

Global Trends and Issues in Forests and Forestry

By Andy White, Chetan Agarwal, and Jim Ford

Forest Trends

Huáng Shan 2001 Conference



Major Conflicts and Debates Underway: Globally



Organization of this Presentation:

What's driving these conflicts and debates?

What are the major trends in the forest sector?

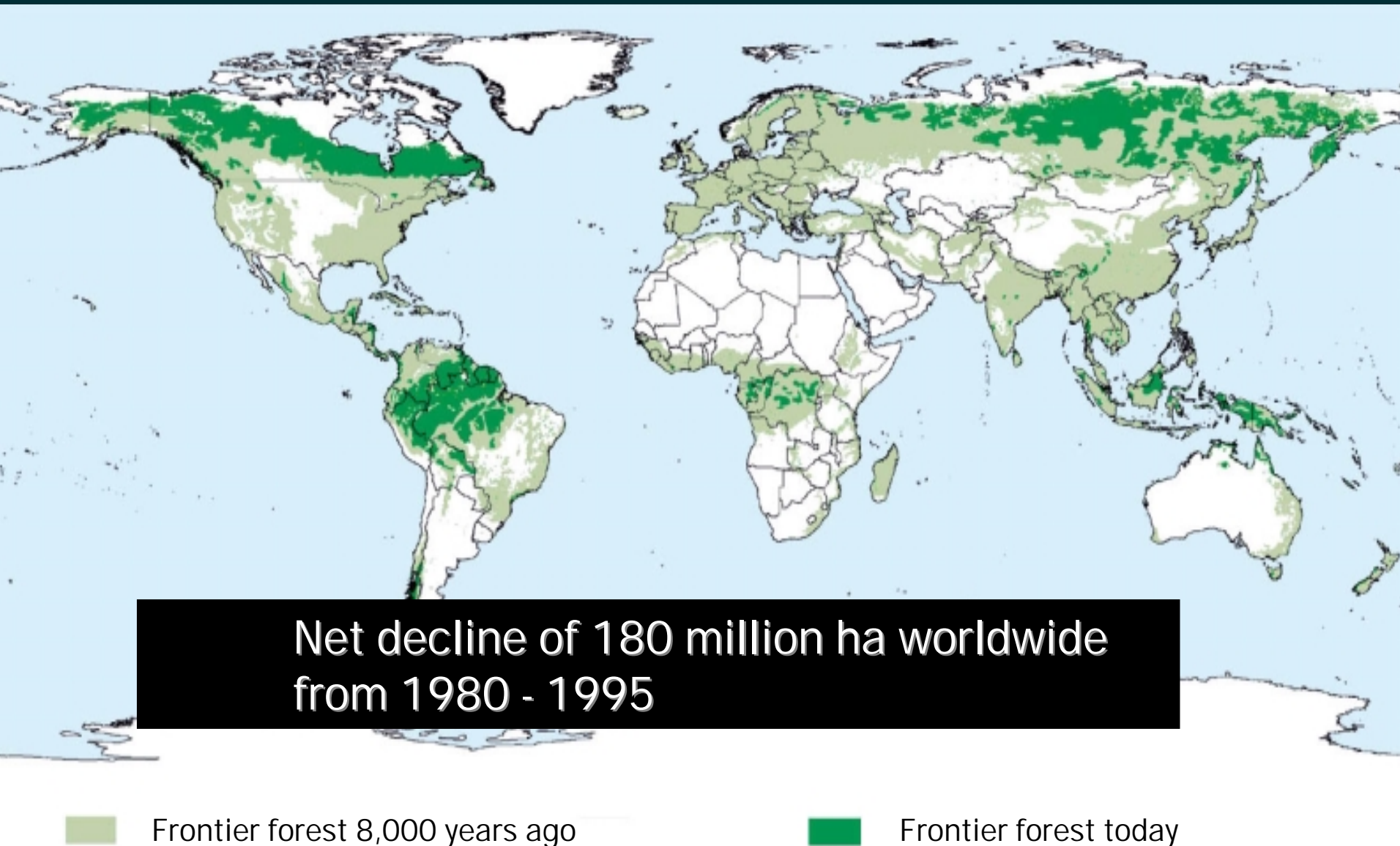
**What are some key innovations and opportunities
to sustain forests and communities?**



What's Driving the Conflicts and Debates?



