

**Transforming China's Forest Impacts in the East Asia Region:  
Advancing Pro-Poor Policy & Market Reforms for Sustainable Livelihoods & Forests**

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**Partners<sup>1</sup>:**

- **CCAP** – Center for Chinese Agricultural Policy, Beijing, China
  - **FEDRC** – Forest Economics and Development Research Center, State Forest Administration, China
  - **RECOFTC** – Regional Community Forestry Training Center, Bangkok, Thailand
  - **FPCD** – Foundation for People and Community Development, Port Moresby, Papua New Guinea
  - **University of Papua New Guinea** – Remote Sensing Centre
  - **ERI** – Economic Research Institute, Khabarovsk, Russia
  - **BROC** – Bureau for Regional Campaigns, Vladivostok, Russia
  - **CIFOR** – Center for International Forestry Research, Bogor, Indonesia
  - **ICRAF** – World Agroforestry Center, Kunming, China
  - **University of British Columbia** – Faculty of Forestry
  - **International Institute for Applied Systems Analysis (IIASA)** – Vienna
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**Background:** The first phase of the project, implemented between 2002-2004, established the basis for this project by analyzing Chinese and regional market trends and impacts on supplying countries, initiating a regional network of forest market and policy analysts and advocates, identifying strategic issues and leverage points, and beginning to engage policy and market players in technical meetings and public conferences. Key findings from the first phase are three:

- (1) Chinese imports, which tripled in the last eight years to a 2004 total of 120 million m<sup>3</sup> are likely to double again in the next ten;
- (2) these trends are already having dramatic impacts on millions of livelihoods and forest landscapes globally; and
- (3) there is strong demand for this analysis and catalytic initiative among decision makers and significant opportunities to influence these trends.<sup>2</sup>

This first phase set important precedents for collaborative relationships across boundaries, analytical work that is both balanced and hard-hitting, and public meetings that attract the policy and market players that can effect change.

The Chinese forest market has emerged as a major global challenge to achieving regional and global development goals, including combating illegal logging and advancing the Millennium Development Goals (MDGs). Future demand trends, and their implications on livelihoods and landscapes, are clear. There is now an urgent need to mobilize global efforts of governments, NGOs and research organizations to help China boost domestic production in legal, socially and environmentally

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<sup>1</sup> This list is partial, including only major partners that have already committed to substantive collaboration. Additional partners will be identified during the first year.

<sup>2</sup> C.f. See Forest Trends' website ([www.forest-trends.org/programs/pacific\\_rim.htm](http://www.forest-trends.org/programs/pacific_rim.htm)) as well as the December 2004 edition of the International Forestry Review ([www.cfa-international.org/IFR.html](http://www.cfa-international.org/IFR.html)) which features additional analyses of the Chinese market and its impacts on local and regional livelihoods.

sustainable manner, to establish sustainable international sources of timber supply for China, and to help supplying countries address illegality and establish sound governance structures in their forest landscapes.

The proposed project builds on three other initiatives:

- (1) the FT/Chinese Agricultural University (CAU) project to advance the reform of forest policies negatively affecting the tenure rights and legal timber production by collective forest owners, in collaboration with local research institutions and funded by the Ford Foundation, Beijing;
- (2) FT coordination of the Civil Society Advisory Group to the ITTO, which advocates greater effort to address illegal logging and support community forestry and is now co-governed by community and community support organizations, including leaders of RECOFTC and the Foundation for People and Community Development, PNG – who are also actively engaged in this proposed project; and
- (3) the “Rights and Resources Initiative” to strengthen forest tenure and governance in developing countries that is currently being designed by Forest Trends, CIFOR, IUCN, and local partners, with the support of the Ford Foundation, IDRC and DFID. This initiative is being incubated by Forest Trends and has identified China and the broader East Asian<sup>3</sup> region as a priority area of focus.

These active relationships and the increasing efficiency and coherence of collective efforts set the stage for a broader, yet more focused and ambitious work on the China and regional trade issues. Forest Trends and its existing partners in China, Russia, Papua New Guinea and Indonesia are now set to scale up to have a greater impact at the regional level and expand to include collaborators from South East Asian countries including Vietnam, Laos and Cambodia – encouraging China and the key supplying countries to actively advance pro-poor policy reforms as well as engage in the FLEG processes, the Asia Forest Partnership, and other regional dialogues on illegal logging and trade.

**Project Summary:** China’s quickly growing demand for forest products is directly and indirectly affecting the rights and livelihoods of millions of indigenous and other forest communities – primarily in China and the East Asian Region. This increased demand is also magnifying regionally strategic development issues, such as illegal logging and trade, land allocation and the rights of the rural poor to use and trade their forest assets. At the same time this growing demand for forest products presents critical opportunities to protect, if not improve, the livelihoods of low-income producers and for governments to reduce inequality, social exclusion and conflict pervasive in rural Asia.<sup>4</sup>

The **project objective** is to advance policy and market reforms in the East Asian region to reduce poverty in forest areas, expand sustainable forest use and trade, and increase the effectiveness and impact of regional analysts and institutions in advancing pro-poor forest policy and market reforms.

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<sup>3</sup> In this text the term “East Asia” is used to refer to the Russian Far East, China, and South East Asia, including Indonesia and Papua New Guinea.

<sup>4</sup> Cf. “How Does China’s Growth Affect Poverty Reduction in Asia, Africa and Latin America?” by Rhys Jenkins and Chris Edwards, University of East Anglia, December 2004. This study entailed a preliminary assessment of the poverty implications of **exporting** to China, **importing** from China and **competing in third markets** with China. In regards to wood exports, it found that China’s growing demand had limited direct employment impacts – since relatively small numbers of the poor are employed in formal wood enterprises - but important indirect impacts, particularly where the poor depend on forests for their livelihoods and may be pushed further into poverty because of a loss of access. The paper provides a useful framework of analysis that merits extension. Its general findings are consistent with assessments of the impacts of the export industry in Asian supplying countries conducted in the first phase of this project.

**Expected results** of the 3 year project are:

- (1) increased awareness and political commitment among Chinese and regional governments and key private sector actors to deal with illegal trade and to advance pro-poor policy and market reforms;
- (2) new, deeper understanding of regionally strategic trade and land use policy issues and their implications for rights and livelihoods, as well as the policy and market reform options that can enhance forestry's contribution to poverty alleviation; and
- (3) strengthened regional network of local and regional organizations to conduct strategic market analyses and advocate for reforms.

