



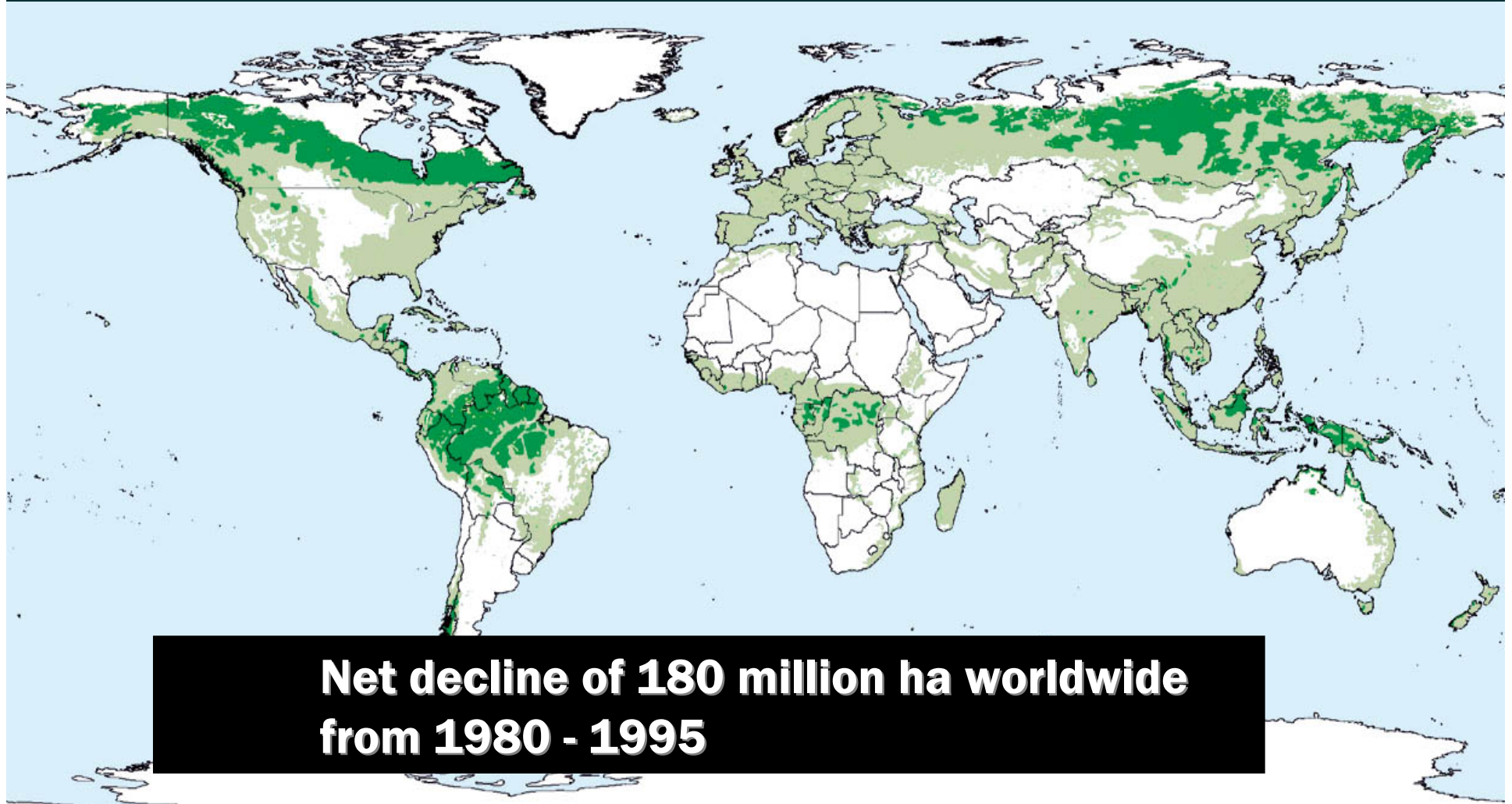
# **Global Trends and Opportunities in Forests and Forestry**

**Forest Trends**

**From Forest to Furniture:  
New Market Opportunities for China  
Shanghai 2001**



# Deforestation and Forest Degradation



Frontier forest 8,000 years ago

Frontier forest today

# Major Conflicts and Debates Underway: Globally





# What's Driving the Conflicts and Debates?

## Environmental Damage: Social and Economic Costs

- ▶ **Floods**
- ▶ **Loss of Biodiversity**
- ▶ **Climate change**
- ▶ **Local and global scales**





