

Committee on Trade and Environment

RESULTS OF THE AD HOC INTERGOVERNMENTAL
PANEL ON FORESTS

Note by the Secretariat

1. This Note provides Members of the Committee on Trade and Environment with an update of the recent developments of the UN Ad Hoc Intergovernmental Panel on Forests (IPF), including some excerpts of relevant decisions reached at its fourth session, held 11-21 February 1997.

2. In 1995, the UN Economic and Social Council, upon recommendation of the Commission on Sustainable Development, approved the establishment of an open-ended Ad-Hoc Intergovernmental Panel on Forests (IPF). The IPF is mandated to pursue a consensus and formulate options for further actions to combat deforestation and forest degradation, and to promote the management, conservation and sustainable development of all types of forests. In addressing its mandate, the Commission on Sustainable Development "recognizes the sovereignty of countries over their natural resources, as defined in Principle 1(a) of the Forest Principles. The Commission also recognizes that the right to development must be fulfilled so as to equitably meet the developmental and environmental needs of present and future generations."

3. The report of the fourth session of the IPF contains conclusions "which reflect the overall thrust of the discussion under various programme elements [although] only the proposals for action were agreed as a result of negotiations." In submitting its conclusions and proposals, the IPF also recalled its mandate, and in particular drew its attention to (Page 2, paragraph 7):

"(a) Reiterate the validity of the Forest Principles;

"(b) Recognize that the Forest Principles and the forest-related and other relevant chapters of Agenda 21 have formed the foundation for its work;

"(c) Recognize the progress that has been made since UNCED, including the results of several regional, international and country-led initiatives, which have contributed significantly to international dialogue on forests, national reports and better understanding of sustainable forest management;

"(d) Emphasize that its proposals for action are meant to complement, supplement and elaborate upon the above-mentioned instruments with a view to facilitating their implementation;

"(e) Stress that, to that end, its conclusions and proposals for action should not detract from the decisions and commitments made at UNCED;

"(f) Recognize that there is a need as well as a potential for improving the effectiveness of existing national and international cooperation on forests by implementing its proposals for action;

"(g) Stress the need, in implementing its proposals for action, to provide for effective partnership between and collaboration among all international parties and major groups, and in that context wishes to emphasize the crucial role of women."

Report of the Ad Hoc Intergovernmental Panel on Forests
on its fourth session

(New York, 11-21 February 1997)

IV. TRADE AND ENVIRONMENT IN RELATION TO FOREST PRODUCTS AND SERVICES

Conclusions

116. The Panel acknowledged the potential positive relationship between trade in forest products and services and sustainable forest management. It recognized the importance of promoting sustainable forest management through mutually supportive trade and environmental policies, in particular avoiding policies that have adverse impacts on the management, conservation and sustainable development of forests. However, it also recognized the wide range and complexity of the issues associated with this topic. A continuing process of consensus-building is needed, including the exploration of the possible need for specific international trade agreements in forest products and voluntary codes of conduct for sustainable forest management to facilitate and improve trade in forest products in specific areas.

117. The Panel emphasized that the issues of trade and environment relating to forest products and services should be addressed in a holistic manner, taking into account chapter 11 of Agenda 21 and the Forest Principles. It recognized, however, that there was inadequate information on both domestic and international trade in non-wood products and forest services. Further studies and data gathering are needed to overcome those gaps in future.

118. The Uruguay Round of multilateral trade negotiations made significant progress in improving market access for forest products, especially in terms of reducing tariffs for all types of forest products. Yet barriers to international trade in forest products, particularly non-tariff barriers, could still impede access of forest products to the international market.

119. Forest products obtained from sustainably managed forests may be considered to be environmentally friendly. Competition between different products from different regions and between wood and non-wood alternatives is inevitable. It need not constrain national or global efforts to achieve sustainable forest management, but could have implications for sustainable forest management and for markets for specific forest products in the future. Further economic and market studies, therefore, should be carried out to determine how best to use markets and economic instruments to promote sustainable forest management.

120. For the majority of developing countries, exports of processed products represent a small proportion of their total roundwood production. Additional efforts, therefore, should be geared towards promoting efficient and environmentally sound downstream processing industries and exports of processed products, consistent with sustainable forest management, in order to increase their contribution to sustainable development and to increase export earnings.

121. The Panel noted that producer countries and international institutions have undertaken many efforts and initiatives to promote lesser used species in the international tropical timber market. Progress is still limited, but efforts should continue and should also include temperate and boreal species, consistent with the management, conservation and sustainable development of all types of forests.

