

Forest products and services, international trade



Trade in forest products and services

The forest products sector is estimated to contribute about one percent of world gross domestic product and to account for three percent of international merchandise trade. The annual turnover of roundwood, sawnwood, panels, pulp and paper exceeds US\$200 billion. The value of non-wood forest products and the environmental services of forests is difficult to estimate in economic terms, but they are critical to the livelihoods of an estimated 600 million people in the developing world alone. The emerging markets for environmental services - including the development of carbon trading under the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC) - may have a considerable impact on patterns of trade in forest products and on forest management, making forestry more profitable as an environmentally sound and economically viable land-use option.

The total amount of roundwood felled globally has declined slightly since the beginning of the 1990s as a result of decreased production in tropical areas and in the Commonwealth of Independent States (CIS). Approximately 80 percent of wood harvested from tropical forests is consumed as fuelwood, while in temperate and boreal areas fuelwood production has been declining. Meanwhile, particularly in Europe, bio-energy is gaining in importance. On the other hand, wood is facing stiff competition in some of its key markets such as construction, decking, windows, moldings or furniture from a wide range of other materials such as steel, plastics or aluminum. International trade flows continue to be geared to markets in the United States, Canada, Japan and Europe. However, major markets such as China and India play an increasingly important role in world trade dynamics.



In the past, the international trade regime, primarily pursued by the World Trade Organization (WTO) and regional trade agreements, focused its attention on tariffs and other formal trade measures. While those trade measures are generally decreasing in importance worldwide, trade and forest policy makers are increasingly concentrating on non-tariff measures to increase market access for forest products and services and to improve sustainable forest management. As steps to liberalize trade generally continue, the international debate in various fora on a mutually supportive relationship between trade in forest products and services and environment-related social issues will continue to influence patterns of forestry trade worldwide. Consequently, the international and regional trade policy debate, within and outside formal fora and institutions, are increasingly influenced by multilateral environmental agreements such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Convention on Biological Diversity (CBD) and the UN Framework Convention on Climate Change (UNFCCC).

Forest management certification and product labelling play an important role in accommodating environmental and social concerns in forestry. The increasing demand for certified forest products and the emerging markets for environmental services support the further development of international certification schemes and national initiatives in this regard. While forest products certification is basically a market-based instrument, its relationship with national and international policy-making and policy implementation is ever more prominent as a result of considerable political attention and promotion of this instrument by important institutions and constituencies in government and civil society. The so-called "phased approach to forest products certification", currently debated in the International Tropical Timber Council (ITTC) and other fora, shows the strong support of governments in the promotion of certification initiatives to achieve policy targets.

While the debate on international trade in forest products and services and the development and dynamics of the world market draw most of the international attention, domestic trade continues to play the most important role. A relatively small number of analyses focuses on the impact and interaction between domestic trade and forest management. This is particularly true in developing countries and in countries with economies in transition. In order to support sustainable forest management, the rehabilitation of degraded forest land and the establishment of forest resources at the community level, environmental and social services of forests need careful consideration. It is the interface between trade and forest management that serves as the indicator for positive or negative influences and dynamics between them.



The contribution of forests towards poverty reduction is often under-estimated. Recent analyses of the contribution of forests to poverty reduction note their broader significance for local livelihoods and estimate that hundreds of millions of people depend on forests for subsistence production and environmental services like watersheds, soil erosion control, micro-climate, biodiversity and cultural services. It is estimated that 60 million highly forest-dependent people live in the rainforests of Latin America, Southeast Asia and Africa. An additional 350 million people are directly dependent on forest resources for subsistence or income, and 1.2 billion people in developing countries use trees on farms to generate food and cash. Loss of forest resources is believed directly to affect 90 percent of the 1.2 billion people who live in extreme poverty.

Against this background, trade in forest products and services is vital for economic growth as well as for safeguarding sustainable livelihoods in rural areas throughout the developing world.