The project entails five types of **activities**:

- (1) active dissemination of knowledge learned in the first phase;
- (2) launching new analytical work with existing and new local partners on strategic trade trends and issues, including the threats and opportunities posed by these market and policy shifts for indigenous and other low-income forest communities;
- (3) strengthening information dissemination and technical exchange of regional analysts to build capacity;
- (4) encouraging adoption of pro-poor policy and market reforms by disseminating information and engaging leaders in public meetings and conferences; and
- (5) planning, coordinating and monitoring the initiative with existing and new local, regional and international partners.

**Main intended beneficiaries** of this project are the low-income forest dwellers and producers in China and East Asia and the local organizations partnering in the project.

**Project Timetable:** April 1, 2005; March 30, 2008

Key Activities and Milestones	Y1				Y2	Y3
	Q1	Q2	Q3	Q4		
<p>1. <i>Actively engage high-level Chinese market and policy leaders with knowledge generated in the first phase.</i></p> <ul style="list-style-type: none"> <li>• Complete, translate and publish syntheses of key market and policy studies to Chinese, and other critical languages (e.g. Russian and Bahasa Indonesian) and disseminate via web and hard copy</li> <li>• Co-organize new analysis of Chinese import and regional trade “scenarios” with CIFOR, in collaboration with CCAP, UBC, IIASA and regional partners.</li> <li>• Conduct technical workshop and informal policy meetings in Beijing (June '05) to engage high-level Chinese, a public workshop in Beijing in Sept/Oct, and a regional trade meeting in Bogor, Oct/Nov.</li> <li>• Coordinate with DFID, World Bank, others engaged in FLEG and AFP processes; NGOs engaged in forest issues in China, as well as major private sector partners, including the “Equator” banks to jointly develop a coherent strategy to capture this opportunity to help steer the Chinese market.</li> </ul>	X	X				
<p>2. <i>Conduct new analyses of strategic trade issues, policy threats, livelihood impacts and priority opportunities for reform in China and key producing countries in E. Asia</i></p> <ul style="list-style-type: none"> <li>• Assess scale and depth of impact and implications of 1<sup>st</sup> phase of market studies on indigenous and other low-income forest communities in</li> </ul>						

<p>China, Russia, PNG, Indonesia and SE Asia (following on framework presented in Jenkins and Edwards 2004);</p> <ul style="list-style-type: none"> <li>• In process of conducting “scenario” analyses with CIFOR and partners and with emerging network partners, identify strategic regional trade issues, including for example, potential level of sustainable supply from Russia, PNG, Indonesia, SE Asia; mapping the flow of illegal timber within China through to export markets; and initiate new, focused studies on a selected set of priority issues;</li> <li>• Identify particular policy threats and opportunities for reforming governance structures in China and key supplying countries with collaborators and advance policy dialogues for reform: <ul style="list-style-type: none"> <li>○ In China: initiate new, rigorous survey of the status of collective forests, identifying constraints to production and contributions to poverty reduction – towards developing more convincing arguments for addressing illegal logging within China, and removing policy barriers that discourage timber production by collective forests (w/ CCAP);</li> <li>○ In China: strengthen the emerging agenda to reform the public forest sector based on separately-funded research – towards improving domestic production and institutional arrangements that enhance benefits to communities (w/ CCAP);</li> <li>○ In key supplying countries in region: Assessing land allocation, tenure and regulatory threats to indigenous and other community livelihoods by conducting new synthesis overviews of the status of land allocation, rights to use and trade in selected countries, convening policy workshops – hooking government participation by introducing topics with presentation on status and trends of Chinese markets and possible implications for their country;</li> <li>○ In China and key supplying countries: Assessing the livelihood dimensions of selected commodity chains of imported products, identifying policy and market constraints and strategic opportunities to address them.</li> </ul> </li> <li>• Develop common methodologies, initiating, conducting, analyses;</li> <li>• Prepare regional overview of opportunities, and priorities for action and policy dialogue and national and regional levels.</li> </ul>		X	X	X		
<p>2. Conduct new analyses of strategic trade issues, policy threats, livelihood impacts and priority opportunities for reform in China and key producing countries in E. Asia</p> <ul style="list-style-type: none"> <li>• Assess scale and depth of impact and implications of 1st phase of market studies on indigenous and other low-income forest communities in China, Russia, PNG, Indonesia and SE Asia (following on framework presented in Jenkins and Edwards 2004);</li> <li>• In process of conducting “scenario” analyses with CIFOR and partners and with emerging network partners, identify strategic regional trade issues, including for example, potential level of sustainable supply from Russia, PNG, Indonesia, SE Asia; mapping the flow of illegal timber within China through to export markets; and initiate new, focused studies on a selected set of priority issues;</li> <li>• Identify particular policy threats and opportunities for reforming</li> </ul>		X	X	X	X	X

<p>governance structures in China and key supplying countries with collaborators and advance policy dialogues for reform:</p> <ul style="list-style-type: none"> <li>○ In China: initiate new, rigorous survey of the status of collective forests, identifying constraints to production and contributions to poverty reduction – towards developing more convincing arguments for addressing illegal logging within China, and removing policy barriers that discourage timber production by collective forests (w/ CCAP);</li> <li>○ In China: strengthen the emerging agenda to reform the public forest sector based on separately-funded research – towards improving domestic production and institutional arrangements that enhance benefits to communities (w/ CCAP);</li> <li>○ In key supplying countries in region: Assessing land allocation, tenure and regulatory threats to indigenous and other community livelihoods by conducting new synthesis overviews of the status of land allocation, rights to use and trade in selected countries, convening policy workshops – hooking government participation by introducing topics with presentation on status and trends of Chinese markets and possible implications for their country;</li> <li>○ In China and key supplying countries: Assessing the livelihood dimensions of selected commodity chains of imported products, identifying policy and market constraints and strategic opportunities to address them.</li> </ul> <ul style="list-style-type: none"> <li>• Develop common methodologies, initiating, conducting, analyses;</li> <li>• Prepare regional overview of opportunities, and priorities for action and policy dialogue and national and regional levels.</li> </ul>				X	X	X
				X	X	X
				X	X	X
				X	X	X
				X	X	X
				X	X	X
<p>3. Strengthen the network of regional analysts and advocates</p> <ul style="list-style-type: none"> <li>• Identify new partners, including at least one from Laos, Vietnam, Cambodia, and Burma, and two in Indonesia and engage them in the project process of defining, conducting and disseminating research;</li> <li>• Actively disseminate critical trade and livelihood information to all local and regional partners via network listserv and enhanced website;</li> <li>• Identify a new framework for network strengthening with RECOFTC and other local and regional partners – the local institutional basis for a sustained network beyond the life of the project and FT’s intervention;</li> <li>• Establish the new network structure, actively feeding information to partners, building knowledge and capacity in the region to advance pro-poor reforms;</li> <li>• Conduct technical workshops, bringing together partner analysts to share data and analyses, developing a common understanding of regional trends and issues, exchanging and strengthening capacity.</li> </ul>	X	X	X	X		
				X	X	X
				X	X	X
				X	x	x
				X	X	X
<p>4. Catalyse policy and market commitment and action by disseminating information, convening public events and engaging in regional</p>						

