



July 7, 2005

TRENDLINES

The Forest Trends Newsletter

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NEW PUBLICATIONS

Forest Trends Awarded Global Stewardship Award by US Forest Service

* Forest Trends recently was awarded the Global Stewardship Award by the US Forest Service for its impact on the Forest Service's senior leadership. Val Menaizis, Director of International Programs at the Forest Service, stated: "Forest Trends has had an immediate and dramatic impact on the senior leadership of the Forest Service, resulting in a significant shift in thinking and actions, particularly around the issues of ecosystem services. It's been a long time since an organization has had such an impact on the Forest Service."

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Dear Friends,

Forest Trends is entering into spring/summer here in Washington, traditionally a season of new beginnings. There are many hopeful signs, including the upcoming G-8 meeting in Gleneagles, and let me share some of the promising developments here at Forest Trends.

Ecoagriculture Partners successfully hatched into an independent institution in April of this year. Remaining housed in our office and guided by Sara Scherr, who will stay with Forest Trends half-time, we look forward to productive collaboration with Ecoagriculture Partners that stretches both institutions to embrace landscape approaches.

The **Ecosystem Marketplace**SM held a very successful global launch in London on March 31, 2005. Keynotes were delivered by Sir John Bond, Chairman of HSBC, Sir Win Bischoff, Chairman of Citigroup Europe, and Hermann Mulder, Co-Head of Group Risk Management at ABN AMRO. A lively discussion on the past, present and potential future of environmental markets followed, moderated by Mark Nicholls, editor of Environmental Finance, and involving Robert Napier (WWF-UK), Jon Williams (HSBC), Steve Howard (The Climate Group), Dixon Harvey (Environmental Banc and Exchange, EBX), Byamukama Biryahwaho (EcoTrust, Uganda).

The **Business and Biodiversity Offsets Program (BBOP)** cemented its vision, program and partnership in its second program meeting in Washington D.C. in June. We are delighted to announce that Kerry ten Kate has joined Forest Trends half-time to lead this program (she also remains a part-time employee with Insight Investment, a major investment firm in London).

Finally, we are sad to report that a dear friend of Forest Trends, **Joost Polak**, recently passed away. He worked with us as a writer in our earliest days. His unique wit, indomitable spirit and unconventional ways touched all that knew him.

Best wishes,



Michael Jenkins, President

New Initiatives

Africa Pro-Poor Payments for Ecosystem Services (PES)

Forest Trends and the Katoomba Group have been leading international work on the development of PES for the past six years. The Katoomba Group recently recognized the need to develop a greater focus on emerging activities in Africa. Since then, African colleagues from Uganda, Kenya, Tanzania, Malawi and South Africa joined the Katoomba Group to begin planning for a four-year program in Africa. The initiative will begin with country-level inventories of the current state of PES and strategic gaps in these five countries.

We will launch this program during a strategic planning workshop in Uganda September 19-22. This meeting will bring together 50-60 African leaders from many different sectors: buyers, sellers, intermediaries, policymakers, scientists, community organizations etc. We will take stock of what has already been learned about PES, what can be done effectively under existing conditions in Africa and how to ensure that major equity concerns are addressed; we will also consider what directions future policy developments and investments should take. A crucial issue is the role that local communities should play in shaping and participating in new PES systems. Similar cross-sectoral workshops will be planned with policymakers in South Africa, West Africa and Central Africa in subsequent years.

For more information about this initiative, please contact Mira Inbar at minbar@forest-trends.org.

Business and Biodiversity Offsets Program

The Business and Biodiversity Offsets Program (BBOP) held its second retreat in Washington D.C. in June. The event included over 35 members of both the pilot projects and the Advisory Committee who gathered to discuss the theoretical issues surrounding biodiversity offsets as well as the core issues at the heart of each pilot project. The program hosts a portfolio of pilot biodiversity offset projects in the mining, oil and gas, construction and utility sectors. The pilot projects are exploring the basis for establishing offsets and how to make them a success from the perspective of the developers, communities and government authorities involved -- with input, where helpful, from ecologists, economists, NGOs and other experts. Issues at hand include the basis of 'no net loss of biodiversity,' habitat equivalence and the proximity of offsetting conservation activities to the development projects.