Deforestation and Forest Degradation

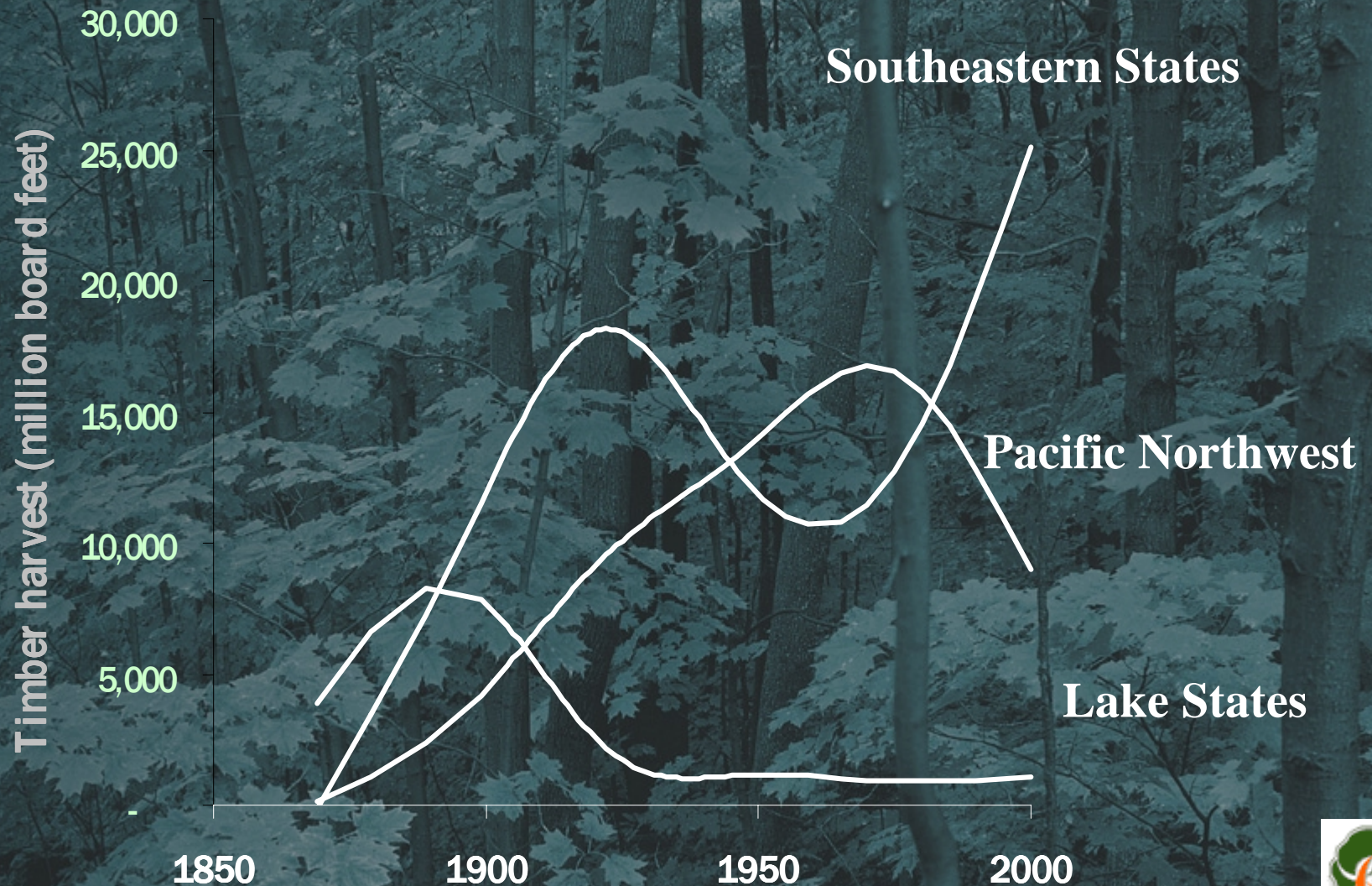


Environmental Damage: Social and Economic Costs

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



Over-harvesting: Boom and Bust Development, US Example



Social Consequences: Loss of Jobs in Industry



Corruption and Illegal Logging in Public Forests

- **Cambodia:** Over 70% of export volume of “unreported” logs in 1997.
