

Forests provide vital resources to humanity, both directly in the form of timber and non-timber products and indirectly in the form of ecosystem services, such as biodiversity, carbon storage, and soil and watershed management. But pressure on forests has increased dramatically in recent decades, due not only to timber harvesting but, increasingly, to land conversion for producing food, feed, and bio-fuel for a growing global population. Trade is a driving force behind the forest sector, but unless the right laws and policies are in place – and effectively enforced – the sustainable potential imbued in the world's forests will never be realised.

This issue of BioRes Review explores some of the issues underlying trade and sustainable development in the forest sector. It addresses global policy issues at a general level, and focuses on the palm oil industry as a special case. Through this lens, the complex relationship between global trade, deforestation, and land use change, along with the policy framework at various levels and the role of important stakeholders, is uncovered.

Saskia Ozinga of FERN delves into the comprehensive agreements that the EU is tying with important timber-producing countries to ensure that timber imports have been legally harvested and do not drive deforestation.

Turning to a specific case, several articles in this issue explore aspects of trade and sustainability in Southeast Asian forests. While the rapid growth and development of the palm oil industry has been a major economic force in the region, it has also been responsible for a massive loss of forest coverage and peatlands. Despite the best intentions, the economic, development, and environmental pressures at work in the region can often end up at odds with one another.

Abigail Hunter, a graduate student specialising in international trade, takes a broad look at the palm oil sector and delves into approaches being taken to make the US\$30 billion industry more sustainable.

Hans Brattskar, director of Norway's International Climate and Forest Initiative, then outlines a groundbreaking Norwegian initiative to support the Indonesian government's implementation of policies and institutions directed at protecting forests and peatlands.

Next, in an interview, Denis Ruyschaert of PanEco Foundation talks about current drivers of deforestation as they relate to globally-traded palm oil, as well as providing nuance to the various initiatives established to address the issue. He contends that it is possible to reverse deforestation trends while increasing palm oil production, but that doing so would require a major change to the current business model.

Ahmad Maryudi, a lecturer at Gadjah Mada University in Yogyakarta, Indonesia, discusses the Indonesian palm sector in the context of the two-year freeze on new forest conversion permits. He suggests that despite the moratorium, the industry has already secured access to land and is well positioned for expansion.

We then feature our second Rio+20 briefing in our trade and sustainable development series, paving the way for next year's Earth Summit. In this issue, we highlight the work of some IGOs and NGOs on the forest sector in the context of the green economy.

Finally, WWF provides an overview of sustainability issues in the forest sector – including the role of trade – and concludes the issue by calling for tough discussions on how to ensure the world's forests remain standing for the benefit of future generations.

We hope you enjoy the issue!

EU forestry partnerships: Rethinking timber trade agreements

By Saskia Ozinga

Through its voluntary partnership agreements with timber producing countries, the EU has established a new trade mechanism set to steer countries towards sustainable forestry practices. The comprehensive approach taken to good governance has yielded positive societal and environmental outcomes. Current initiatives under the climate regimes focusing more narrowly on forest carbon threaten to undo some of these. However, the voluntary partnership process could provide valuable lessons for forestry initiatives under the climate regime.

Although passing relatively unnoticed, the EU presented a revolutionary approach to negotiate trade agreements eight years ago. This approach was contained in the 2003 EU FLEGT Action Plan. FLEGT stands for Forest Law Enforcement, Governance and Trade while the EU FLEGT Action Plan sets out a range of measures that aim to combat the problem of illegal logging, including government procurement policies, financial due diligence and a regulation to control the sale of illegal timber. The FLEGT Programme aims to control illegal logging by improving governance in the forestry sector in producer countries and strengthening the role of civil society actors and tenure rights of local communities. Voluntary partnership agreements (VPAs) are legally binding trade agreements between the EU and timber producing countries and form the central plank of the EU's fast growing FLEGT Programme. Liberia was the sixth country to sign a VPA with the EU in May 2011, following Ghana, Cameroon, the Republic of Congo, Central African Republic and Indonesia. The six agreements concluded to date now cover a forest area of 168 million hectares and could positively impact the lives of over 100 million forest peoples.

