
Committee on Trade and Environment

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**COMMUNICATION FROM THE SECRETARIAT OF THE
INTERGOVERNMENTAL FORUM ON FORESTS**

The attached background paper¹ has been received from the Secretariat of the Intergovernmental Forum on Forests (IFF). It is being circulated to Members of the CTE in preparation for the Information Session with Secretariats of Multilateral Environmental Agreements on 23 July 1998.

Comité du commerce et de l'environnement

**COMMUNICATION DU SECRÉTARIAT DU
FORUM INTERGOUVERNEMENTAL
SUR LES FORÊTS**

La note d'information ci-jointe¹ a été reçue du Secrétariat du Forum intergouvernemental sur les forêts. Elle est distribuée aux membres du Comité du commerce et de l'environnement en vue de la séance d'information avec les Secrétariats des Accords environnementaux multilatéraux qui aura lieu le 23 juillet 1998.

Comité de Comercio y Medio Ambiente

**COMUNICACIÓN DE LA SECRETARÍA DEL FORO
INTERGUBERNAMENTAL SOBRE LOS BOSQUES**

La Secretaría del Foro Intergubernamental sobre los Bosques ha enviado el documento de base adjunto¹, que se distribuye a los miembros del CCMA como parte de los preparativos para la reunión de información con las secretarías de acuerdos multilaterales sobre el medio ambiente, que se celebrará el 23 de julio de 1998.

¹ In English only/En anglais seulement/En inglés solamente.

**TRADE AND ENVIRONMENT IN RELATION TO FOREST PRODUCTS AND SERVICES:
AN OVERVIEW OF THE INTERGOVERNMENTAL PANEL ON FORESTS (IPF) AND
THE INTERGOVERNMENTAL FORUM ON FORESTS (IFF) DELIBERATIONS**

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I. INTRODUCTION

1. Forests have emerged as a priority on the national, regional and international policy and political agendas. These priorities are often precipitated by concerns associated with: continued alarming rate of deforestation as well as of degradation and decline of forests and other wooded lands (OWL) and the resulting loss of environmental values; the ability to ensure that future demand for forest products, services and environmental benefits are met in a sustainable manner; actions that benefit from unsustainable forestry practices and constraints in international trade in forest products; and inadequate co-ordination and integration of cross-sectoral, forest-related action at global, regional and national levels.

2. The issue of forests has been the focus of international policy debate during the past decade. It was a contentious and sensitive issue in the deliberations leading up to and during the United Nations Conference on Environment and Development (UNCED). The three years following UNCED, on the other hand, was a time of North-South confidence building. At its third session, in 1995, the Commission on Sustainable Development (CSD) once again initiated intergovernmental deliberations on forest when it reviewed the Forest Principles and Chapter 11 of Agenda 21, "Combating deforestation." The result of this review was the establishment of the Intergovernmental Panel on Forests (IPF) with a two-year mandate for its programme of work, including that on trade and environment in relation to forest products and services.

3. At UNCED and through the IPF's proposals for action, there has been a reaffirmation of the rights of countries to manage and utilise their forests to meet their national priorities and policy objectives. Consensus has also developed on the need to: manage forests and other wooded lands as ecosystems in order to derive multiple benefits; and to develop and implement national forest programs involving strong political commitment and participation of a range of interest groups and beneficiaries, as a tool for cross-sectoral policy harmonisation and international co-operation. While there now exists a broad consensus on the principles and overarching approaches towards sustainable forest management, it is also recognised that these principles and approaches need to be applied in the context of the economic, social, environmental and political realities and priorities of an individual country or region.

4. Realizing multiple benefits, by sustainable management of forests and other wooded lands, would require cross-sectoral policy harmonisation within a country, as well as the recognition of the transboundary, regional and global dimensions of the consequences of forest management. Consequently, approaches to SFM must reconcile national priorities and international considerations, at the transboundary, regional and global levels.