- **Cameroon:** Only 50% of companies have documented logging rights.
- **Russia:** At least 25% of all logging is illegal.
- **Indonesia:** Estimated 75% of all logging and exports are illegal.
- **Burma:** Widespread and rampant illegal logging.

US \$ Billions of lost government income; Public forests devastated



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

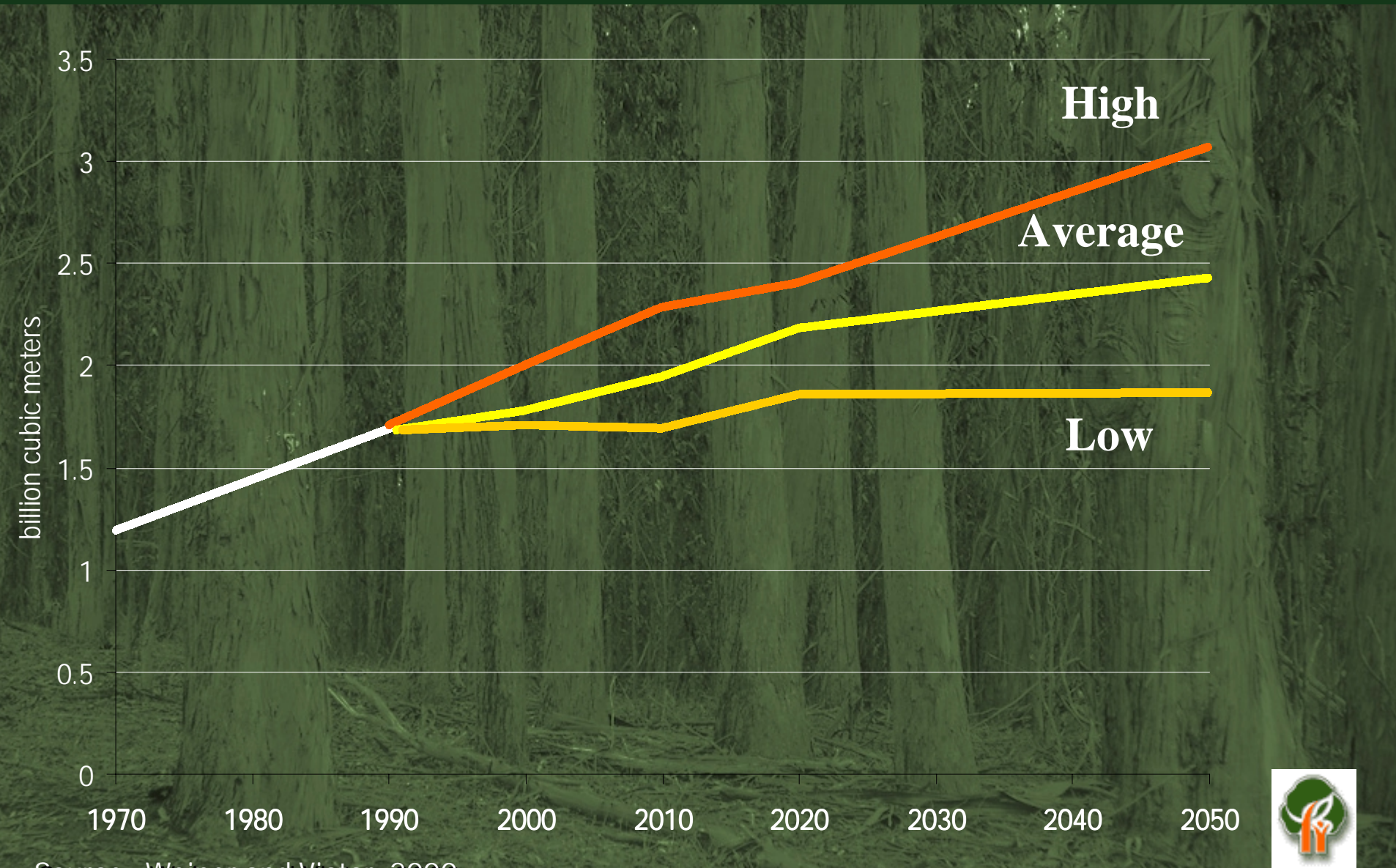
Advancing transparency and accountability



