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

Net decline of 180 million ha worldwide from 1980 - 1995
Major Conflicts and Debates Underway: Globally

- Russia: Conflicts over tenure and government authority
- Cameroon: Recognizing illegal logging and reforming concession policy
- PNG: Logging moratorium
- USA: Banning new roads and logging in public forests
- Canada: Negotiating tenure and reducing logging in natural forests
- South America: Recognizing indigenous rights
- Bolivia, Peru: Reforming forest policies
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

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)
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
• 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
## DISCERNING INVESTMENT: Emerging Green Funds

<table>
<thead>
<tr>
<th>Region</th>
<th>Number Surveyed</th>
<th>First Started</th>
<th>Volume (Million US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>11</td>
<td>1994</td>
<td>836</td>
</tr>
<tr>
<td>Netherlands</td>
<td>5</td>
<td>1990</td>
<td>1087</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4</td>
<td>1984</td>
<td>2446</td>
</tr>
<tr>
<td>Scandinavia (Sweden, Norway)</td>
<td>3</td>
<td>1996</td>
<td>398</td>
</tr>
</tbody>
</table>

Estimated value for European green funds: 7400
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