# Increasing Power of Civil Society and Communities

- Exposing corruption
- Boycotts, market campaigns
- Monitoring forest cover, forest practice, trade
- Participating in forest policy and planning
- Claiming recognition of traditional rights

*Advancing transparency and accountability*



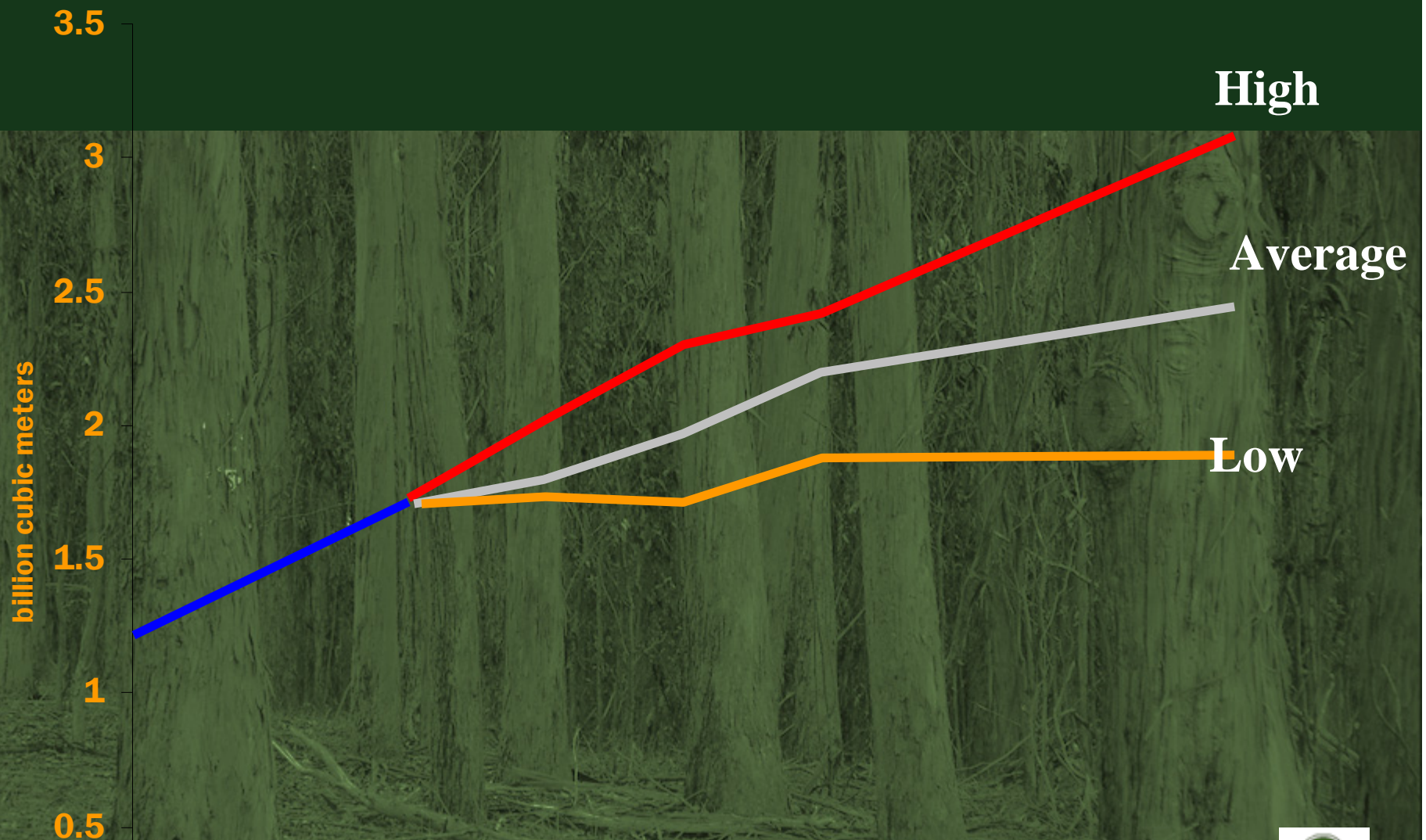