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

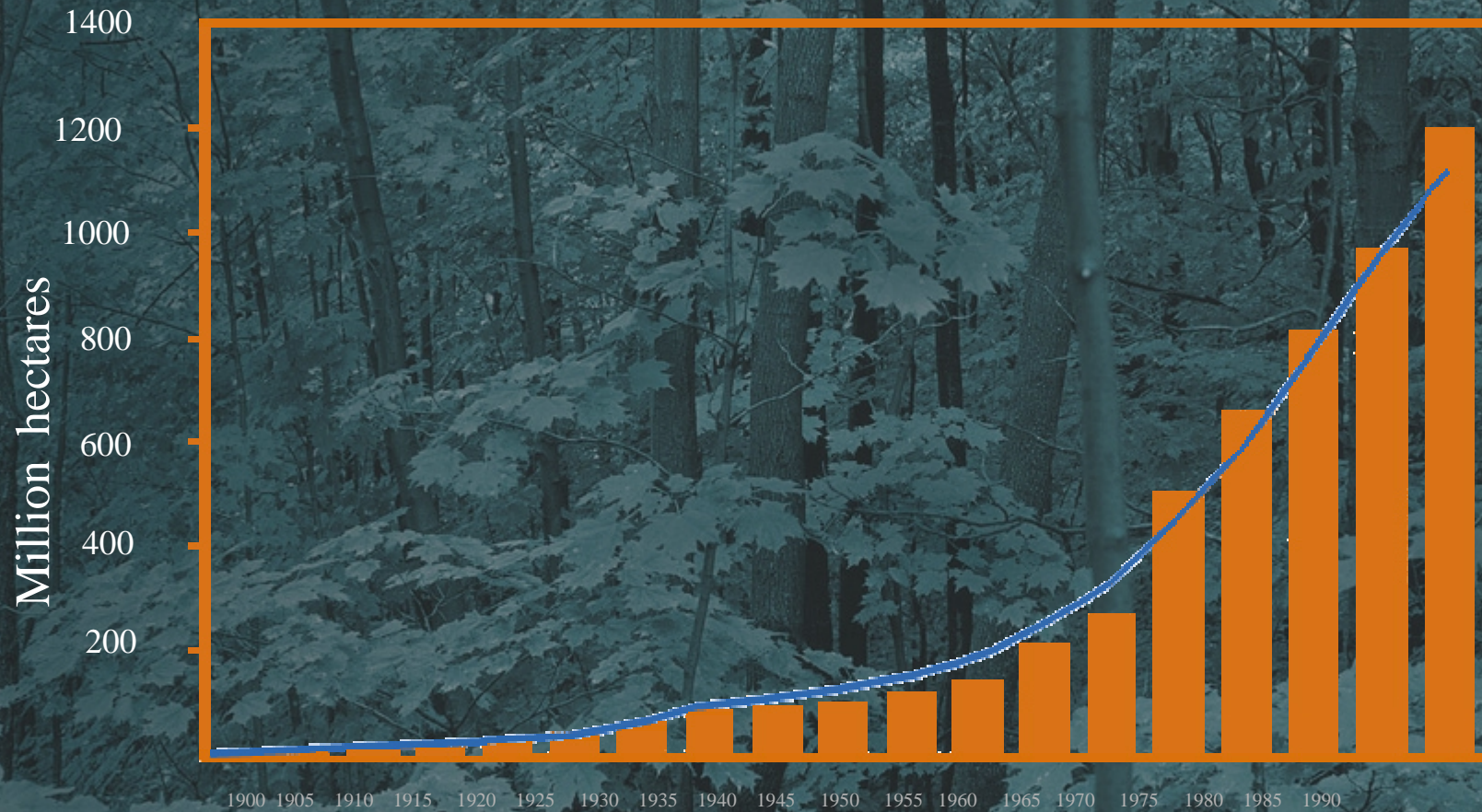


Since 1997, average return on capital
in the forest product industry is 4.1%

* Adjusted by US GDP deflator