A truly multi-stakeholder process

The multi-stakeholder nature of the FLEGT VPAs is what makes them unique. VPAs set out actions the EU and timber-exporting countries need to take to tackle illegal logging, including measures to increase participation of non-state actors, to recognise tenure rights of communities and to address corruption. Although a VPA is negotiated by two parties – the EU on behalf of its Member States and the government of the timber exporting country concerned – it is understood by both negotiating parties that VPAs must have the approval of national stakeholders, including NGOs, forest dependent communities, indigenous peoples and the timber industry. The six VPAs concluded to date have been developed through multi-stakeholder processes with the timber industry, environmental and social NGOs all around the table. In all African countries, this was the first time that a legally binding trade agreement had been entered into with the full support of civil society actors as well as the timber industry. In Liberia, local communities from most counties were directly represented in the negotiations by elected community representatives.

A VPA includes three key steps: A) Defining legality, or deciding which laws impact on forest use and trade and will be enforced for the implementation of the agreement, laid down in a legal definition. B) Developing a Legality Assurance System (LAS) that includes timber tracking, government legality controls, licensing plus systems to verify the legality of the timber. C) Independent audits of the whole system, to ensure credibility of the export licenses. In some countries the independent audit is further strengthened by an independent monitor. In addition, the last countries that have signed the agreement (RoC, Indonesia and Liberia) have foreseen a clear role of civil society organisations in monitoring the implementation of the agreement.

The geographical scope of the VPAs

Six voluntary partnership agreements (VPAs) between the EU and timber producing countries have now been finalised and are in different stages of the ratification process, as mentioned above. Four more agreements with Democratic Republic of Congo (DRC), Malaysia, Gabon and Vietnam are under negotiation. Because the 2010

illegal timber regulation will become operational in 2013, making it a criminal offence to place illegally sourced timber on the EU market, many countries are finding it even more attractive to join the VPA process. In Central America, El Salvador, Guatemala, Honduras and Nicaragua have expressed interest in exploring the potential advantages of VPA negotiations. Countries in Latin America that have expressed interest include Bolivia, Colombia, Ecuador, Guyana and Peru. In the Asia Pacific region, Cambodia, Laos, Myanmar (Burma), Papua New Guinea, the Solomon Islands, and Thailand have expressed interest and in Africa, it has been Côte d'Ivoire, Madagascar and Sierra Leone.

Once a VPA has been signed and a LAS is in place, the EU will ban all non-licensed imports from that country. However, although six VPAs have been signed - requiring each country to ensure that all exports and domestic production are legally sourced - there is no operational LAS in place yet. The first FLEGT-licensed timber is expected to arrive in the EU in 2012.

Products covered by the VPA

The LAS under development in all six countries that have signed a VPA will include not only exports to the EU but all exports, as well as all timber sold on the domestic market.¹ Therefore, although exports to non-EU countries may not be licensed - as the FLEGT license is not yet accepted outside the EU - they will have gone through a LAS and therefore should provide guarantee of legality. It would therefore be wise for the US to accept the FLEGT license as proof of legality under its own legislation addressing illegal logging: the US Lacey Act. The scope of products covered by the VPAs' LAS differs per country and is specified in the VPA. In all cases the scope is very wide and includes in most cases all timber and timber products sold, including in the case of Liberia rubberwood from agricultural plantations and, in some countries, fuelwood as well.