5. Forests have multiple constituencies with both complimentary and conflicting interests. At present a range of special interest groups, institutions and instruments, interface with forests at national, regional and global levels. All of these pursue their specific interests, albeit of priority concern, through narrow approaches when viewed from the holistic perspective of management, conservation and sustainable development of all types of forests. Consequently the forest agenda lacks a cohesive and comprehensive implementation framework and is pursued in a fractionated manner. It is notable that most of these instruments and interests groups focus on specific functions and outputs (i.e. "demands") from forests, such as biological diversity, carbon sequestration, trade in endangered species, international trade in certified forest products etc, in a piecemeal manner and do not adequately address cohesively the fundamental aspects of maintaining health and productive capacity of forest ecosystems, as a whole, and to thereby ensure that the conditions are met for forests to sustainably "supply" a wide range of functions and outputs.

6. This paper provides a brief overview of international trade in forest products and services, relationship between such trade and environment, emerging issues on non-discriminatory trade on forest products and services and participation of developing countries on such trade. Following that it

provides the development of the international policy dialogues through the Intergovernmental Panel on Forests (IPF) during 1995-97 and since then through the Intergovernmental Forum on Forests (IFF).

II. CURRENT STATUS AND PATTERNS OF INTERNATIONAL TRADE IN FOREST PRODUCTS AND SERVICES

A. WOOD AND NON-WOOD FOREST PRODUCTS

7. Wood is the most important commercial forest product. Only 6-8 per cent of world roundwood production is currently traded. The value of exports of primary forest products is estimated to be almost \$114 billion in 1994. This represents about a 75 per cent increase in real terms since 1970. For some countries, forest products exports are major source of foreign exchange earnings (FAO 1997). At a global level, forestry contributes about 2 per cent to world GDP and 3 per cent of international merchandise trade. International trade is expected to expand continue expanding in the future.

8. Trade statistics on non-wood forest products (NWFPs) are not well established. This may be due to their relatively smaller volume and value in international trade compared with those of wood. Recent developments, however, show evidence of the emerging importance of NWFPs, including increased revenues from international trade. The relatively smaller importance of NWFPs in international trade may also be attributed to the current system of classification of products that are regarded as NWFPs. While for wood, timber from forest plantations is regarded as a product of forests, the NWFPs from tree plantations such as rubber latex and palm oil, which generate billions of dollars of foreign exchange for many countries in South-East Asia, are classified as agricultural products.

B. DOMINANCE OF TRADE BY DEVELOPED COUNTRIES

9. Despite higher production of roundwood in developing countries, international trade is still dominated by the developed countries. In value terms, developed countries accounted for 81 per cent of total exports and 79 per cent of total imports in 1994. Their greatest dominance (over 90 per cent) lies in pulp and paper products. In 1995, five countries accounted for 55 per cent of world exports, and ten accounted for 70 per cent. The top two exporters, Canada and the United States, were responsible for almost one third of the global export market. Similarly, five countries accounted for 48 per cent of global imports and ten countries for 66 per cent. The top two importers, the United States and Japan, comprised nearly one third of the global import market (Bourke 1998 and Table 1).

10. The trade in forest products is highly regionalised within three important trading blocs, the Pacific Rim, North America and Europe (mainly Western Europe). Within each trading bloc the major importers are mainly developed countries, such as Japan, the United States, Canada and the European Union. However, in recent years developing countries particularly in Asia have been increasing their share of global imports (Table 1). Much of this demand reflects the increased growth in consumption of industrial wood products in developing countries. Newly industrialized countries with limited forest resources have also been increasing their imports of logs and semi-finished wood products as raw materials for the export-oriented processing industries. However, developing countries such as Indonesia and Malaysia have emerged as dominant world exporters of certain forest product exports, particularly in plywood exports where Indonesia with 46 per cent share in export market and Malaysia with 17 per cent dominate. Other developing countries, notably Brazil, Chile and the Asian newly industrialising countries, are beginning to have an impact on the international trade in wood pulp and paper products. In general, the trade in forest products has shifted towards value-added processed products.