institutional initiatives, such as the AFP and FLEG processes.						
• Prepare, translate and disseminate key information to key audiences in China and key supplying countries, including preparing briefs and articles for policy opportunities;				X	X	X
• Prepare, publish and disseminate graphical displays of the livelihood dimensions of international commodity chains of illegal wood	X	X	X			
• Conduct workshops and conferences in China and in key supplying countries with partners to disseminate information and catalyze action;		X	X	X	X	X
• Support key policy and industry fora in region by supplying strategic to disseminate key messages (e.g. FLEG, Asia Forestry Partnership processes).		X	X	X	X	X
5. Plan, coordinate and monitor project with partners.						
• Meet with local, regional and international partners to identify priorities in each country and regionally, identify roles and plans;	X	X			X	X
• Identify strategic issues, terms of reference and jointly prepare an annual workplan;	X	X			X	X
• Monitor progress, including an independent evaluation, update and revise plans with key partners including representatives from DFID and SIDA.		X	X	X	X	X

**Project Management:** Forest Trends would manage the project in collaboration with: CCAP; RECOFTC, and CIFOR. This management group would meet twice a year during the life of the project to discuss and propose plans and budgetary allocations, sort out logistical and deadline issues, monitor progress by assessing indicators and benchmarks, evaluate performance, discuss methodologies and external communications and prepare an updated plan for the following year. These international and regional partners would ensure linkages to other, related programs within their institutions as well as assist in the capacity building of local partners.

All partners, including national collaborators as well as representatives from donor agencies and key national and international advisors, would meet at least annually to identify strategic issues in each country, assess progress and evaluate experience, and plan the advocacy and dissemination strategies for the year. These meetings will take place in the region.

There will be a meeting of the management group and existing partners at the outset of the project, June 4-5 in Beijing. This meeting will assess lessons learned in the implementation of the first phase, identify new management arrangements and research selection criteria and decide upon steps to strengthen the network.

CCAP would coordinate policy and market studies in China, collaborating with FEDRC and other local partners, in addition to leading new analyses on the Chinese industry and livelihood impacts. RECOFTC would coordinate collaboration in the SE Asia region, assisting in identifying new partners in Laos, Vietnam, Cambodia and Burma and organizing capacity building workshops for collaborators. They would also play a major role in establishing and serving the network of analysts. The World Agroforestry Center (ICRAF) would continue to conduct work on the livelihood dimensions of Chinese trade in SE China as well as assist in identifying new partners in SE Asia, particularly Burma. Forest Trends would maintain direct contact with existing collaborators in the Russian Far East, PNG and Indonesia.

New partners would be chosen based on the three criteria used in the first phase of the project: (1) research organization or NGO actively engaged in analyzing forest policy and market issues in China or the region with demonstrated interest in supporting work on illegal logging and trade, and the livelihood impacts of that trade; (2) willing to dedicate own time and resources, as well as help leverage additional resources to contribute to the collective effort of the initiative; and (3) willing to freely share research data and information with other partners in the initiative and make final products freely and easily accessible to the public.

The approach of the initiative has been, and will continue to be, that the project provides incremental funds to enable local collaborators to further work their own work, as well as the costs of their participation in regional technical workshops. New national partners will be identified in the first year of the project and integrated into the process of defining research agendas, conducting research and disseminating information. We aim to involve at least one partner each from Vietnam, Laos and Cambodia and at least two local organizations in Indonesia. Candidates for collaboration in Indonesia include, for example, Telapak and LATIN and other organizations already engaged in the Multistakeholder Forestry Programme.

**Millennium Development Goals:** The project is designed to address the following MDGs:

- Goal 1. Eradicate Extreme Poverty and Hunger
- Goal 7. Ensure Environmental Sustainability
- Goal 8. Develop a Global Partnership for Development

**Risks:** Potential risks to the implementation of the project include:

1. **Low quality, and thus ineffective, analytical work- due to high relative costs of backstopping.** Forest Trends constantly faces the tension between transferring financial resources to local partners to support their work and maintaining staff that can provide high-level strategic guidance. The challenge is to configure a low-cost staff that provides top quality service to partners, and transfer as much financial assistance as possible to local partners. We will address this risk in two ways: First, by dedicating one-third time of a Senior Director to oversee the project and analyses and coordination with global partners; two third-time program managers/analysts to support analytical work and build capacity of network partners, and one full-time analyst based in Beijing to lead trade analysis work in China. These staff already has the proven track records in working with regional partners and helping them deliver high quality products. And second, by coordinating work with CCAP, RECOFTC and the World Agroforestry Center, collaborators that are eager to participate and capable of assisting in the preparation of methodologies and building capacity of local partners. These collaborators and their strong connections with other local partners will enable us to enhance the chances for high quality, effective work.
2. **Shifting political realities and the difficulty in identifying strategic issues, partners, and advocacy opportunities.** The size and complexity of the region, the speed at which governments change, and change priorities, the lack of credible information, as well as the shadowy nature of much of the forest market and real agendas of governments and industrial players, challenge the selection of issues, partners and opportunities. In addition, there is an ongoing tension between digging deeper and getting better information, and capturing a broad, policy relevant perspective. We will address this risk by relying on, and strengthening the regional network of analysts – listening to their insights and perspectives and triangulating with input from a broader range of private sector, intergovernmental and donor colleagues active in the region.
3. **Leveraging significant impact in the most efficient manner.** There are other related initiatives ongoing in China and the region. Fortunately, many of these were identified and assessed during the first phase of work, and relationships built with the most strategic partners. Forest Trends has developed strong relationships and regular communications with key institutions active in pro-poor forestry in the region including: (1) the World Bank – serving as peer reviewer of the regional forestry strategy and projects in Vietnam, China, Papua New Guinea and Indonesia, as well as their engagement in the FLEG processes; (2) ITTO – collaborating regularly with their forest markets program and conducting work with them on community forestry and ecosystem services across the tropical world; (3) CIFOR, collaborating on particular research projects in China and the broader region; (4) DFID, collaborating in the previous project as well as with their work on illegal logging and the FLEG processes; (5) the Ford Foundation, providing technical counsel to their Environment and Development program officers across the world and collaborating in China; and (6) IDRC - Singapore, recently invited to better coordinate with programs in China and the broader region. Nonetheless, despite these close relations with other key actors, staying abreast of other initiatives and engaging appropriately is labor intensive and comes at high cost. We will address this risk by remaining in close contact with our collaborators, both at the global,

regional and local levels, and using every opportunity to develop a collectively coherent pro-poor agenda in the region, and collaborate on key products.