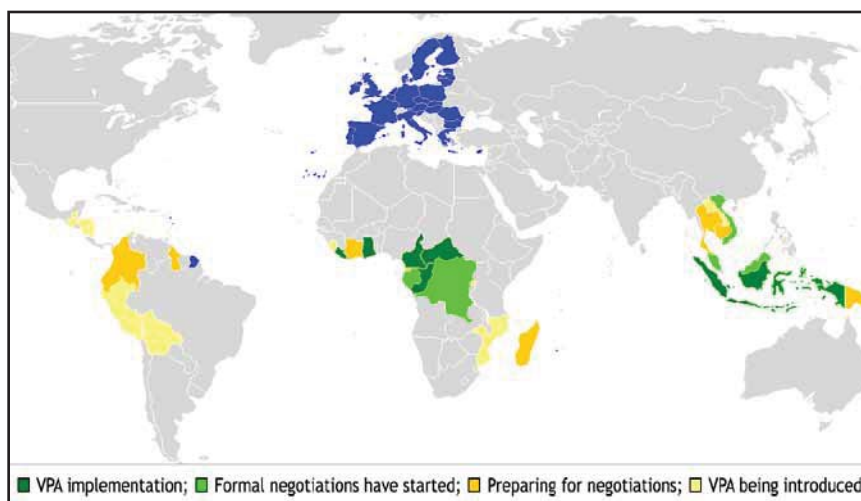
Impacts of VPAs

The VPA process has the capacity to bring about real improvements in forest governance since it addresses some of the underlying and direct causes of illegal logging that result from a lack of good governance. By remedying core governance failures, FLEGT VPAs can also bring about improvements in the way that citizens participate in policy-making and implementation as well as their ability to hold their governments accountable. Most resource rich countries face serious problems to ensure that the benefits fall to the local people because of lack of transparency - corruption, lack of accountability, lack of capacity and lack of coherence and coordination that are all symptoms of bad governance. If implemented properly, the VPA could contribute to important governance improvements. In fact, during the VPA negotiation process, governance in the forestry sector in the first six countries has improved due to increased transparency,

¹ With exception of CAR, which will not include timber for domestic market.

capacity building and participation of civil society actors and communities involved in negotiation of the agreement.

There are clear limits to FLEGT VPAs. First, they only relate to the forestry sector, while other sectors (agriculture, mining, carbon, etc) in some countries form a much bigger threat to the forest resource and lives of local communities. Second, these are early days. No FLEGT timber is yet on the market and the gains made during negotiation could still easily be lost during implementation if the political situation changes or the government, civil society actors or timber traders give up on proper implementation. Third, the FLEGT and forests in general face serious threats due to the 'carbon' focus of the climate discussions.



REDD a threat?

Attention on forests peaked at the 16th Conference of Parties of the United Nations Framework Convention on Climate Change (UNFCCC), with the Cancun Agreements establishing a REDD+ mechanism, supposedly designed to reverse deforestation trends and to halt forest cover loss.² The need to keep forests standing has never been more urgent than it is

now. However, as FLEGT advances, so do national plans to reduce emissions from deforestation and forest degradation (REDD). Despite the lack of an international framework to define REDD, Northern governments are committing money to the process and international institutions such as the World Bank are pushing through national-level REDD plans. A recent study by FERN, an NGO working on forest and sustainability issues, and Forest Peoples Programme (FPP) - "Smoke and Mirrors" - shows that these REDD activities are not likely to lead to improved forest governance as they are not based on truly participatory stakeholder processes, re-affirm state ownership of land, strengthen international NGOs over local NGOs, and focus on counting carbon rather than on addressing the underlying causes of deforestation.³ These developments therefore need to be closely monitored to ensure forests are being well managed or preserved, and rights recognised. In virtually all countries that form part of the VPA process, national level REDD processes have undermined the inclusive participatory process that is the hallmark of FLEGT, and hence the future of REDD in terms of impacts to improve forest governance does not look bright. It is therefore not surprising that civil society actors from Liberia to Congo call upon the donor community to ensure that any REDD process builds on existing FLEGT processes. To date, their calls have not been adhered to, however.

² The Cancun Agreements: Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, at.12, FCCC/CP/2010/7/Add.1, Decision 1/CP.16

³ Smoke and Mirrors: a critical assessment of the Forest Carbon Partnership Facility

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