122. International attention to the issues of the certification of forest management and labelling of forest products should be put into perspective. To date, only a small proportion of the global trade in forest products and a small area of the world's forests are influenced by those schemes. Because of inadequate information and relatively few real world experiences, it is still too early to assess objectively their full potential in promoting sustainable forest management. More studies and information are required to clarify various uncertainties, including the impacts of certification on forest enterprises and markets; the competitiveness of forest products; the economic and non-economic costs and benefits; the demand for certified products; the feasibility and credibility of certification at different levels; the use of criteria and indicators; the governance and credibility of certification schemes in the context of consistency with international agreements; and the role of Government as a regulator, and in some countries also as resource owner.

123. The Panel recognized that voluntary certification and labelling schemes are among many potentially useful tools that can be employed to promote the sustainable management of forests. In view of the potential proliferation of schemes, there is a need to promote comparability and avoid duplication among various voluntary certification and labelling schemes.

124. The Panel accepted that Governments have a critical role in promoting effective sustainable forest management systems. However, because certification has thus far been developed as a voluntary private initiative, different views expressed on the roles of Governments and intergovernmental institutions in the development or regulation of certification systems require further clarification. In considering possible roles for Governments, bearing in mind the fact that certification is a market-driven process, distinctions should be made between the roles of Governments as regulators, as promoters of public policy, and in some countries as forest owners. Governments, however, have a role in encouraging transparency, the full participation of interested parties, non-discrimination, and open access to voluntary certification schemes.

125. International efforts should focus on ensuring that existing and new certification and labelling schemes are open and non-discriminatory in respect of types of forests or forests products, forest owners, managers and operators, are not used as a form of disguised protectionism and are not in conflict with international obligations.

126. Full-cost internalization may contribute to sustainable forest management in the long term. Without it, socio-economic and environmental costs may not be fully reflected in and addressed by the market, with the result that unsustainable practices may appear more attractive and less costly than sustainable forest management. Only limited consensus exists on concepts definitions, measurements, techniques and data requirements to introduce environmental costs into pricing mechanisms. The relationship to substitutes, among other things, will affect the allocation of costs and benefits of cost internalization and market-based instruments. Exchange of information on various research findings and experiences in relation to costs and policy mechanisms are encouraged so as to facilitate discussion and policy development.

127. Greater market transparency has the potential to promote the mutually supportive roles of trade and environment in the forest sector. Improved market transparency would also help to address such issues as illegal international trade in forest products, transfer pricing and market distortions. Despite some ongoing efforts by relevant international organizations, there has been little progress in improving

market transparency for trade in forest products, and the Panel agreed that further efforts should be encouraged.

Proposals for action on market access

128. The Panel:

(a) Urged countries and relevant international organizations to study the environmental, social and economic impacts of trade-related measures affecting forest products and services;

(b) Requested countries to undertake measures for improving market access for forest goods and services, including the reduction of tariff and non-tariff barriers to trade in accordance with existing international obligations and commitments, and in that context to promote a mutually supportive relationship between environment and trade in forest goods and services, and to avoid conflict between measures that affect trade in forest goods and services and existing international obligations so that environmental concerns do not lead to disguised barriers to trade;

(c) Urged all countries, subject to their national legislation, to encourage efforts by the private sector, in consultation with interested parties, to formulate and implement voluntary codes of conduct for promoting sustainable forest management for forest owners, forest developers and international investors in forestry so as to improve trade in forest products, and to endeavour to ensure that external trade policies take into account community rights, where appropriate.

129. The Panel discussed the following options for action relating to possible agreement for forest products from all types of forests, based on non-discriminatory rules and multilaterally agreed procedures, without reaching a consensus on these or other possible procedures:

(a) To take note of the International Tropical Timber Agreement (ITTA) of 1994, in particular the commitment made by ITTO members to review the scope of the agreement four years after its entry into force on 1 January 1997;

(b) To explore the possibility of extending the concept of the Year 2000 Objective of ITTA for all types of forests;

(c) To explore the possibility of an international agreement on trade in forest products from all types of forests;

(d) To examine the possibilities of further initiatives on trade liberalization within the auspices of the World Trade Organization;

(e) To explore, within an intergovernmental forum on forests, intergovernmental negotiating committee or other arrangements decided upon at an appropriate time, the possibilities of promoting the management, conservation and sustainable development of all types of forests and trade in forest products in the context of an international, comprehensive and legally binding instrument on all types of forests.