4. **Difficulty of maintaining institutional and donor interest over the medium-term.** The forest policy and market problems of the region are most definitely entrenched and maintained by strong vested interests, and solving them, or even making progress on them, does not come easily or quickly. Individuals, institutions and donors inevitably tire and are attracted to other, often equally pressing, and perhaps more intriguing, problems. Forest Trends is committed to this region and this agenda for at least another three years. Although we are invited to other regions to help launch new work, we recognize the tremendous importance of the Chinese forest market and the forest poverty agenda in China and the broader Asian region, of all places in the world. We are confident that with another three years we will be able to have consolidated the regional network and significantly increased capacity and relationships in the region enabling local partners to sustain themselves beyond our intervention.



**Annex 1. Logical Framework Matrix**

Project Summary	Measurable Indicators	Means of verification	Important assumptions
<p><b>GOAL:</b> <i>Overall goal which this project will help to achieve</i></p> <p>Transform China's forest product market into one that promotes secure livelihoods and sustainable land use, and supports the rule of law in China and producer countries in the East Asia region.</p>	<p><i>The evidence (quantitative/ qualitative) which will be used to measure/judge the achievement of goal</i></p> <ol style="list-style-type: none"> <li>1. Increased awareness among key public and private actors of the impacts of Chinese demand and illegal trade on forests and livelihoods in the region.</li> <li>2. Forest industry and financial institutions adopt improved purchasing policies and due diligence procedures for assessing risks, social and environmental impacts, and legality issues associated with forestry investments.</li> <li>3. Increased participation of small-scale producers, indigenous and other communities in forest markets.</li> <li>4. Chinese policymakers taking measures to stop the inflow of illegal timber imports and pro-actively participating in regional FLEG activities.</li> </ol>	<p><i>Sources of information/ data which will be used to assess the indicator(s)</i></p> <ol style="list-style-type: none"> <li>1. Policy announcements and actions by public and private organizations to address illegal logging and trade issues.</li> <li>2. announcements of private and public financial institutions regarding their purchasing and investment policies</li> <li>3. Announcements, new deals and investments with low-income producers.</li> <li>4. Public policy announcements by Chinese government institutions.</li> </ol>	<p><b>(Goal to supergoal)</b> <i>Main external factors necessary to sustain objectives in the long run</i></p> <ol style="list-style-type: none"> <li>1. Enhanced and sustained commitment of governments and private sector to legal trade and improved forest practice.</li> <li>2. Policy and regulatory barriers to low-income producer participation in markets diminished.</li> <li>3. Increased effort by governments and private sector to supply business services to low-income producers and engage in joint business ventures.</li> </ol>
<p><b>PURPOSE (OBJECTIVE):</b> <i>Immediate impact on the project area or target group ie, the change or benefit to be achieved by the project</i></p> <p>The <b>project objective</b> is to advance policy and market reforms in the East Asian region to reduce poverty in forest</p>	<p><i>The evidence (quantitative/ qualitative) which will be used to measure/judge the achievement of the purpose</i></p> <ol style="list-style-type: none"> <li>1. Steps taken governments to address illegal logging and trade, promote legal and/or certified wood, reduce barriers to participation by low-income producers, and improve regulation of forest finance.</li> </ol>	<p><i>Sources of information/ data which will be used to assess the indicator(s)</i></p> <ol style="list-style-type: none"> <li>1. Public policy announcements by key governments and private sector actors.</li> <li>2. Announcements of new projects, partnerships, or</li> </ol>	<p><b>(Purpose to goal)</b> <i>Main external factors necessary if project purpose is to contribute to reaching project goal</i></p> <ol style="list-style-type: none"> <li>1. Continued and growing openness of Chinese and regional governments to advance forest policy reforms and</li> </ol>

<p>areas, expand sustainable forest use and trade, and increase the effectiveness and impact of regional analysts and institutions in advancing pro-poor forest policy and market reforms.</p>	<p>2. Steps taken by private sector to improve due diligence in investments, commit to legal trade, and encourage greater participation of low income producers in forest markets.</p>	<p>investments by private sector with low-income producers</p>	<p>regional cooperation to curtail illegal logging and trade.</p> <p>2. Increased support by private sector for sustainable management; curtailing illegal logging; and adopting business models that benefit low-income producers.</p>
<p><b>OUTPUTS (RESULTS):</b>  <i>The specific, deliverable results expected from the project to attain the purpose</i></p> <p>(1) increased awareness and political commitment among Chinese and regional governments and key private sector actors to deal with illegal trade and to advance pro-poor policy and market reforms;</p> <p>2) new, deeper understanding of regionally strategic trade and land use policy issues and their implications for rights and livelihoods, as well as the policy and</p>	<p><i>The evidence (quantitative/ qualitative) which will be used to measure/judge the achievement of the outputs</i></p> <p>1a. Key messages adopted by leading government and private sector actors.</p> <p>1b. Reforms considered or advanced reflecting recommendations from project analysis</p> <p>1c. Increased engagement in regional initiatives to address inter-regional trade and illegal logging</p> <p>1d. Increased media attention in leading regional and international journals.</p> <p>2a. Strong participation of leading public and private actors in meetings sponsored by the project.</p> <p>2b. Influence on other regional</p>	<p><i>Sources of information/ data which will be used to assess the indicator(s)</i></p> <p>1a. Announcements from regional govt's intergovernmental agencies, banks and private investors</p> <p>1b. Project convenings – indicating level of interest and support for project agendas by government and market leaders.</p> <p>1b. Demand for project products, e.g. hits to website, document downloads, etc.</p> <p>1c. Participants list of major meetings</p> <p>1d. Articles, etc.</p> <p>2a. Participants lists</p> <p>2b. Citations in other research or articles</p>	<p><b>(Outputs to purpose)</b>  <i>Main external factors necessary for outputs to achieve project purpose</i></p> <p>1. Continued (or expanded) international support for initiatives aimed at promoting pro-poor forest conservation; controlling illegal logging and trade; and improving livelihoods in forested areas.</p> <p>2. Increased incentives for market leaders to adopt practices that promote conservation and sustainability; the use of legally harvested wood; and equity for forest communities.</p> <p>3. China's entry into WTO creating new incentives for Chinese banks and government to adopt international standards for investment, finance and trade.</p> <p>4. China's continued concern over the growing disparity in incomes between the forest-dependent west and the export-oriented east.</p>