# **Looking Forward: Key Trends in The Forest Sector**





# Continued Growth in Roundwood Demand



Source: Weiner and Victor, 2000



# Declining Commodity Prices

***The Economist* industrial commodity-price index, in real\* \$ terms**



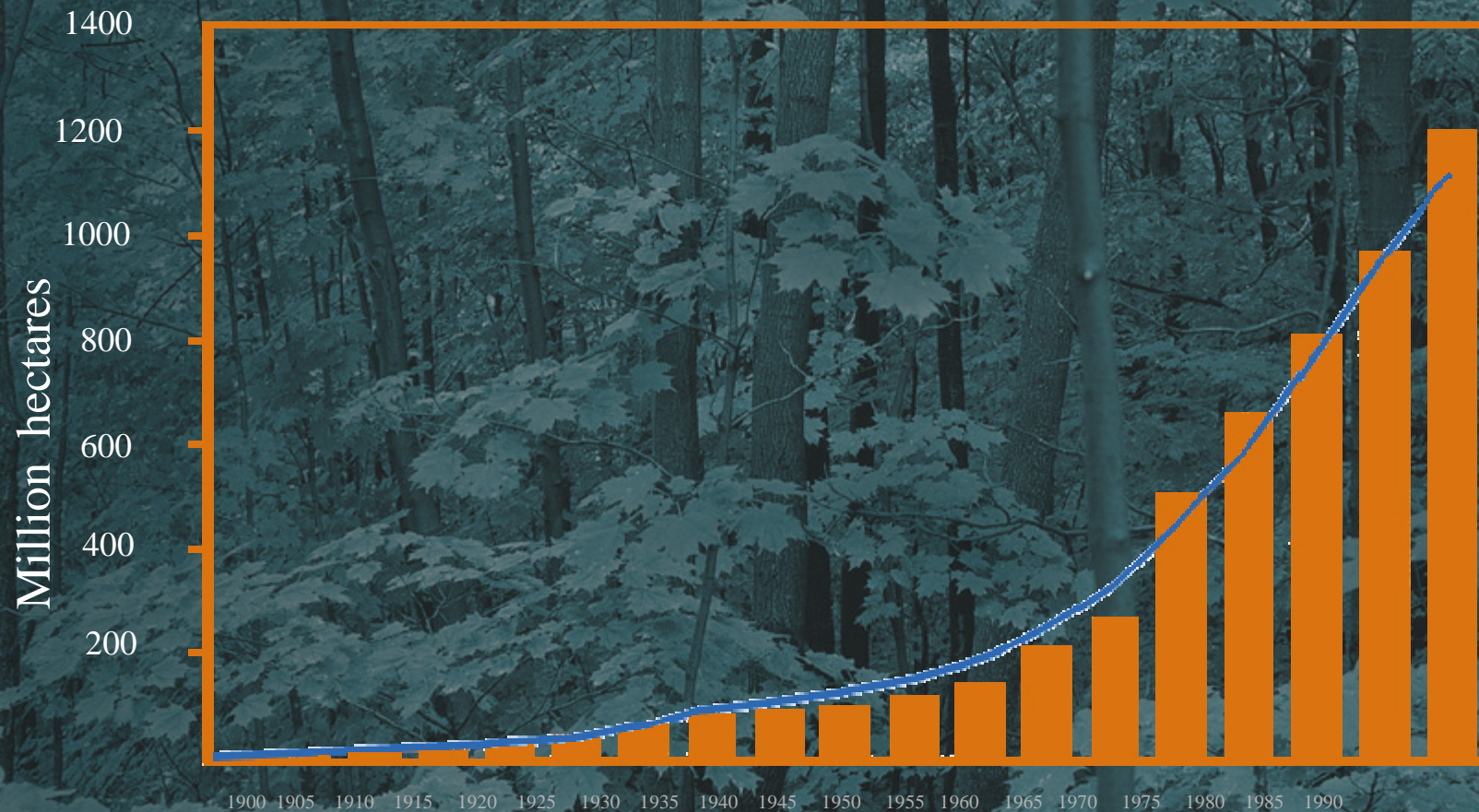
**Since 1997, average return on capital  
in the forest product industry is 4.1%**