For more information, please contact Kerry ten Kate at

ktenkate@forest-trends.org.

Ecosystem MarketplaceSM

The *Ecosystem MarketplaceSM* celebrated its successful global launch in London at the end of March. This event also served as the launch of the MarketWatch, an up-to-the-minute price tracker for ecosystem market trades which captures activity across 14 specific carbon, water and biodiversity related markets around the world. Remarks by the keynote speakers as well as the significant international media coverage around and following the event – with mentionings in the *Guardian*, the *Financieele Dagblad* (Netherlands), *Expansion* (Spain), the *Economist* and *Newsweek*, as well as a clip on *CNN's Squawk* and *Streetsigns* – shows that the financial sector and the public in general are paying considerably more attention to the issue of ecosystem services and the value they provide.

The media coverage can be viewed at http://www.forest-trends.org/resources/meetings.htm#London_2005.

Looking forward, the following challenges and opportunities face us: 1) Developing the 'community face' of the *Ecosystem Marketplace*; 2) Developing the capacity to track environmental services generated by marine and coastal resources; 3) Expanding the number of discrete markets that we describe with appropriate metrics in MarketWatch; and 4) Developing a strategic business plan for this product.

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Convenings

Upcoming Events:

International Forum on Public Forest Reform in Beijing , September 2005

At the end of September, the Center for Chinese Agricultural Policy (CCAP) of the Chinese Academy of Sciences and Forest Trends will host the "International Forum on Public Forest Reform: Issues and Future Directions" in Beijing. The 1-day conference on public forests, geared towards senior policy makers, will be preceded by a forum on the history and lessons of China's agriculture sector reforms and development. It will be followed by a smaller private meeting of international and Chinese experts on public forest reforms to allow a more direct sharing of issues, innovations and experience. For more information about this event, please contact Kerstin Canby at kcanby@forest-trends.org.

International Tropical Forest Investment Forum: Issues and Opportunities for Investment for Natural Forests – October 2005 in Mexico

Globally, but perhaps particularly in tropical countries, the forest product-related "industry" is diverse, spanning a broad range of firms and entrepreneurs, from informal individuals to micro, small

and medium-sized enterprises to local manufacturing companies and multinationals. All have the potential to invest productively, create jobs and expand – thereby contributing to economic growth and poverty reduction.

In October, Forest Trends and the International Tropical Timber Organization (ITTO) will be co-hosting a workshop in Mexico that aims to increase the level of understanding of the opportunities and constraints to forest sector investments, how these may vary across this diverse industry and what types of tools (e.g. risk management or payment for ecosystem services) are available or needed to promote responsible forest investment.

For more information about this event, please contact Kerstin Canby at kcanby@forest-trends.org.

Recent Events:

Forest Trends Launches Timber Product Market Report at Community Forestry Conference in Brazil

Together with IEB and GTNA, Forest Trends co-hosted a conference on “Perspectives on Community Forest Management in the Brazilian Amazon” on June 30 in Belém. The publication “Market Structure for Timber Products from the Brazilian Amazon: Policies and Trends for Community Production - The Cases of Para and Acre ” was launched at this event. For more information, please contact Alejandra Martin at amartin@forest-trends.org.

Regional Network and Trade Scenarios Workshop in Beijing, China, June 2005

Chinese regional and international experts at the Center for Chinese Agricultural Policy (CCAP) of the Chinese Academy of Sciences met to identify key potential scenarios for regional forest products trade – specifically, how are forest industries and trade flows likely to develop over the next 10-20 years, what are their likely implications on forests and livelihoods? Specific agenda items included: (i) A review of trends and forecasts of Chinese wood supply and demand for major grades and products; (ii) Key regional trade scenarios to develop in the future; (iii) Discussion of data for expected supply-demand scenarios for the China and Asia-Pacific region.