Increase in protected areas (1900 - 1990)



Cumulative growth of the world's protected areas

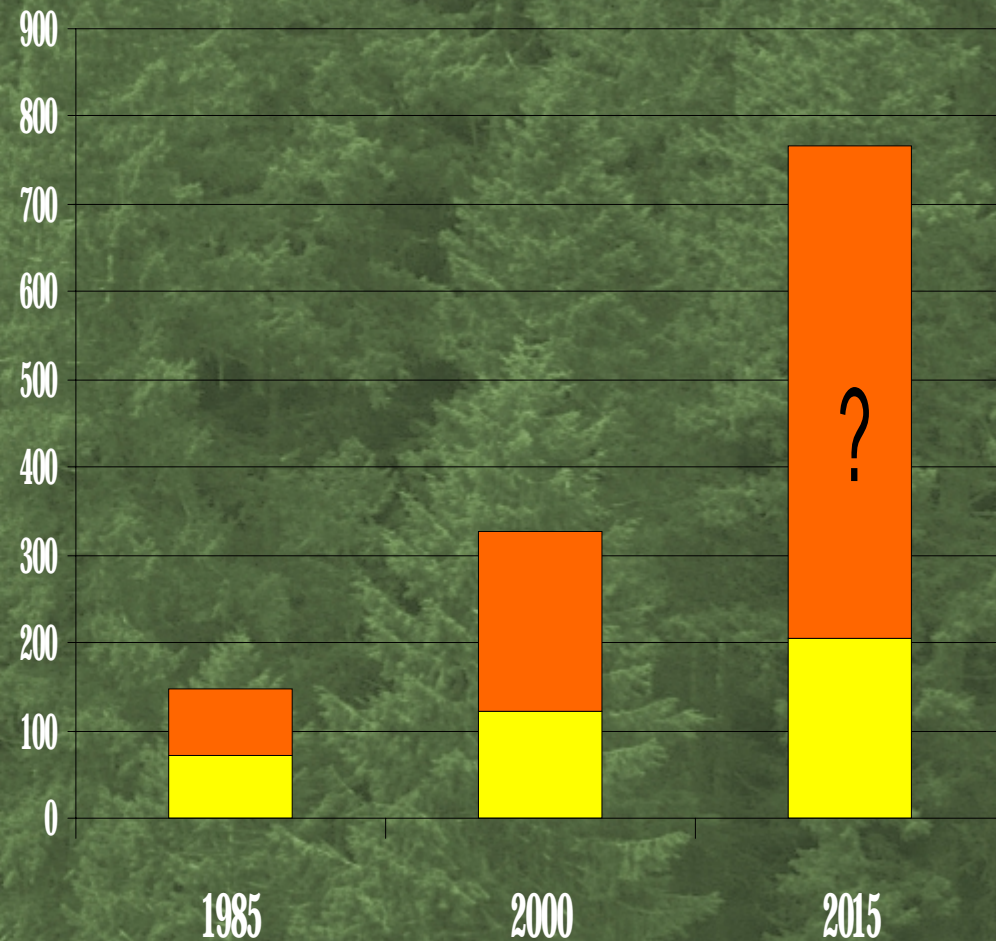
Source: IUCN (1998)



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.