11. Owing to rapid industrialization in the East Asian region, trade in tropical timber products among countries in this region has surpassed by far the trade with their traditional European and North American partners. The Republic of Korea, China and Thailand have now emerged as major buyers with a combined share of about 33.6 per cent of total world import. By including Japan, the market share of East Asian countries is further increased to about 76.7 per cent. Countries of the European Union account for only about 13 per cent of the total market share.

C. DIRECTION OF TRADE

12. Some changes has been noticed in recent years reflecting wide range of actors, including: changes in consumption patterns, changes in resource availability from natural forests; investment decisions; development of new technologies; market preferences; political, economic and social changes; policy adjustments; and recent attitudes to environmental issues. Some general trends are:

- Considerable expansion of exports of most products, with increasing numbers of both exporters and importers;
- A decline in log exports and an increase in processed products in developing countries;
- Substitution of softwood products for hardwood products in a number of markets; and increased overall trade in paper and paperboard; and
- A greater diversification of markets, and increasing intra-regional trade (e.g., EU, NAFTA, etc.).

D. FOREST SERVICES

13. Conventionally, services provided by forests and forest land were reflected only as an intangible value of forests. Owing to the increasing importance being given to the environment, the emerging importance placed on forest services as a potential area of trade has only just begun. Unique forest habitats and ecosystems have a great potential for, among other things, ecotourism, biological diversity in the form of biotic samples that have been marketed for pharmaceutical prospecting, and carbon sequestration which has a potential for being traded under Kyoto Protocol of UNFCCC. Although there exists a potential for forest services to be marketed internationally, the current value of this trade is still very small and not yet fully defined and developed.

E. TYPES OF TRADE-INDUCED ENVIRONMENTAL IMPACTS

14. The types of trade-induced environmental impacts for the utilisation and management of forests begin with harvesting. Modern timber harvesting employing heavy machinery could severely damage the soil, the natural drainage system and watercourse, and the residual stand if the operation is not conducted according to strict rules and regulations of sustainable forest management. The second stage of environmental damages occurs during processing. Industrial waste in the form of various types of chemicals used during processing will flow and pollute the water stream which will inflict greater damage to the human population. Current international debates on forestry have so far been giving greater attention to management of resources compared with manufacturing processes. This may be due to urgent efforts to address the issue of deforestation.

15. None of those potential damages are a direct result of international trade in forest products. They occur regardless of whether the products are exported or not, albeit possibly at a lower level when products are not exported. However, as about 15 per cent of global roundwood production is exported, and prices in domestic markets are strongly linked to prices of export products, it is expected that international trade in forest products will have significant influences on the production and processing of forest products and the forest-related environment.

F. INTERNATIONAL TRADE AGREEMENTS

16. The trade in forest products has generally benefitted from successive post-war GATT Agreements. Tariff barriers to forest products trade have continued to decline in recent years, particularly in the post-Tokyo Round era (Bourke 1988). The extent of the decline in tariffs differs with the market and product. With few exceptions, developed country markets tariff rates had fallen generally to very low levels even before the Uruguay Round schedules were agreed. For example, pre-Uruguay Round tariff rates for forest products in developed countries averaged 3.5 per cent compared to 6.3 per cent for all industrial products (WTO 1994).

17. The effect of the recently concluded Uruguay Round negotiations will be to reduce tariff rates on forest products further, including the phasing out completely of tariffs on pulp and paper products in major developed country markets. The extent of tariff escalation for forest products will be reduced in most importing markets, and many tariff rates will be bound. It is estimated that the likely gains in trade for major forest products could be in the range of US\$460-593 million, but proportionately this amounts to a gain of only 0.4-0.5 per cent of total forest product imports in the markets analysed (Barbier 1996a and 1997). The implications of the Uruguay Round for the non-tariff barriers increasingly faced by forest products are less clear. However, two special agreements, the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures and the Agreement on Technical Barriers to Trade (TBT), do provide the basis for tackling certain non-tariff measures that have been used as trade barriers against forest products.