In parallel, a two-day meeting of regional partners was held to conduct programmatic planning for the “China and Asia Pacific: Forest Markets for Sustainable Livelihoods and Forests Initiative.” For more information contact Kerstin Canby at kcanby@forest-trends.org.

Katoomba Dialogue “That Sinking Feeling” at Carbon Expo, Cologne , Germany

Forest Trends and the *Ecosystem Marketplace* organized the second global “Katoomba Dialogue” on controversial issues surrounding environmental markets at the Carbon Expo in Cologne, Germany, in May. This particular dialogue focused on forestry-based carbon – what the Kyoto Protocol calls “Land Use, Land Use Change, and Forestry” (LULUCF) – and the inclusion of forestry-based carbon sinks in emissions trading schemes. Participating panelists were Byamukhama Biryawaho (EcoTrust Uganda), Jan Fehse (EcoSecurities), Kirsten Macey (Climate

Action Network-Europe), John O. Niles (Climate, Community, and Biodiversity Alliance), Charlotte Streck (a lawyer and forester with Climate Focus) and Gisela Ulloa (Clean Development Office of Bolivia). A feature article about the event will soon be available on the *Ecosystem Marketplace* at <http://www.ecosystemmarketplace.com>. A transcript of the event can be obtained by contacting Anne Thiel at athiel@forest-trends.org.

Collaboration with Mexican Network of Community Forestry Organizations

Forest Trends cosponsored a planning workshop of the new Mexican National Network of Community Forestry Organizations (REDNOSOC) in Nuevo San Juan Parangaricutiro, Michoacán, Mexico. REDNOSOC is a group of Mexican forest communities who have been recognized nationally and internationally for their forest management efforts.

Other sponsors included the Rigoberta Menchú Tum Foundation, PROCYMAF, the National Commission for the Development of Indigenous Peoples (CDI), and the World Bank. In addition, thirty representatives of twenty communities from 12 states in Mexico participated, along with private forest specialists. Forest Trends is working with REDNOSOC on incorporating members in the pilot Community Led Network for Latin America and providing better access to market information and resources on business organization and enterprise development, technical assistance and investment potential. For more information contact Alejandra Martin at amartin@forest-trends.org.

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New Publications

Beyond Timber: Certification of Non-Timber Forest Products

Forest Trends, in collaboration with CIFOR and People and Plants International, recently completed this new chapter in the series on forest certification. The paper by Patricia Shanley and Alan Pierce, and Sarah Laird addresses the state of the art in NTFP certification which is still in its infancy but rapidly evolving at present. The authors look at the broader implications of the process of setting standards for non-timber forest products and outline a path forward. The paper can be accessed at <http://www.forest-trends.org/resources/publications.htm>.

International Forestry Review Special Issue: Forestry in China – Policy, Consumption and Production in the World's Newest Forestry Superpower

The International Forestry Review, in collaboration with Forest Trends, CIFOR and the Center for Chinese Agricultural Policy, recently released a special edition devoted to China. China has rapidly emerged as the largest market for forest products in terms of production, consumption and trade of wood products. Increased forest products demand and exports are impacting global markets

and the forests in supplying countries. Industry, governments, NGOs and development organizations are striving to better understand strategic market issues related to the forest product market in China and in key supplying countries, but little rigorous analysis and information have been made publicly available. This Special Issue includes analyses from across the globe, covering issues such as the assessment of China's own resources to meet its own industry's demand, impacts of increasing imports on the forests and local communities in supplying countries, and an assessment of China's own forest revenue systems – and much more.

Individual articles produced by Forest Trends and partners (as well as a PDF file of the entire IFR issue) can be found at <http://www.forest-trends.org/resources/publications.htm>.

