

# ITTO Tropical Forest UPDATE

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



## Tight straits for the trade

**T**HE TROPICAL TIMBER TRADE is beating against the current. Prices (particularly for plywood) might be on the rise after several years in the doldrums, but the policy environment in which the trade operates has never been tougher. This edition of the *TFU* looks at some of the issues.

Al Goetzl (page 3) wades into the controversial topic of subsidies. Governments often use subsidies to achieve policy aims, such as boosting employment, protecting or encouraging domestic industries, and increasing foreign revenue. They become contentious, says Goetzl, when they favour

one economic sector over another, inhibit competition, have adverse environmental impacts, or distort trade. In the international setting, the subsidies that generate the heat are those that increase the competitiveness of one country's products at the expense of similar products from other countries. The forestry sector is not subsidized as heavily as agriculture, but it still receives (by one estimate) 3–4% of all subsidies worldwide.

A wide range of subsidies affect, or potentially affect,



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**Cover image** A container ship moves along the Panama Canal with the help of tugboats. Photo: Will & Deni McIntyre/Getty Images

the tropical timber trade. Many timber-producing countries—both tropical and non-tropical—support the production of timber, most commonly by providing incentives for afforestation and reforestation. Others may subsidize forest operations through state-funded road construction or by offering state timber resources at lower than market value. Tax concessions that encourage investments in new equipment are also common.

Of most concern to tropical timber producers are subsidies that favour competing products such as temperate timber. According to Goetzl, some of the most commonly offered incentives to support the production of temperate timber products are associated with regional development; investment in wood-based panels may also be underpinned by subsidies. But one of the big problems in dealing with subsidies at the international level is measuring their effect: Goetzl recommends the development of a framework for categorizing and examining the subsidies used in forestry and the manufacture of forest and/or competing products as an aid to determining negative impacts and reducing such impacts through international dialogue.

Also of concern to tropical timber traders are the public timber procurement policies (PPPs) being developed by several countries, particularly in Europe (page 9). The general aim of these policies is to oblige or encourage buyers to ensure that the timber they purchase has been obtained legally and/or from a sustainably managed source. Countries such as Belgium, the Netherlands, France, Germany and Denmark are developing their own PPPs, apparently with little coordination between them. This is viewed with concern by tropical timber producers, who worry that they may be obliged to meet different criteria in different countries in order to obtain or maintain access to markets. In addition to the recent discussions on this topic by ITTO, an October meeting of the FAO-ECE Timber Committee will focus on the issue.

The tropical timber industry has been under attack from another quarter as well. The illegal trade of timber has been the subject of considerable international attention and hand-wringing, and the

search for ways of reducing it continues. Last July, ITTO convened a small meeting of key parties involved in conducting or regulating the international shipping trade, including representatives of shipping companies, timber exporters and importers, non-governmental organizations, customs agencies and maritime organizations (page 12). This meeting was conceived jointly by ITTO's Civil Society Advisory Group and Trade Advisory Group as a way of identifying actions that could be taken to combat the illegal trade of timber. It made recommendations to ITTO and helped develop terms of reference for a larger, ITTO-funded conference planned for 2007.

The pursuit of legal and sustainable forest management is becoming a prerequisite for market access in many countries, and most commentators expect that environmental concerns will continue to shape international markets for tropical timber products. An article on page 15 shows how an ITTO-funded project assisted companies in the Brazilian state of Para to simultaneously improve their forest management practices and increase their international timber trade. The project yielded some promising results, although according to independent evaluator Enrique Toledo it should have reached more companies.

The global trade of tropical timber is changing fast. It isn't disappearing—not by a long shot—but it is facing tough times. Those traders who survive in the long term will be adaptive and focused on quality. They will obtain their supplies from well-managed forests. They will be well-organized and they will coordinate their efforts with other producers. And they will be engaged in public debate and the processes that shape the international policy environment, because only by being heard will they turn the tide in their favour.

**Alastair Sarre  
&  
Steve Johnson**