G. NEW BARRIERS TO TRADE

18. In recent years there has been a proliferation of additional policies and regulations that have the potential of becoming new barriers to trade in forest products. Those barriers include:

- (a) Export restrictions by developing countries to encourage domestic processing of tropical timber for export;
- (b) Environmental and trade restrictions on production and exports in developed countries which affect international trade patterns;
- (c) Quantitative restrictions on imports of "unsustainably produced" timber products;
- (d) The use of eco-labelling and "green" certification as import barriers.

19. Although only the last two measures could be strictly defined as "new", all of these trade measures have been increasingly employed in recent years and have the potential to affect trade flows in forest products significantly.

III. IPF PROCESS

A. BACKGROUND

20. At its substantive session of 1995, the Economic and Social Council, upon the recommendation of the Commission on Sustainable Development, approved the establishment of an open-ended Ad-Hoc Intergovernmental Panel on Forests. The Panel was mandated to pursue a consensus and formulate options for further actions in order to combat deforestation, and forest degradation and to promote the management, conservation and sustainable development of all types of forests.

21. In pursuing consensus and the formulation of coordinated proposals for action, the Panel was mandated to consider number of interrelated Categories of issues, including trade and environment related to forest products and services.

22. At its first session, the IPF was asked to examine trade and environmental issues in a more holistic and more mutually supportive manner. On trade and environment relating to forest products and services:²

“The broad mandate assigned to the Panel by the Commission on Sustainable Development should be examined in an integrated and holistic manner. The overall goal is to promote the mutually supportive roles of trade and environment. Reports should be prepared in order to identify opportunities and recommend measures for improving market access for forest products on a non-discriminatory basis and consider factors that may distort trade in forest products and affect their value, including pricing, import/export controls, subsidies and the need to remove bans and boycotts inconsistent with the rules of the multilateral trading system. Reports should include an assessment of means to promote the development of methodologies to advance the full valuation, including replacement and environmental costs, of forest goods and services, and of wood substitutes, with the view to promoting full cost internalisation. Reports must, taking into account the interests of all sectors and the particularities of different countries and ensuring full transparency and participation of all interested parties, examine the issue of voluntary certification and labelling of forest products, so as to contribute to a better understanding of the role of voluntary certification with regard to the sustainable management of forests, including the impact of certification on developing countries.”

23. The panel was asked to draw upon the expertise of organizations, such as UNEP, UNCTAD, ITTO and the World Trade Organization (WTO) on the preparatory work under this programme element (trade and environment).

24. The Panel commissioned studies, produced reports and went through series of substantive discussions during its four sessions (1995-1997). In addition, it coordinated number of meetings and workshops with a number of governments and international organizations. At its fourth session, it passed several conclusions and proposals for action on the program elements as mandated to it by the Commission on Sustainable Development. The conclusions and proposals for action under its program on “Trade and Environment in relation to forest products and services” are as follows (paragraph numbers are as appeared in the source):³

B. 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

² E/CN.17/IPF/1995/3, 9 October 1995

³ E/CN.17/1997/12

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 forest 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 internalisation 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 internalisation 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.”

C. 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.”

On 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.”

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 utilisation 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 utilisation of lesser used species.”

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.”

On Full-cost Internalisation

“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 internalisation 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 internalisation and its application to sustainable forest management, and relevant policy mechanisms.”

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.”

