NATIONAL CENTER FOR POLICY ANALYSIS

How Green Protectionism Harms Sustainable Forestry, the Environment and the World's Poor

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Under the guise of protecting the world's forests from unsustainable logging practices, proponents of protectionist trade policies have successfully lobbied for so-called "green" measures. Environmental trade regulations ban the importation of natural resources from developing countries unless they meet standards imposed by developed countries.

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Protectionist measures imposed on the forestry industry are a prime example of policies that adversely affect the ability of developing countries to compete in global markets. They also undermine the ability of developing countries to implement sustainable forestry practices — such as replacing felled trees without altering the forest's biodiversity. Moreover, green protectionism interferes with the development of emerging economies, perpetuating poverty in the developing world.

Deforestation — clearing forested land and converting it to farmland or pasture for livestock — is a serious problem in developing countries. Protecting forests from unlicensed logging practices is an imperative. But using these concerns to give an unfair advantage to domestic suppliers over foreign supplies is intolerable.

Restricting Trade in Forestry Products

European Union (EU) efforts to reduce forestry product imports from outside timber-producing countries began in 2003 with the implementation of the EU's Forest Law Enforcement Governance and Trade (FLEGT) Action Plan. The plan required Voluntary Partnership Agreements (VPA) between developing countries and the EU to ensure a mutual commitment to purchasing only "legally harvested timber," a term which has still not been properly defined.[1] Under this scheme, the importation of timber into the EU from a country that does not hold a VPA permit was prohibited as suspected "illegal logging," the definition of which depends on the exporting country's laws. In 2008, the EU imposed an additional regulatory "Due Diligence Directive" on European importers of pulp and paper products, expanding the jurisdiction of EU officials to determine what constitutes legal timber. In 2010, the European Parliament voted to close its markets to illegal timber and impose steep penalties on any developing world producer that supplies illegally harvested timber anywhere. The EU adopted three key regulations to deter production of and trade in illegally harvested timber:[2]

1. For the first time, the EU prohibited the importation of any illegally harvested timber and products derived from such timber.
2. The EU required firms harvesting timber (so-called operators) to exercise "due diligence."
3. After forestry products are marketed, operators must keep records of

their customers and suppliers so that the products can be traced.

The EU due diligence regulation was designed to force timber operators to reduce the risk of illegally harvested timber ending up in the EU market. The three key elements of due diligence are:[3]

1. The timber operator must supply information describing the timber, country of harvest, species and quantity, and giving details about the supplier and its compliance with the country of origin's forestry law.
2. The operator must assess the risk of illegal timber entering his supply chain, based on criteria set by the European Union.
3. If the assessment reveals a risk of illegal timber in the supply chain, the supplier must provide additional information and verification to mitigate the risk.

However, experts from EU member states, members of the FLEGT Committee and industry stakeholders have admitted that the EU Timber Regulation needs further clarification.[4]

The EU's actions were supported by environmental Non-Governmental Organizations (NGOs) — nonprofit advocacy groups such as the World Wildlife Foundation (WWF), Friends of the Earth and Global Forest Watch. However, these organizations have all relied on outdated 1990s data on forestry in developing countries, and tend to repeat it from report to report without any new and improved data.[5] For example, some NGOs have claimed that about half of the timber production in Cameroon is illegal, a figure traced back to a 2001 report with no clear methodology or evidence.[6] Other studies indicate that illegal timber production in Cameroon was closer to 9 percent — significantly less than NGOs' claim of 50 percent.[7] In fact, there is no widely accepted methodology to measure illegal logging, there is no reliable data available, and there is no established international definition of illegal logging.[8]

Impact of Trade Restrictions on Developing Countries

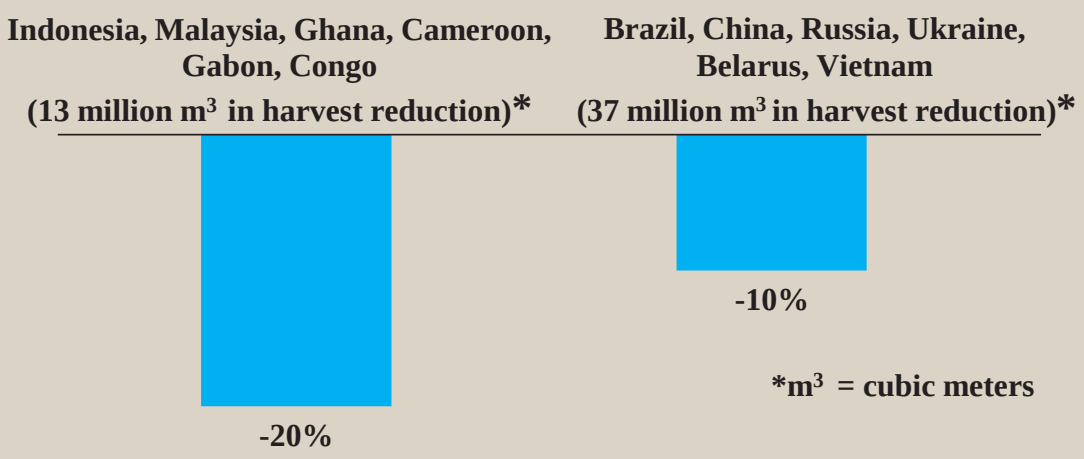
Trade restrictions, such as those imposed by the FLEGT Action Plan and Voluntary Partnership Agreements, have had a negative impact on developing economies. Research has shown:[9]

- Forest harvests are projected to decline 10 percent in six countries with VPA agreements — Russia, China, Brazil, Vietnam, Belarus and Ukraine.
- Harvests are projected to decline 20 percent in six other countries with VPA agreements — Indonesia, Malaysia, Gabon, Cameroon, Congo and Ghana.