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<p>market reform options that can enhance forestry's contribution to poverty alleviation; and</p> <p>(3) Strengthened regional network of local and regional organizations to conduct strategic market analyses and advocate for reforms.</p>	<p>analytical work</p> <p>3a. New, collaborative working relationships established between analysts across region.</p> <p>3b. Higher quality, and more effective policy and market analysis conducted by local partners.</p> <p>3c. New precedents set, in terms of local analyst access to policy makers and policy influence.</p>	<p>3a. Number of local partners actively collaborating in research and number of collaborative research projects across country borders.</p>	
<p><b>ACTIVITIES:</b> <i>These are the tasks to be done to produce the outputs</i></p> <p>(1) actively disseminating knowledge learned in the first phase;</p> <p>(2) launching new analytical work with local partners on strategic trade trends and livelihood issues;</p> <p>(3) strengthening information dissemination and technical exchange of regional analysts to build capacity;</p> <p>(4) encouraging adoption of pro-poor policy and market reforms by disseminating information and engaging leaders in public meetings and conferences; and</p> <p>(5) planning, coordinating and monitoring the initiative with local, regional and international partners.</p>	<p><b>INPUTS:</b> <i>This is a summary of the project budget and other key inputs over 3 year project</i></p> <ol style="list-style-type: none"> <li>Staff time to coordinate and guide and monitor project, and build capacity of network partners; including 1/3 time of senior analyst, 1/3 time of two analyst to manage programs and support network, and full time of a trade analyst in China.</li> <li>Sub-projects to local partners in China and East Asia region to conduct analytical work (including local travel).</li> <li>Travel for staff and partners to participate in workshops and network events to share information, plan, and monitor the project.</li> <li>Translating, publishing, and disseminating analyses, plus workshops, conferences to engage</li> </ol>	<p><i>Sources of information/ data which will be used to assess the indicator(s)</i></p> <ol style="list-style-type: none"> <li>Project plans, monitoring reports, and project evaluations, level of engagement of collaborators</li> <li>Policy/market analyses produced and in demand by key domestic and international audiences.</li> <li>Regular engagement by key collaborators – each leveraging other resources to participate, active sharing of information across countries, new bi-lateral partnerships formed.</li> <li>Active participation in project convenings by key policy makers, participation by “untraditional” actors such as investors, private sector players.</li> </ol>	<p><b>(Activity to output)</b> <i>Main external factors necessary for activities to achieve project outputs</i></p> <ol style="list-style-type: none"> <li>Availability of data on forest market trends in China and regional impacts.</li> <li>Interest and willingness of policymakers (both in China and around region) and market leaders to participate in dialogues about policy and market reform.</li> <li>Readiness of the forest industry and finance sectors to increasingly demand legal and sustainably-sourced forest products – and the need to diminish the negative impacts of illegal logging and trade.</li> <li>Existence of significant market opportunities for communities and</li> </ol>

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	policy and market players.		feasible business models which enhance their benefits from forests.
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## **Annex 2: Background Rationale for Project, Lessons Learned During the First Phase and Future Directions**

### **Background: Market Shifts with Dramatic Implications for Local Livelihoods**

China's forest product imports have grown dramatically in recent years, catapulting the country to a top role in world trade in the sector. Rapid expansion of manufacturing and domestic consumption, in a nation with very limited per capita forest resources, has fueled the rise in imports. China has also suddenly become the wood workshop of the world, capturing over 1/3 of the total global trade in wooden furniture. Fully one-half of all primary forest imports to China are processed and exported as finished products. Total forest product imports in 2004 were over 100 million cubic meters and new projections suggest that imports are likely to double over the next 15 years.

The combination of this booming domestic demand and a growing export-oriented processing industry is sending shock waves through the industry and the governments of forest countries globally – causing some industries and markets to collapse, creating opportunities for others, and leading industry and government leaders around the world to reassess their competitive positions and policy frameworks in light of the new Chinese market.

While China's increased forest product demand and exports have affected supplying countries worldwide, impacts are particularly marked in the Asia Pacific Region. Some 70% of all of China's timber imports are supplied by Asia Pacific countries and China has become the leading market for many, if not most, of these countries. In many cases, increasing trade flows are accelerating unsustainable harvesting, corruption, illegal logging, and the abuse of indigenous and other forest community rights – further disenfranchising the poor from their resources and from their development opportunities and deepening inequality between the rural and urban populations. In addition to aggravating the degradation of natural forests it is also leading many governments to support and subsidize the establishment of new plantations – posing additional threats to local land rights and livelihoods in many countries. Increased industrial demand for water in China and the Mekong region, growing pressure on the limited rail and road infrastructure, government land allocation schemes and bans on logging, are strategically critical policy issues at the regional level – and all of which have important impacts and implications for poor rural peoples.

At the same time, China's growing demand is also creating opportunities for the millions of low-income forest producers within China and in producer countries globally to participate in forest markets, and perhaps benefit. Trees and forests are the primary asset of millions of the world's poorest people and when governments act to enable them to use these assets, forestry can be an important instrument of rural development, conflicts can be reduced and income disparities diminished. Out-grower schemes, where local people grow wood under contract to forest industry, are increasing in prevalence across the region and can provide substantial portion of family incomes – if the risks and rewards are balanced fairly. Markets for high quality wood from natural forests and non-timber forest products from forests for domestic and international markets are growing in size and prices are increasing in many segments.

The threats these market trends imply for local livelihoods, as well as their potential to aid in the alleviation of poverty both domestically and in some supplying countries, is driving some government and development agents to exhibit interest in better understanding these shifts, the relationships between their policies and their competitive position, and the impacts and implications of the Chinese forest market on local livelihoods.