At the Supply Edge: Thailand's Forest Policies, Plantation Sector and Commodity Export Links with China

This report on forest resource production trends in Thailand by Keith Barney shows how the country is responding to China's rapidly expanding market for forest products, in particular wood chips and pulp and paper. The paper develops a detailed picture of national production and consumption trends and regional trading relationships, both in terms of the legal and, to the extent possible, illegal trade. Policies, practices as well as capacity and production statistics related to primary pulp and paper operations and woodchip mills targeting production for export are analyzed, as are documentation on resource conflicts involving states, companies and communities. It is hoped that this research will contribute towards informed decision-making by governments, companies, funding agencies, investors and social-environmental organizations and that it will lend support to innovative policies that better integrate priorities on development, poverty and the environment. The paper can be accessed at <http://www.forest-trends.org/resources/publications.htm>.

Customs, Concessionaires and Conflict: Tracking Cambodia's Forest Commodity Chains and Export Links with China

The Cambodian forest sector can be considered a paradigmatic example of the links between vast resource wealth on the one hand, and structural conflict and rural violence on the other. This paper by Keith Barney discusses how the broader conditions of violence and displacement of the war years have placed great pressure upon rural communities in Cambodia. Traditional institutions which may have served as a more viable counterweight to unsustainable development interests have been seriously undermined and the coerce-and-extract strategies of logging firms have placed further pressure upon community governance systems. Forests represent crucial livelihood resources for a majority of Cambodia's rural population. While there are many promising efforts behind strengthening local property rights under a new Land Law, land titling program and at least a partial political commitment to rein in the timber concessionaires, by the time truly effective national and local forestry management institutions are established, there will be little in the way of valuable forest stands remaining. The paper can

be accessed at <http://www.forest-trends.org/resources/publications.htm>.

Central Plans and Global Exports: Tracking Vietnam 's Commodity Chains and Export Links to China

Vietnam is currently undergoing major policy changes in its forestland management and plantation development programs. This, in turn, is related to shifts in industrial development trends of its wood-manufacturing sectors. A number of regionally and globally competitive wood industries, including wood-chip production, pulp and paper and furniture manufacturing, are expanding rapidly. Vietnam is said to offer opportunities for fast-growing tree plantations in mainland Southeast Asia, and China may play a key role in reshaping Vietnamese plantation production and trade networks. The extent of trade flows to China remains largely undocumented and research suggests that it may be more important to focus on Vietnam's role as a regional importer of forest products, including imports of log and sawn timber from Laos and Cambodia. This report by Keith Barney highlights trade trends for major forest sectors, as well as broader processes of forest zoning, decentralization and restructuring of the State Forest Enterprises. The paper can be accessed at <http://www.forest-trends.org/resources/publications.htm>.

China Softwood-Log Commodity Chain and Livelihood Analysis: From the Russian Far East to China

Lebedev and Natalia Ye Antonova provides an overall picture of the commodity chain that supplies China's timber market with RFE softwood logs. This study traces legal and illegal flows of the softwood log trade as this forest product is traded from the Russian Far East and into China. It also examines how the market is structured and how local communities are affected along each link of this chain. The central, forest-rich municipalities of Primorskiy Krai were selected as model areas to study the livelihood-based commodity chain in the illegal timber business – a place which provides much of the commercial hardwood and softwood for Chinese consumer market and where illegal logging is highly organized. The paper can be accessed at <http://www.forest-trends.org/resources/publications.htm>.

A Brief Overview of China's Timber Market

This paper provides an overview of China's timber market which has undergone dramatic changes in recent decades and continues to change rapidly. It documents the gradual transition from state allocation to market liberalization during the late 1980s and early 1990s, even though timber harvest and transport remain heavily regulated by the government. The limited amount of domestic resources and strong domestic demand for timber products in industries such as construction, furniture and wood panels have caused China's imports of forest products to increase. While the government has attempted to reduce imports by establishing commercial timber resources through fast-growing plantations, the gap between domestic supply and demand is huge and will continue to be filled by imports in the near future. The study shows that a lack of data on production, distribution,

processing and end-use undermines the understanding of market dynamics and precludes effective policy interventions. The paper can be accessed at <http://www.forest-trends.org/resources/publications.htm>.

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