130. The Panel considered the question of the relationship between obligations under international agreement and national measures, including actions imposed by subnational jurisdictions, but was not able to reach a consensus. Options for action proposed included:

(a) Urging countries to remove all unilateral measures to the extent that those are inconsistent with international agreements;

(b) Urging countries to remove all unilateral bans and boycotts inconsistent with the rules of the international trade system, including those imposed by subnational jurisdictions, in order to facilitate the long-term management, conservation and sustainable development of all types of forests, in accordance with paragraph 14 of the Forest Principles;

(c) Recognizing that those matters are also considered in forums whose primary competence is to address trade issues.

Proposals for action on the relative competitiveness of forest products

131. The Panel:

(a) Called upon relevant organizations to support efforts to gather more information and conduct more independent market and economic studies of potential competition between wood and non-wood substitutes, analysing the costs and benefits, including any substitution effects, and the overall impact on the management, conservation and sustainable development of all types of forests;

(b) Urged developed countries and relevant international organizations to support efforts by developing countries, consistent with policies and programmes for sustainable forest management, to increase their productivity and efficiency in downstream processing activities, and to support, where appropriate, community-based processing and marketing of wood and non-timber forest products.

Proposals for action on lesser used species

132. The Panel:

(a) Called upon countries and relevant international organizations and research institutions to intensify efforts to promote lesser used forest species in domestic and international markets, where increased use is consistent with sustainable forest management;

(b) Urged producer countries to implement policies that are compatible and consistent with sustainable forest management for the utilization of economically viable lesser used species;

(c) Urged international organizations and research institutions to transfer technology, and to support national and community level efforts to develop and adapt technologies including traditional forest-related knowledge, for increasing the sustainable utilization of lesser used species.

Proposals for action on certification and labelling

133. The Panel:

(a) Urged countries, within their respective legal frameworks, and international organizations to consider the potentially mutually supportive relationship between sustainable forest management, trade, and voluntary certification and labelling schemes operating in accordance with relevant national legislations, and to endeavour to ensure, as necessary, that such schemes are not used as a form of disguised protectionism, and to help to ensure, as necessary, that they do not conflict with international obligations;

(b) Invited developed countries and international organizations to support, including through technical and financial assistance, efforts in developing countries to enhance the assessment capabilities of developing countries in relation to voluntary certification and labelling;

(c) Urged countries to support the application to certification schemes of such concepts as:

- (i) Open access and non-discrimination in respect of all types of forests, forest owners, managers and operators;
- (ii) Credibility;
- (iii) Non-deceptiveness;
- (iv) Cost-effectiveness;
- (v) Participation that seeks to involve all interested parties, including local communities;
- (vi) Sustainable forest management;
- (vii) Transparency;

(d) Invited relevant organizations, in accordance with their mandate, to carry out further studies on various aspects of voluntary certification and labelling schemes, including:

- (i) Effectiveness in promoting sustainable forest management;
- (ii) The relationships between various criteria and indicator frameworks and certification;
- (iii) Issues relevant to the development, implementation, promotion, equivalency and mutual recognition of voluntary certification and labelling schemes, and the role of government in that context;
- (iv) The special needs of local communities, other forest-dependent populations and owners of small forests;
- (v) The need to monitor practical experience with certification, including accreditation processes;
- (vi) The development of consistent terminology;
- (vii) The impacts of such schemes on the relative competitiveness of forest goods and services in the absence of equivalent schemes for substitutes;
- (viii) The needs of countries with low forest cover;

(e) Invited countries to consider the relevance to certification schemes of the Centre for International Forestry Research project on criteria and indicators for sustainable forest management;

(f) Urged countries and relevant international organizations dealing with trade in forest products to bring the current trends on certification into perspective, and to promote comparability and avoid duplication of efforts among various voluntary certification and labelling schemes;

(g) Called upon countries and relevant agencies to make arrangements for and support an exchange of information and experience on certification and labelling schemes, in appropriate forums, to ensure transparency on an ongoing basis.

Proposals for action on full-cost internalization

134. The Panel:

(a) Called upon countries and relevant international organizations concerned with forestry and trade to explore ways and means to establish full cost internalization of both wood products and non-wood substitutes, and to undertake market and economic analyses of their implications for forest management and development costs and for sustainable forest management. Such analyses should also examine the potential cost and benefits of improved efficiency and sustainability at all levels of the forest industry;

(b) Drawing upon the work being carried out by countries and relevant international organizations, encouraged the sharing of information on research findings and experiences concerning the implementation of full cost internalization and its application to sustainable forest management, and relevant policy mechanisms.

Proposals for action on market transparency

135. The Panel:

(a) Called upon relevant international organizations and national institutions to expand their work on market transparency for trade in forest products and services, and to include the possible development of a global database;

(b) Invited countries to provide an assessment and share relevant information on the nature and extent of illegal trade in forest products, and to consider measures to counter such illegal trade.