**\* Adjusted by US GDP deflator**





# Increase in protected areas (1900 - 1990)



**Cumulative growth of the world's protected areas**

**Source: IUCN ( 1998)**

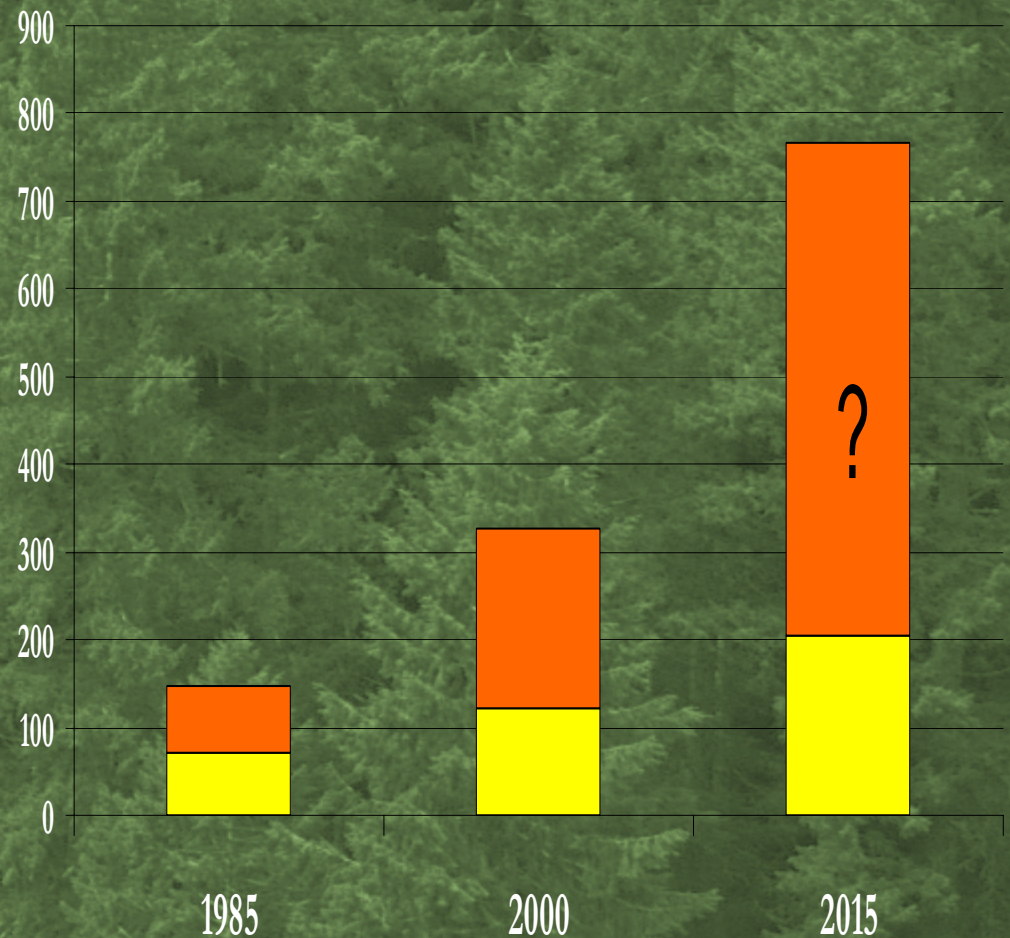




# Shift Towards Community Ownership and Reserves

- **Public: 79 %**
- **Communities and indigenous groups: 11 %**
- **Private: 10%**

**Community ownership and access more than doubled in last 15 years, and can be expected to do the same in next 15 years.**





# Changing Forest Industry

- **Pulp and paper:**
  - *consolidation*
  - *increasingly* efficient and competitive
  - *increasing* investment in plantations, from “North” to “South”
  - *increasing* use of smaller, lower quality wood.
- **Timber/ Lumber:**
  - *Decreasing* resources
  - some *experimentation* with sustainable natural forest management.
  - *Interest in* selling forest services: biodiversity, water, carbon.
  - Growing distinction between socially responsible and bad actors.





# Innovations and Opportunities to Sustain Forests and Communities

- *Reforming Policies*

- *Transforming Markets*

- *Contributing to Community Development*





# Reforming Policies: From “commands” to “incentives”

- **From:**
  - **Bans on logging, export, etc.**
  - **Blanket national policies, complex regulations and management plans**
- **Towards:**
  - **Clear legal codes/rules and taxation, secure property rights**
  - **Responding to local variation**
  - **Voluntary adoption of practices and transparent, participatory monitoring**
  - **Paying forest landholders for environmental services from forests**





# Paying for Environmental Services

- ◆ **Watershed protection:**
  - ◆ **New York City: improved water quality**
  - ◆ **Quito, Ecuador: improved quality and quantity**
  - ◆ **Costa Rica and Colombia: reduce sedimentation in hydroelectric reservoirs**
- ◆ **Biodiversity protection**
  - ◆ **Costa Rica: gas tax to pay for natural forest conservation**
  - ◆ **Brazil: value-added tax to pay for natural forest conservation**

