by governments, NGOs and other major groups. Overall, the level of political consensus on sustainable management of all types of forests today is considerably higher than in 1992.

9. There are, however, a few areas where less progress has been achieved. These include transfer of technology and financial resources in support of sustainable forest management, as well as clarification of mutually supportive roles of international trade and sustainable forest management.

### **III. “TRADE AND ENVIRONMENT” WITHIN THE IPF/IFF PROCESS**

10. Although the IPF/IFF was a policy deliberation process, and it did not negotiate legally binding provisions, many issues were so sensitive that it took several years to build consensus. One of these issues was the programme element called “trade and environment”. Due to the complexity of this theme, it was recognized from the beginning that there was a need to draw on the expertise and work of other fora, including the WTO, whose primary competence is to address trade issues.

11. The purpose of the IPF and IFF under the programme element "Trade and Environment" was to examine mutually supportive roles of trade and environmental policies in view of promoting sustainable forest management. The IPF deliberations addressed, *inter alia*, market access and trade barriers; forest certification and eco-labelling; full cost internalization; market transparency; efficiency in productivity, and trade in non-wood products and services. The IFF continued discussing these themes and introduced a few others, such as illegal logging. IFF deliberations did not, however, involve any negotiations on international trade in forest products.

12. A trend that could be discerned during the IFF was the shift of focus of the discussions under "trade and environment" towards a discussion on "trade in support of sustainable forest management", which has broader scope, as it includes economic and social aspects instead of environmental aspects only.

13. Overall, both the IPF and IFF emphasized the mutually supportive roles of international trade and sustainable forest management. They agreed that trade measures in support of sustainable forest management should not constitute a means of arbitrary or unjustifiable discrimination or a disguised barrier on international trade. Detailed conclusions and proposals for action of the IFF related to "trade and environment" are attached as an Annex to this communication.

#### **IV. ESTABLISHMENT OF THE UNITED NATIONS FORUM ON FORESTS**

14. At the conclusion of its mandate in February 2000, the fourth and last session of the IFF recognized the need to consolidate decisions made within the IPF/IFF process and to move from dialogue to action. Subsequently, the eighth session of the CSD, in April 2000, adopted the report of the IFF and forwarded it to ECOSOC for further action, in particular as related to the establishment of a new international arrangement on forests.

15. The purpose of this international arrangement on forests is to promote the management, conservation and sustainable development of all types of forests and strengthen long-term political commitment to that end. It would, in particular, seek to promote the implementation of the IPF/IFF proposals for action and other forest-related international agreements.

16. A series of intensive consultations among Governments under the aegis of ECOSOC from June to September 2000 resulted in a draft ECOSOC Resolution, which is expected to be formally adopted in the resumed session of ECOSOC on 18 October 2000. According to this draft Resolution, the international arrangement on forests would be comprised of: an intergovernmental body called the United Nations Forum on Forests (UNFF) established under ECOSOC, and a Collaborative Partnership on Forests (CPF). Governments have invited the heads of relevant international organizations to form such a partnership to support the work of the UNFF and to enhance cooperation and coordination among its members. This partnership would be built on the basis of the current Inter-Agency Task Force on Forests (ITFF).

17. It is anticipated that the UNFF will hold its organizational meeting in February 2001. The first substantive session of the UNFF is planned for June 2001 in order to, among other matters, adopt its multi-year programme of work and to develop a plan of action for the implementation of the IPF/IFF proposals for action.

## **V. CONCLUDING REMARKS**

18. The IPF/IFF process deliberated the complex issue of “trade and environment in relation to forest products and services” for five years. It has to be noted that it was not within the competence nor purpose of this “global forest policy process” to negotiate trade issues, but rather to identify forest related obstacles to free trade as well as to clarify mutually supportive roles of international trade and sustainable forest management.

19. Many Governments, as well as NGOs, have considered this issue of international trade and sustainable forest management to be among the crucial ones in overall forest policy deliberations. This issue might even grow in importance in the future, considering the increasing globalization of markets of forest products. A new trend of forest-related trade is also emerging in the form of trading of environmental services from forests, notably carbon sequestration. This is an issue being deliberated under the Kyoto Protocol of the United Nations Framework Convention on Climate Change.

20. At this stage, it is, however, too early to foresee whether and how the new UNFF would deal with the issue of trade and sustainable forest management in the future. That remains to be determined by the programme of work of the UNFF.

21. The future UNFF Secretariat is looking forward to a continuing collaboration and exchange of communications with the WTO Committee on Trade and Environment.

## **ANNEX**

### **Report of the Intergovernmental Forum on Forests on its Fourth Session**

New York, 31 January-11 February 2000

**United Nations Commission on Sustainable Development,  
Eighth Session, 24 April-5 May 2000**

*(E/CN.17/2000/14)*

#### **Section D. Trade and Environment (Programme Element II.B of the IFF)**

##### **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. Given 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 sustainably 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 recognized 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, IFF took note of the work of the World Trade Organization (WTO) with regard to voluntary eco-labelling schemes. The proliferation of certification and/or labelling schemes calls for further cooperative work, in line with IFF recommendations, 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. The nature and extent of illegal trade in wood and non-wood forest products, including forest related 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.

7. 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.

8. 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.

9. Increased market transparency is essential in order to improve the market access for forest products and services, including those coming from sustainably managed forests.<sup>2</sup> 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.

### **Proposal for action**

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

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

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<sup>2</sup> The Forum discussed, but could not reach consensus on the specific reference to “including those coming from sustainably managed forests.”

- (b) Urged countries, international organizations, including WTO<sup>3</sup>, and other interested parties to undertake, as appropriate, further cooperative work on voluntary certification and/or labelling schemes, in line with the recommendations of IPF, while seeking to enhance their international comparability and considering their equivalence, taking into account the diversity of national and regional situations, and to ensure adequate transparency and non-discrimination in the design and operation of such schemes, and are consistent with international obligations, so as to promote sustainable forest management and not to lead to unjustifiable obstacles to market access;
- (c) 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;
- (d) 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;
- (e) 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;
- (f) 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 forest related biological resources, with the aim of its elimination;
- (g) 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 minimized;
- (h) 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.

11. The Forum discussed, but was not able to reach consensus on the following proposal for action:

“Supported continued efforts by countries and the World Trade Organization towards trade liberalization giving special attention to removing remaining and emerging trade restrictions which constrain market access, particularly for value added forest products.”

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<sup>3</sup> The Forum discussed, but could not reach consensus to the specific reference to WTO in this context.