Which Way Forward: Mining or Management?

To meet future demand of 3.0 billion m³, 2 options:

1. Mining: double extent of industrial logging
2. Sustainable Management:
 - 40% protected
 - 40% community/indigenous
 - 17% secondary forest
 - 3% plantations

Source: John Spears, 2000



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 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



Voluntary mechanisms with increased transparency

Montana

Voluntary “Best Management Practices”

Participatory stakeholder audit

Costs US \$40,000/year covers
5 million acres

98% compliance

Active role of community,
industry, and non-
governmental organizations

California

Mandatory regulation
and forest practices

Requires complicated
management plans

Costs US\$ 2 million/year

Government dominated process:
Many conflicts and mistrust



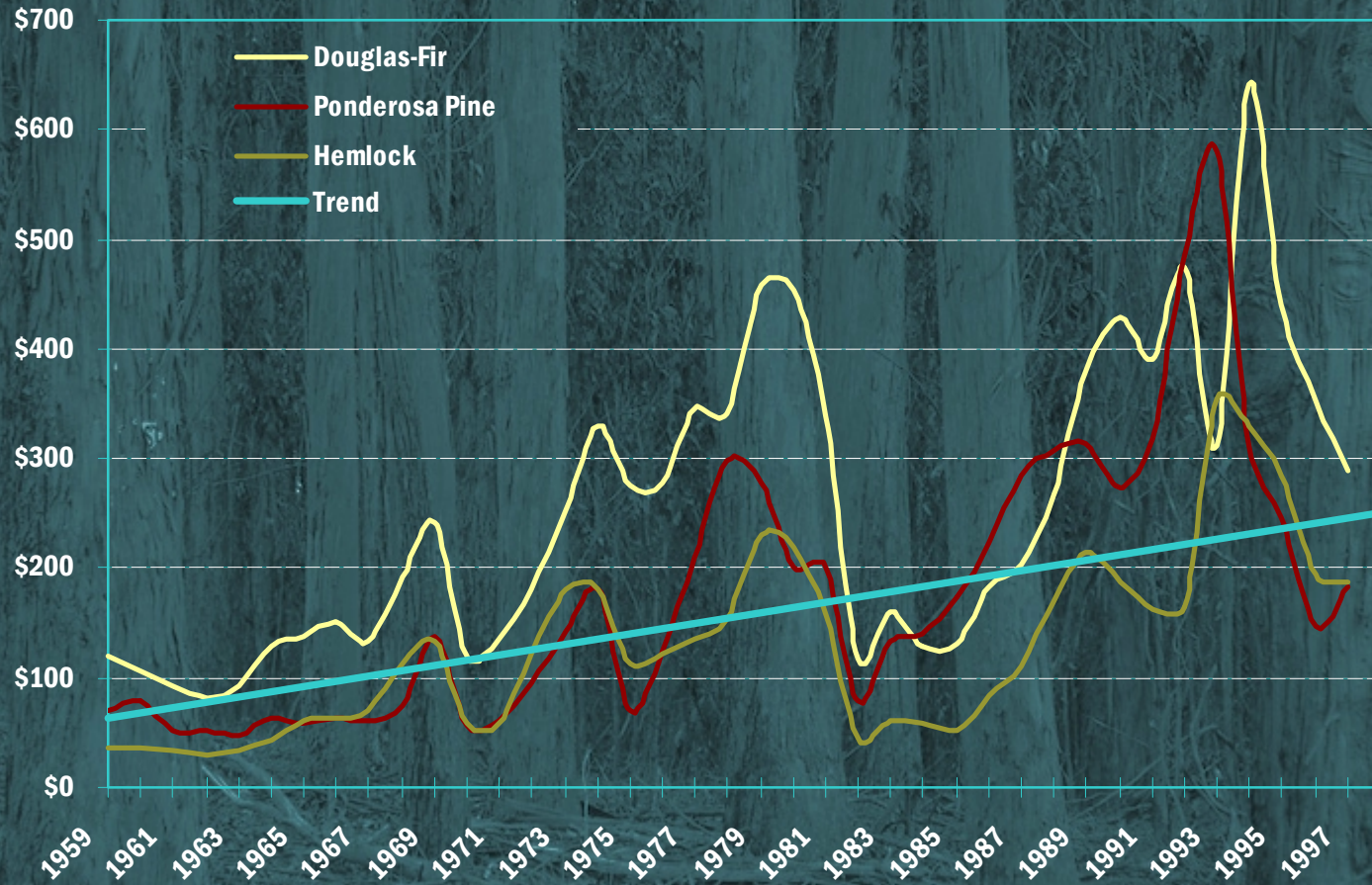
Paying for Environmental Services

- ◆ **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 Natural Forests

Real value of stumpage increasing by 2.15% per annum