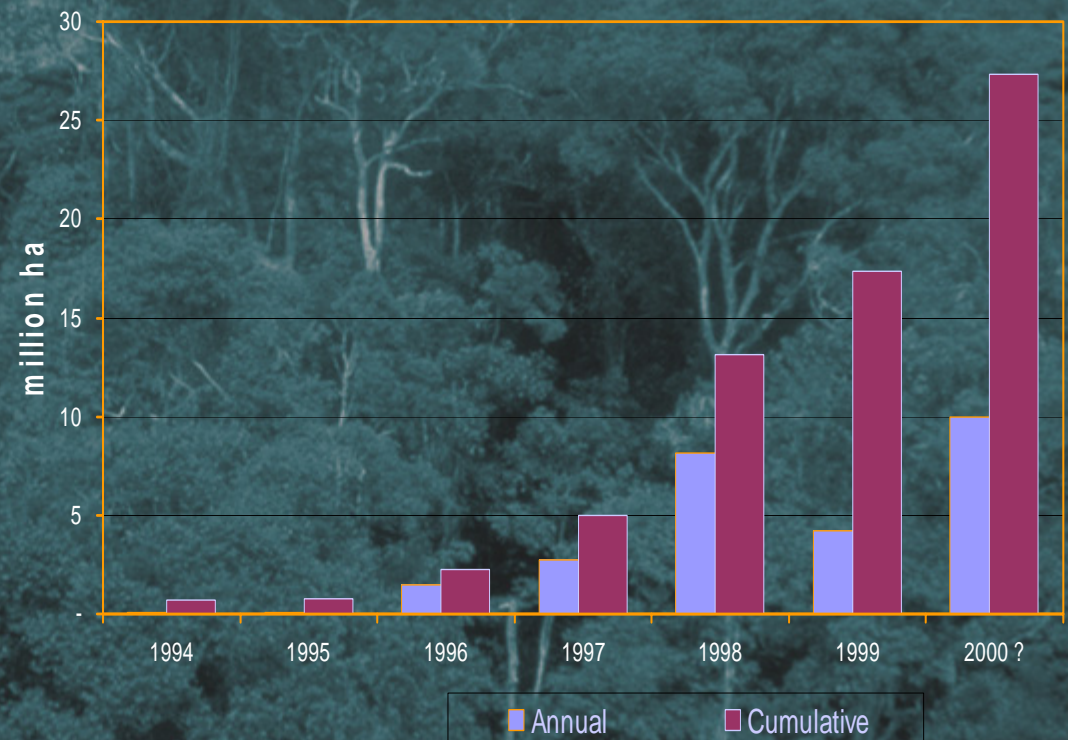




# Investing in Certified Production

- **A growing, global phenomenon**
- **Driven by retailers: supply about 50% of US market.**
- **Buyers groups in 17 countries; producer groups in 4 countries**
- **20 Chain of Custody certifications in China**

Growth of certified forest area



Annual and cumulative FSC certified area





## **DISCERNING INVESTMENT: Emerging Green Funds**

<b>Region</b>	<b>Number Surveyed</b>	<b>First Started</b>	<b>Volume (Million US\$)</b>
<b>Switzerland</b>	<b>11</b>	<b>1994</b>	<b>836</b>
<b>Netherlands</b>	<b>5</b>	<b>1990</b>	<b>1087</b>
<b>United Kingdom</b>	<b>4</b>	<b>1984</b>	<b>2446</b>
<b>Scandinavia (Sweden, Norway)</b>	<b>3</b>	<b>1996</b>	<b>398</b>
<b>Estimated value for European green funds</b>			<b>7400</b>





# DISCERNING INVESTMENT

## Emergence of Socially Responsible Investors

- ◆ Due Diligence
- ◆ Factoring risk assessment into discount rates
- ◆ Positive investment screens, e.g. certified wood
- ◆ Negative investment screens, e.g. tenure conflict or high conservation value forests





# Improving Forestry's Contribution to Community Development and Poverty Alleviation

- ▶ **Remove market distortions, subsidies to parastatals and large industry: let communities compete**
- ▶ **Recognize ownership, strengthen security and increase access to public forests**
- ▶ **Provide support services to community enterprise**
- ▶ **Pay them for environmental services from their forests**







**For more information**

**<http://www.forest-trends.org>**

