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A newsletter from the International Tropical Timber Organization to promote the conservation and sustainable development of tropical forests

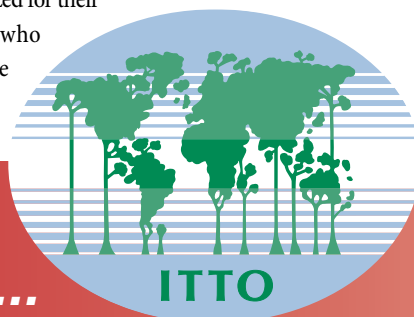


Sustainable forest industries

A litany of sins has been laid at the doorstep of the tropical forest industry, too often deservedly so. From illegal logging to contributing to civil wars, from human rights violations to corrupting governments, it is easy to find reports casting significant blame for these and a myriad of other ills on the forest industry. However, like most generalizations, this one is at best only partly true. For every predatory company operating in the tropical forest sector, there are others trying to operate legally and sustainably, providing jobs and often many other social services like schools and medical services that governments are unwilling or unable to.

Since extractive utilization of their forests will continue to be an essential component of economic development for most tropical countries, such companies and enterprises are a key to making a successful transition to sustainability in tropical forests. As pointed out by Laurance in this issue, companies that operate sustainably and responsibly will gain a competitive niche in increasingly discerning markets. They should be recognized for their achievements, just as those who operate unsustainably have been rightly vilified.

***Inside ▶ NTFPs ▶ SFM in Brazil ▶
Converting mahogany ▶ Tropical forest investment...***



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The current global economic downturn is likely to have a severe effect on the tropical forest sector, particularly on companies implementing costly sustainable forest management plans, sustainable wood procurement schemes, etc. Financial flows and investment opportunities for tropical forests are already low, and are likely to get lower with the financial crisis (p.16). This gloomy environment makes a healthy and sustainable forest industry even more essential for many tropical countries.

However, financial flows from timber products (still the most important source of revenue from tropical forests for most countries) are plummeting, with sharp falls forecast in 2009 due to a vicious circle of declining prices and demand (p. 22). Traditional markets are shrinking; EU imports of tropical timber dropped by about 20% in 2008. China, still the biggest importer of tropical timber, maintained fairly robust imports in 2008 but demand is slowing in 2009 as markets for its wooden furniture and other finished products produced from imported tropical and other timber dry up. Tropical forest industries are likely to be hit hard by the economic downturn, with many jobs in the formal forest sector likely to disappear with closing mills. Côte d'Ivoire is a chilling example: thirty timber processing units closed and 7000 of 15 000 direct forest sector jobs were lost in the year ended this March. Forest sector exports are projected to decrease by more than 50% in 2009, a drop of over 100 billion CFA francs (over \$200 million). The impact of these kinds of declines are particularly brutal in tropical countries, where alternative employment options are often limited and where governments often lack the means to implement effective stimulus packages.

Tropical countries nonetheless need to take steps to support sustainable forest industries in these troubled times, including through measures like tax relief on equipment purchases, reduction of export taxes, reductions in log prices/royalties, forest restoration/rehabilitation programs or subsidies, etc. Some countries have already announced stimulus packages including some of these measures. But almost all tropical countries need to do more to develop domestic strategies to promote a strong and sustainable forest industry.

Regardless of economic conditions, ITTO will continue to promote a vigorous global trade in sustainably produced tropical timber, working with a range of enlightened partners from all

spectrums, including NGOs, local communities and, of course, representatives of responsible forest industries serious about working towards sustainability. ITTO's new Action Plan calls for work to identify and develop guidelines on voluntary codes of conduct for forest industry enterprises and to test, adapt and consider the adoption, at an appropriate level, of such codes. Codes of conduct governing some components of the tropical forestry sector already exist so ITTO will collaborate closely with their proponents in undertaking this initiative.

A \$10 million thematic program on industry development and efficiency will, when fully funded, provide another mechanism for ITTO to assist the forest sector in tropical countries to progress towards sustainability. The objectives of the program are to (i) increase the production, further processing and trade of tropical timber and other forest products and services from sustainably managed and legally harvested forests; and (ii) improve efficiency in the processing and utilization of tropical timber and timber products and non-timber forest products (NTFPs), the latter of which are increasingly important for many tropical countries (p. 3). This program will particularly focus on small and medium forest enterprises (SMFES) which often lack financial, human and technical capacity to apply modern technology and management methods. Activities will include support for industrial planning; investment promotion; business development and risk management; improved concession management; development of efficient harvesting and processing technologies; utilization of wood residues and wood wastes; development of sustainable wood-based bioenergy production; organization of commercial supply chains/producer networks and strengthening of relevant stakeholder associations; and improvement of managerial and technical skills in SMFES through capacity-building, institutional strengthening, training and networking.

Sustainable forest industries need to be viewed as part of the solution to tackling problems like forest degradation, deforestation and poverty in tropical countries. ITTO's policy work and programs, implemented in cooperation with industry and other stakeholders, will help to make this happen.

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and Tetra Yanuariadi**
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