But this growing global interest in the Chinese market and its implications for livelihoods and government policy in the Asia Pacific region, has not been met with sufficient strategic analyses, and what analyses have been done have largely not been conducted in a regional basis, nor in a way that builds local capacity or is actively disseminated to critical audiences in a manner to leverage action. The primary source of market information to date has been proprietary industrial analyses, the cost of which has precluded their use to all but the largest international investors and trade associations. And even the proprietary reports have been of mixed quality because of the weakness of the official data and information upon which they were based and the lack of independent peer review – and certainly very few, if any dedicate special attention to livelihood and rights issues.

Similarly, there have been limited analyses, and much less active, public debate, of the strategic land use and land allocation policy issues affecting livelihoods and community forests and how these policies intersect with poverty alleviation agendas. There are independent analysts, projects and advocates working on these issues in East Asian countries, but they are often disconnected from colleagues in neighboring countries and find it difficult to understand market and policy trends and their own local experience in the regional context. There are occasionally public discussions of these policy issues, but they are frequently not organized at a strategic, political, level or conducted in a manner to give voice to the indigenous and other low-income community producers who are most directly affected by these market and policy shifts.

The scope and complexity of these policy and market issues have also challenged the conventional development institutions – who by and large focus on individual countries and project implementation. Neither the multilateral development organizations, such as the World Bank and the Asian Development Bank, or the relevant intergovernmental initiatives, such as the FAO, UNFF or the ITTO have engaged in identifying and influencing the Chinese market and the emerging regionally strategic policy issues.

Understanding and influencing the Chinese forest market – and underlying policy regime – has become a global public good. The Chinese market is a critical force affecting lives and livelihoods, policies and industry around the world – and whose footprint is both largest and heaviest in the Asia Pacific Region. Transforming these markets and policies – both inside China and in the broader Asia-Pacific region - to reduce social exclusion, inequality, and conflict and to advance poverty alleviation and sustainable land management requires new types of collaborative intervention and new levels of global engagement.

### **The First Phase: One Step Forward**

The proposed project builds on three projects led by Forest Trends (FT) in collaboration with regional partners: (1) the FT/CCAP/CIFOR project to develop strategic intelligence of Chinese forest markets and to begin to establish a network of regional analysts and advocates, funded by DFID between January 2002 and March 2005; (2) the FT/Chinese Agricultural University (CAU) project to advance policy reforms affecting Chinese collective forests – funded by the Ford Foundation, Beijing between September 2003 and December 2004; and (3) FT coordination of the “Civil Society Advisory Group” (CSAG) to the ITTO – which is co-governed by leaders of pro-community organizations across the world, including key regional partners such as the RECOFTC. The overall purpose of the first phase of work was to scope out the market and policy issues and to generate the information enabling more strategic and focused work in the second phases. These three projects are now organized under one global initiative entitled “Rights and Resources: Advancing Pro-Poor Policy and Market Reforms” in which Forest Trends, CIFOR, IUCN and regional partners are coordinating efforts for greater efficiency and impact. Different World Bank country offices and the ITTO have provided additional support for particular conferences and the translation and dissemination of particular policy reports.

The FT/CCAP/CIFOR market-focused project achieved its aims by (1) completing an overall assessment of the Chinese market and regional trade that identified strategic trends and leverage points for policy and market actors (described below); (2) creating a network of regional market and policy analysts who now meet to share work in different parts of the region; and (3) beginning to influence key policy and market makers by organizing major international workshops and conferences on the Chinese market and regional impacts (June 2004, Beijing); Chinese Forest Finance and Investment Policies (September 2004, Beijing); and Regional Trade and Finance (October 2004, Kuala Lumpur). These events and the information disseminated have attracted influential leaders and led the Chinese government to recommended policy and market reforms.

The over 20 analytical reports are listed on the FT website and include three categories of in depth analyses: (1) the Chinese market (including studies of the Chinese import trends, domestic production and forecasts, the plantation, sawnwood and panel sectors, the status of collective forestry and contributions to rural development, and the Chinese financial system relevant to forestry); (2) the impacts on supplying countries in the Asia-Pacific region, including studies on the illegal logging, trade and industry in Indonesia, Papua New Guinea, the Russian Far East, and Burma; and (3) the livelihood dimensions of the important commodity chains, including analyses of the dominant commodity chains in the Russian Far East, the Chinese distribution of Russian wood, imports from Indonesia, and imports from Burma. These analyses point to the critical livelihood issues and policy opportunities at each stage of the commodity chain.

**The FT/CAU project** supported seven teams of Chinese analysts to produce new studies of critical forest policy constraints to Chinese collective forest owners.

Studies include analyses of: (1) community perspectives on the logging ban and community-driven alternatives; (2) local impacts of the log harvesting quota (annual allowable cut); (3) government rationales and implementation of the harvesting quota; (4) impacts of the protected area expansion policy on communities; (5) government-promoted company-community plantation schemes in two areas of the country; and (6) the forest ecosystem compensation fund, and its impacts on community rights and interests. This work describing the current state of the collective forest sector and recommending reforms in forest policy was presented by the Chinese scholars at the International Association of Common Property Association's (IASCP) international conference in August 2004. A national workshop involving key policy makers, the Chinese analysts and international experts on each of the critical policy issues will be conducted in January 2005 and result in recommendations for policy reforms by the Chinese government.

**Key partners** engaged in these initiatives in China include the:

- Chinese Center for Agricultural Policy (CCAP), Chinese Academy of Sciences;
- Chinese Agricultural University;
- Forest Economics and Development Research Center (FEDRC), State Forest Administration;
- Chinese Academy of Forestry (CAF);
- Beijing Forestry University
- Center for Development Studies, Kunming;
- The Center for Biodiversity and Indigenous Knowledge (CBIK), Kunming;
- The Sichuan Forestry Academy;
- The Guangzhou Forestry Department

**Key partners** from the broader East Asian Region include:

- RECOFTC, Bangkok;
- World Agroforestry Center (ICRAF), Kunming;
- Foundation for People and Community Development, Papua New Guinea;
- The University of Papua New Guinea;
- The Economic Research Institute, Khabarovsk, Russia;
- The Bureau for Regional Campaigns, Vladivostok, Russia;
- WWF China and Russia.

**The CSAG** is a new, officially mandated advisory group to the International Tropical Timber Council. Over the past year, this group has made progress in gaining new financial support for community forestry and enterprises by the ITTO. In addition, the ITTO will be supporting a global scoping of community enterprises and a major international conference in 2005. Yati Bun of the Foundation for Community Development, Papua New Guinea is co-chair with Andy White of CSAG and Yam Malla, Executive Director of RECOFTC is a regional contact for Asia. All are collaborating on these initiatives as well as advocating for pro-community changes in the work of the ITTO and in the successor agreement to the International Tropical Timber Agreement.