IV. IFF PROCESS

25. Recognizing the crucial role of forests in economic and social development, environmental protection and in the planet's life-support system, the General Assembly, and acknowledging the need to maintain the momentum generated by the IPF process on international forest policy dialogue, at its nineteenth special session, it decided "to continue the intergovernmental policy dialogue on forests through the establishment of an ad hoc open-ended Intergovernmental Forum on Forests under the aegis of the Commission on Sustainable Development to work in an open, transparent and participatory manner, with a focused and time-limited mandate, and charged with, *inter alia*⁴:

"(a) promoting and facilitating the implementation of the Panel's proposals for action;

"(b) Reviewing, monitoring and reporting on progress in the management, conservation and sustainable development of all types of forests;

"(c) Considering matters left pending as regards the programme elements of the intergovernmental Panel on forests, in particular trade and environment in relation to forest products and services, transfer of technology and the need for financial resources." (A/S-19/29, annex, para. 40)

26. At its first session in October 1997, the IFF was charged with the following mandate on trade and environment issues:

"(b) Consider matters left pending on trade and environment. Analyse the mutually supportive roles performed by the international trade and sustainable forest management and, in that context, issues related to non-discriminatory international trade in forest products from all types of forests, including the role that tariff and non-tariff barriers perform in relation to sustainable forest management, certification issues where relevant and improved market access, taking into account the needs of developing countries, in particular those of the least developed among them. Consider the question of the relationship between obligations under international agreements and national measures, including actions imposed by subnational jurisdictions, recognizing that those matters are also considered in forums whose primary competence is to address trade issues; the relative competitiveness of wood versus substitutes; valuation; and market transparency and the related issue of illegal trade in wood and non-wood forest products."

27. The Forum has planned to have a substantive discussion on its coming second session in Geneva in the autumn of 1998. It will continue to facilitate the policy dialogue within and outside the Forum among the countries and multilateral organizations in trade and environment issues related with forest products and services, and their implications to sustainable forest management.

V. SUMMARY AND CONCLUSIONS

28. The IPF and IFF processes examine a range of issues related to international trade in forest products and services. This examination is undertaken in context of exploring mutually supportive role between trade and sustainable forest management. While the IPF/IFF processes are not primarily designed to formulate trade agreements *per se*, they do address and clarify a number of issues related to international trade in forest products including:

- Encouragement of mutually supportive role among trade, environment and sustainable forest management;

⁴ E/CN.17/IFF/1997/4

- Certification of sustainably managed forests for wood-based products in international trade;
- Clarification of concepts of certification and eco-labelling;
- Clarification of “Sustainable Forest Management (SFM)” through scientifically based internationally agreed criteria and indicators (C&I) for sustainable management of forests in a wide range of social, economic, cultural and political realities in boreal, temperate, Mediterranean and tropical regions;
- Transfer of technology and financial cooperation to developing countries to enable those countries to practice SFM;
- Role of governments, private sector and multilateral organizations in addressing trade and environment issues;
- The use of traditional forest related knowledge in SFM and intellectual property rights.

29. It is expected that in coming sessions of IFF, many developments in international policy will emerge through active participation of governments, international organizations, non-governmental organizations and other interest groups leading to greater consensus and more mutually supportive interaction between the trade in forest products and services, sustainable forest management and environmental protection, as well as broader economic and social development in all countries.

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Table 1. The Global Forest Products Trade - Major Importers and Exporter, 1995

IMPORTERS	US\$ million	EXPORTERS	US\$ million
United States	22 448	Canada	27 787
Japan	19 486	United States	18 148
Germany	10 948	Finland	11 953
Italy	8 637	Sweden	10 850
France	8 198	Germany	7 779
United Kingdom	8 084	France	5 851
Netherlands	5 163	Indonesia	4 728
Korea (Republic of)	4 972	Malaysia	4 226
Belgium-Luxembourg	4 066	Brazil	3 547
Taiwan	3 840	Austria	3 361
Spain	3 826	Russia	3 231
China	3 840	Netherlands	3 017
Canada	2 953	Italy	2 874
Switzerland	2 857	Belgium-Luxembourg	2 791
Hong Kong	2 796	Norway	2 179

Source: FAO.