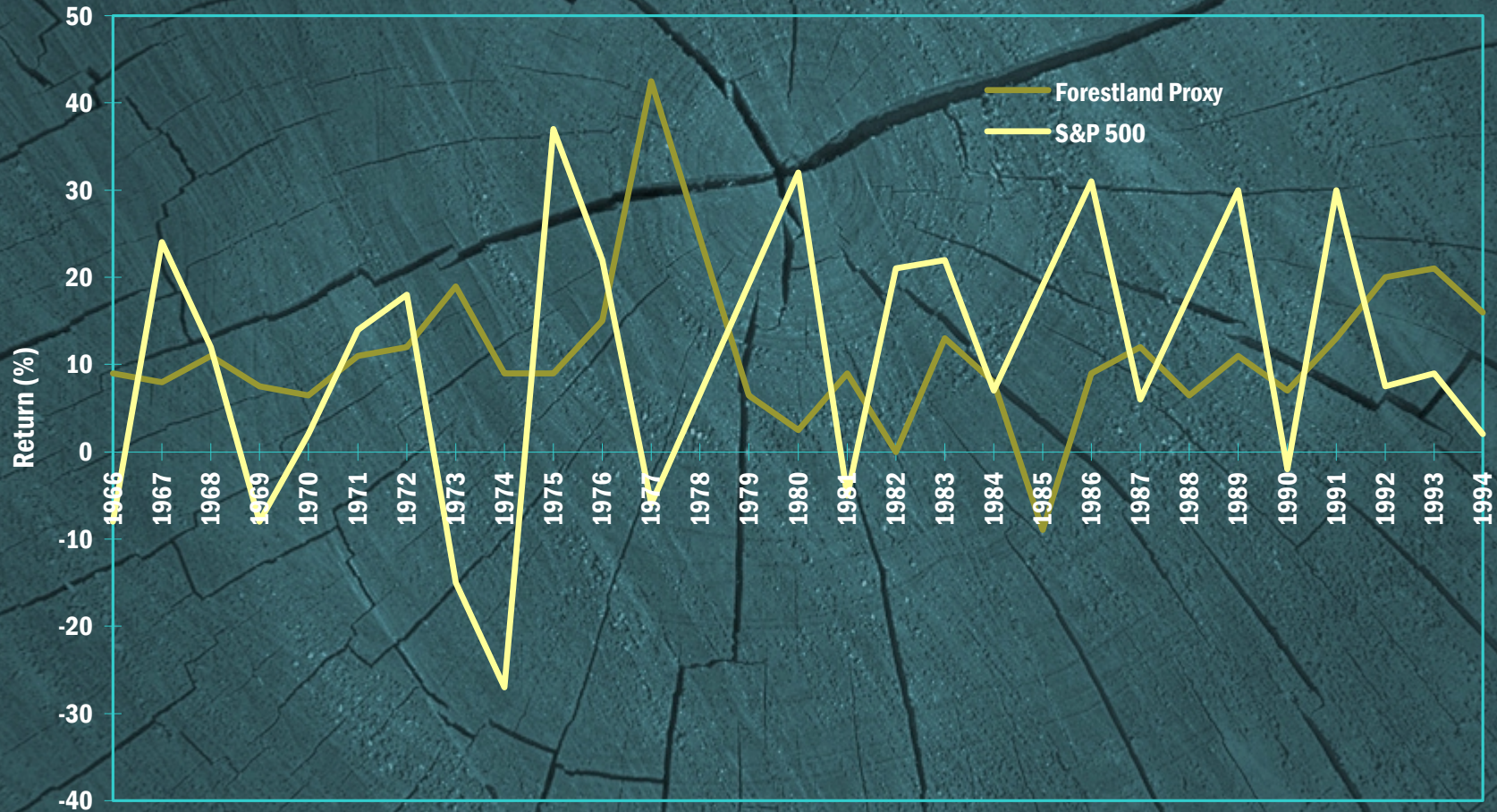


Source: USDA Forest Service



Forestland: Negative Correlation with Stocks

1965-1994



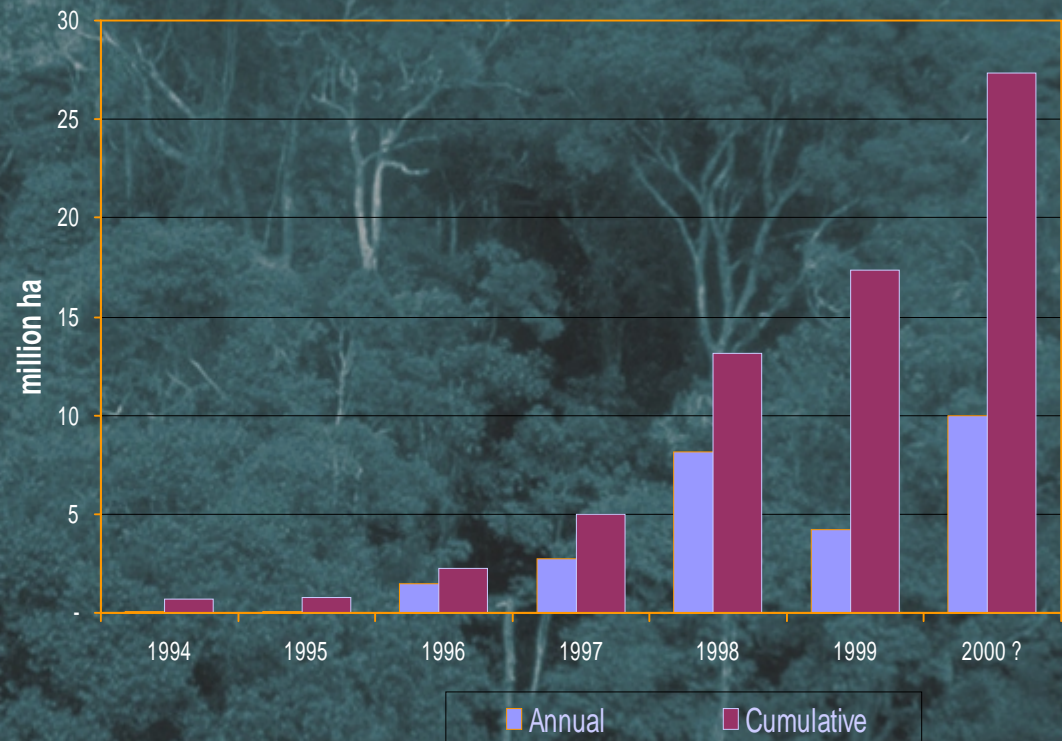
Source: C. Zinkhan



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.
- 9 Chain of Custody certifications in China, 6 additional underway.

Growth of certified forest area



Annual and cumulative FSC certified area



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



Sustainable forests and sustainable jobs