Each of the initiatives described above has been conducted in a manner to support the work of local and regional organizations, strengthening their capacity to analyze market and policy issues and more effectively leverage reforms. Each have prepared analytical reports and participated in technical workshops and international conferences – connecting with colleagues from the region, sharing data, methodologies, strengthening capacity to disseminate information, and building new working relationships. A full list of the over analytical reports, power-point presentations and conference proceedings are posted on the FT website.

**The Rights and Resources Initiative** is being launched by Forest Trends, IUCN and CIFOR because of their recognition that global forest sector is in undergoing dramatic transitions – perhaps the most important set of policy and market shifts since the end of the colonial era – and these transitions have momentous implications for the livelihoods of the some 1.5 billion poor people who live in and around forests. In addition to reconsidering tenure, governments across the world are now beginning to reassess their legal and regulatory frameworks; who they reward with subsidies; who they privilege with access to publicly owned forests; how they develop new policies; and how they monitor impacts. Simultaneous transitions in the world trading regime and social demands for democratization are driving governments to rethink the roles of the state, civil society and the private sector– again exposing low-income producers to both threats and opportunities.

At the same time, increases in the strength of civil society, and the growing receptivity of some governments to substantive policy reforms – at least in some countries – suggest the possibility, and even the feasibility, of capturing this moment and achieving important gains for indigenous and other forest communities. The Initiative aims to leverage much greater global commitment to pro-poor forest policy and market reforms; set new global targets that inspire and mobilize much greater action at global and domestic levels; serve and strengthen the growing set of community organizations with new analyses and narratives and better enable them to lobby for reforms; and convene events at the regional and country level that encourage policy makers to take steps to advance reforms. The Initiative will be action oriented – aiming to achieve systemic reforms in strategically important domestic and global policy and market arenas that result in substantive improvements in rights and lives of the forest poor.

The Initiative has identified China and the broader East Asian region as a priority area of focus and build on the previous project implementation experiences to better coordinate and strategically target analytical and advocacy work. Strengthened collaboration between these organizations will better enable them to better capture and synthesize the key policy and market trends from around the world that affect the forest poor and bring this knowledge to bear in the Asian-Pacific region. This Initiative will be incubated in Forest Trends which will continue to coordinate and administer project implementation.

### **Key Lessons Learned**

Implementing this set of projects in China and the East Asian region over the last few years has generated a number of experiences and lessons relevant to the design of future activities.



- **There is a large demand for this type of balanced analysis and targeted action** among campaigners, industry, investors, and aid agencies. No one else providing this type of strategic data and intelligence to the public. For example, the Executive Director of the Environmental Investigation Agency – a global leader in addressing illegal logging and trade said *“The Forest Trends report on China’s timber imports is the single most important and useful document produced in the past decade concerning China’s impacts on forest conservation throughout the region.”*<sup>5</sup> Similarly, the head of the International Finance Corporation’s (IFC) forestry products investment group, who brought the IFC forestry investment team to the recent conference on public finance for forestry in Beijing, called the work *“VERY important, because the best hope and starting point for sustainable development and avoiding dislocations and destructions like we have seen in Indonesia, is for all stakeholders to have good data available. Without proper data and early warning signals China has the potential to develop a number of problematic financial, environmental and social issues in a few years.”*<sup>6</sup> Similar statements have been made by leaders of international investment firms, the Director General of the China’s State Forestry Administration, and leaders of international forestry firms. The first publication, detailing Chinese import trends, was reviewed by POLEX in August 2004 and downloaded over 2200 times from the Forest Trends’ website within a month of posting. The ADB has requested copies of all of the market and policy work in order to inform their new forestry investments in SE Asia. Early drafts of the analysis were used by the World Bank’s EASD to prepare its draft regional forestry strategy. Both the IFC and the World Bank plan new investments in forestry in China and have requested copies of all of the work and are discussing options to support additional, more focused work that could inform their future investments.
- **There has also been strong appreciation for market and policy work among the Chinese government.** It is well known that in China – as in most if not all governments – there are differences in opinion and approach between different agencies regarding the forestry sector and necessary steps to reform it. The history of tightly controlling and limiting access to information in China adds a layer of complexity, and challenge – as different public agencies often do not share information with other agencies, much less make information publicly accessible or allow critical analyses and debate over government generated data. These characteristics has reinforced tendencies for agencies to operate “as silos” jealously maintaining their data and “unique” authorities as justifications for their continued existence. The gradual opening up and privatization trends over recent years have added a new dimension to this conventional problem: the creation of semi-independent consulting firms within public institutions whose business model has been to analyze and sell government generated data – further blurring the authorities and responsibilities of public agencies and public servants with respect to their role in generating and disseminating data and information.

For these many reasons, the first phase of the project was intentionally designed as a “scoping” exercise – aiming to better understand the institutional landscape of forestry and forestry reform in China. Different branches of the Chinese government have been involved in different elements of research and have co-sponsored a number of workshops and conferences – and the fact that the work is coordinated by an international organization has allowed more objective and critical analysis – and open, public debate on sensitive topics – than have been allowed in the past. What is somewhat surprising perhaps, is the high degree of appreciation among public agencies for our role of independent, but constructive, analysts – who are often able to make public information or opinions that cannot felt within agencies but which cannot be expressed publicly. For example, there has been quite a bit of

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<sup>5</sup> Allan Thornton, Executive Director of EIA, e-mail, 11/23/04.

<sup>6</sup> Ole Sand, Principal Investment Officer, IFC, e-mail 9/28/04

internal debate within the Chinese State Forest Administration (SFA) regarding the harvesting quota. By working closely with the FEDRC within the SFA, we have not only strengthened their internal capacity to analyze this policy, but have brought the topic into the public arena where it is now openly debated and criticized – and the SFA leadership has recently pledged to reform this policy.