These projections are based on the regulations' goal of eliminating all illegal logging by 2020. To date, there is no clear evidence that VPAs have reduced illegal logging.

Forestry is critical to the economic development and success of the countries most affected by trade restrictions. Moreover, most of the labor force in developing

Projected Harvest Reductions in Countries with EU Voluntary Partnership Agreements



Source: Alexander Moiseyev et al., "Modeling the impacts of policy measures to prevent import of illegal wood and wood products," *Forest Policy and Economics*, Vol. 12, No. 1, April 2010, pages 24-30.

countries is in the agricultural sector, including forestry-related businesses; therefore, a reduction in forestry will have serious economic consequences.

These trade restrictions show little regard for the welfare of poor communities in developing countries, where populations are steadily growing. Nor do they value the open competition of an increasingly globalized market. Furthermore, producers in developed countries who support protectionist measures risk alienating consumers in emerging markets.[10] This could lead to retaliatory trade restrictions by developing countries.

Protecting Domestic Suppliers

The United States has also implemented forestry protectionist measures under a green guise. Amendments to the Lacey Act — originally written to prohibit interstate and international trade in illegally captured wildlife — were extended in 2008 to cover protected plant species, including trees.[11] The Lacey Act effectively obliges any U.S. purchaser to prove any imported wood or wood-fiber product has been checked to ensure it does not contain any illegal tree species. Furthermore:

- The Lacey Act amendments expose third parties — without control over or even knowledge of foreign practices — to possible seizure of goods.
- The Act benefits domestic wood suppliers by introducing the risk of government confiscating imported products for small recordkeeping errors by foreign suppliers — giving wood-product companies a significant incentive to find domestic suppliers, even when prices are higher.

The Lacey Act amendments were strongly supported by the American lumber industry. The act allows the government to seize imported wood under a mere suspicion that it was logged illegally, regardless of whether the current owner has any knowledge of the possible transgression. A prime example of U.S. government seizure of goods occurred in 2011, when 30 federal agents with guns and bulletproof vests raided a Gibson Guitar factory in Tennessee. The raid effectively sent workers home and shut down production. The agents seized boxes of raw materials and nearly 100 guitars — ultimately costing the company up to $3 million.[12]

In Gibson Guitar's case, however, the company asserted that the wood passed through U.S. Customs successfully because Indian authorities provided sworn statements approving the shipment. The Indian supplier was certified by the Forest Stewardship Council (FSC) — an NGO that promotes responsible management of the world's forests. Certification means that the wood was harvested in compliance with all applicable laws and international treaties, including labor standards. For instance, if the harvest production employed children under the legal working age in that country, this would be a direct violation of that country's law and would not pass FSC standards.

Undermining Sustainable Development Efforts

Developing countries have the necessary localized knowledge and the capability to protect biodiversity and oversee sustainable forestry policies. For instance, Brazil and Malaysia have led the movement to implement sustainable forest management projects and national-level, third-party certification.

In Malaysia, certification emerged through direct initiatives of the State Forestry Department, bilateral agreements for sustainable forest management between the State Forestry Department and foreign bodies, and interest from commercial forest concessionaires — firms with contracts to manage and harvest wood from a given area.[13] Moreover, certification is largely market-driven due to a competitive incentive in international markets to certify legally harvested timber, and it promotes sustainable forest management throughout developing economies. Malaysia has adopted at least two reputable certification programs: one from the Forest Stewardship Council and the other from the Malaysian Timber Certification Council, both of which are supported by government and private-sector stakeholders.

In Brazil, concern about the responsibility of corporations toward society, the desire to compete in world markets and concern about Brazil's image have stimulated certification and sustainable forest management since the mid-1990s. Brazil has also embraced at least two reputable certification programs — an independent one from the FSC and a government-led national forest certification scheme, the Brazilian National Forest Certification Program (Cerflor).[14] Cerflor follow norms similar to those set by FSC in Brazil and some firms have already started adopting both standards.

Conclusion

Under the guise of safeguarding the environment, green protectionism benefits domestic suppliers while inhibiting developing countries from efficiently exploiting their natural resources. These protectionist measures

conflict with World Trade Organization rules that forbid discrimination against foreign trade products, and they also undermine sustainable forestry development and management in developing economies. Moreover, until practical methods are available to pinpoint the geographic origin of timber, government should not give an unfair competitive advantage to domestic timber suppliers. A significant portion of the labor force in many developing countries are engaged in the production of forest products. Trade restrictions on forestry products will block job creation and perpetuate poverty in the developing world.

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Endnotes

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