- **There is also strong demand among analysts and advocates in the region to undertake market and policy analysis** and to participate in a network that spans across borders, affording them the unusual opportunity to learn and collaborate with analyst from other countries. Indeed, these analysts recognize that understanding and developing appropriate solutions to these problems requires a regional perspective – yet they rarely have the opportunity to develop research relationships across national boundaries. They also greatly appreciate the opportunity to learn methodologies to conduct market and policy studies with international partners – since there is limited capacity and experience in these domains in the region and their association with international partners helps validate and elevate their work, bringing it the attention it merits from local market and policymakers.
- **Another key lesson, one that was reinforced rather than learned anew, was the extremely weak quality of basic data** and the limited capacity of researchers and public institutions to collect, analyze and treat data, and design, conduct and articulate research so that it is policy relevant and influential. This fact reiterates the importance of long-term commitments in order to develop capacity as well as the value of international assistance that can help structure the work and put it in an international context. During the first phase of work much time was spent in identifying partners and developing working relationships. While that work is never over – there is now a solid set of trusting partnerships and proven administrative procedures that enable more efficient and effective work.
- **The challenge of balancing tensions and tradeoffs between being strategic and building capacity.** In implementing this project we face tensions and tradeoffs between our dual goals of achieving strategic policy impacts in the short term and strengthening the capacity of our local partners to advance policy reforms in the medium and longer term. Our experience though suggests that it is possible to make progress on both, producing high impact policy relevant work in a manner that also strengthens capacity of our local partners. Recognizing the limits of Forest Trends to provide the kind of technical assistance necessary to build capacity in the region, and the existence of organizations, such as ICRAF, and RECOFTC who are dedicated to that particular mission, the next phase of the project will better integrate these regional partners into the management of the project and enable them to provide more capacity building activities to local partners – such as training on market and trade research methodologies.
- **The experience has also taught us, collectively, that given the tremendous scope and complexity of the market and policy issues across the region - greater efficiency and effectiveness requires both expanding to include other regions (such as South East Asia) and other key organizations** (such as greater involvement of the multi-lateral banks) and rationalizing the structure of collaboration. This latter lesson recommends that Forest Trends remains in its role as coordinator, strategist and broker with international organizations, and working more closely with regional organizations including RECOFTC, the World Agroforestry Center (ICRAF) and the Center for Chinese Agricultural Policy (CCAP) to coordinate work with local partners within their spheres of influence.

- **Finally, despite this being a large, long-term and complex task, with many actors, many languages, lots of bad data, and a quickly changing set of circumstances, it is possible to make progress.** Engaging the active participation of the private sector and investors in some of the analytical work, and particularly in the conferences has proven to be a particularly useful approach. Not only does their perspective and information help make the analysis much more accurate and relevant, but governments and policy makers around the region are eager to attract more private investment and so are eager to learn the perspectives of investors. Forest Trends' has often used its strong connections to the ABN-AMRO, CitiGroup and other leading financial institutions and forward looking international industry to help bring policy makers to the table. International investors often have more prestige and credibility to policymakers than NGOs and international development organizations, so when they call for tenure reform and better social and environmental due diligence, some governments pay more attention.

### **Looking Forward: Strategic Priorities and Opportunities**

The first phase of work on forest market and policy issues in China and the broader region has generated a tremendous amount of critical information and enabled the identification of new priorities and particularly strategic areas of intervention. The areas judged most effective in advancing pro-poor market and policy reforms are listed below.

1. **Control and influence forest investment**, in China, South-East Asia and the Russian Far East. As noted above, public officials have become very oriented to attracting private investment and indeed public investments and subsidies have long had a dramatic influence on local land rights and livelihoods. The investor community is also becoming much more attentive to social and environmental issues, as evidenced by the "Equator Principles" adopted by ten of the world's largest banks representing almost 50% of all international finance. Many of these same banks have also recently adopted forestry policies to avoid funding illegal logging and begin to invest more in sustainable forestry. These banks are motivated, in part, if not primarily, in order to reduce their risks and political exposure. These issues were the focus of the International Forum on Chinese Forest Finance in September 2004. The final report, which was endorsed by the Chinese Government, called on the state policy banks to prepare forest investment policies, adopt the Equator Principles, and privilege investment in small and medium scale enterprises over large international industry. These results provide solid footing for follow-up, encouraging and helping the banks to implement these recommendations.
2. **Encourage and help the Chinese government adopt pro-poor forest policies**, promoting sustainable production from collective forests and reforming state-owned forests. The Chinese government is very concerned with the growing disparity between the east and the western portions of their country as well as the growing deficit in domestic production. Unfortunately, they have heretofore, adopted an approach of discouraging, if not shutting down, production from collective forests and subsidizing large-scale industrial plantations. That being said, they have recently begun to exhibit the need to reduce the fiscal and regulatory constraints on collective forestry and strengthen local property rights (exhibited in Forest Policy No. 9). There has also been tremendous demand from the Chinese State Forestry Administration for technical assistance on policy reform research and workshops to help identify policy options. Given the weight of the Chinese market in the region, this is an opportunity that should not be passed up. A workshop to discuss results from the FT/CAU policy research work was held in January 2005, generating a new set of recommendations for reform and further research.

3. **Encourage tenure and forest policy reforms in supplying countries.** The policy and advocacy work to date has focused on China, but there has been demand from other countries in the region to learn of the China market and policy analysis – providing another entry point into local policy dialogues. For example, the recent conference in Malaysia and upcoming policy workshops with the Indian National Forestry Commission, and invitations from governments in Papua New Guinea, and Cambodia, all provide opportunities to leverage new dialogues on pro-poor policy reforms in these countries. Many of these countries are pinning their growth hopes on China and are eager to not only learn about the Chinese market, but reconsider the impacts and implications on their own development agendas of the Chinese market. The relationships established during the first phase of the work along with the Rights and Resources Initiative provides new mechanism for advocating and sharing lessons and supporting local policy reform initiatives.
  
4. **Advance China's and other regional government active participation in the Forest Law Enforcement and Governance initiatives.** Although the Chinese and other Asian governments have participated in these initiatives and some have even signed bilateral Memorandums of Understanding to address illegal logging and trade, there has been little substantive movement to date. Although there have been diplomatic overtures to try to get the Chinese government to take these issues seriously, they have not been effective. What has been lacking is a concerted, domestic-focused effort to inform the Chinese policymakers of the threats continued trade in illegal wood poses to its own development plans, and to the risks of further rural conflict without more substantive domestic policy reforms. The results of the first phase of the Chinese market analysis pose a new opportunity to achieve this end. Now that the domestic market and policy issues and forecasts are well analyzed and documented - and it is obvious that the Chinese government will not be able to achieve its target of ending imports and producing its own wood by 2015 – there needs to be a focused campaign to inform the Chinese of these findings and policy implications. Once that is accomplished then they are likely to become more interested in the international dialogues.

