

# Forestry trade issues in the WTO

## SUMMARY

- ▶ *The forest industry constitutes up to 3 percent of global GDP and provides a livelihood for 1.2 billion people.*
- ▶ *The Doha Development Agenda calls for greater market access for forest products and the reduction or elimination of tariffs, tariff peaks and tariff escalation. Reform in agricultural markets may impact on trade in forest products.*
- ▶ *Trade and environmental agreements both critically affect forestry trade. Certification and labelling of forest products may raise non-tariff trade barriers.*

Forest products comprise almost 3 percent of world GDP and approximately 3 percent of international merchandise trade. The trade involves every country in the world with an annual turnover of US\$150 billion for the four main product categories: roundwood/sawnwood, panels, pulp and paper. Globally, the overall industrial roundwood production was estimated at close to 1.6 billion cubic metres in 2003, with an increasing proportion of plantation timber. Forests also provide wood energy, water and foodstuff for 1.2 billion people, approximately 90 percent of whom live below the poverty line.

### Forestry trade issues have critical environmental aspects

Forestry issues in the Doha Declaration concern subsidies, environment, eco-labelling, certification, plant health, intellectual property rights, development, market access, technical standards and regulations. The impact of sustainable forest management (SFM) on trade, and the compatibility of SFM national legislation with WTO rules are also under discussion.

The Doha Development Agenda set out by the Fourth Ministerial Conference of the WTO comprises action points relevant to forests:

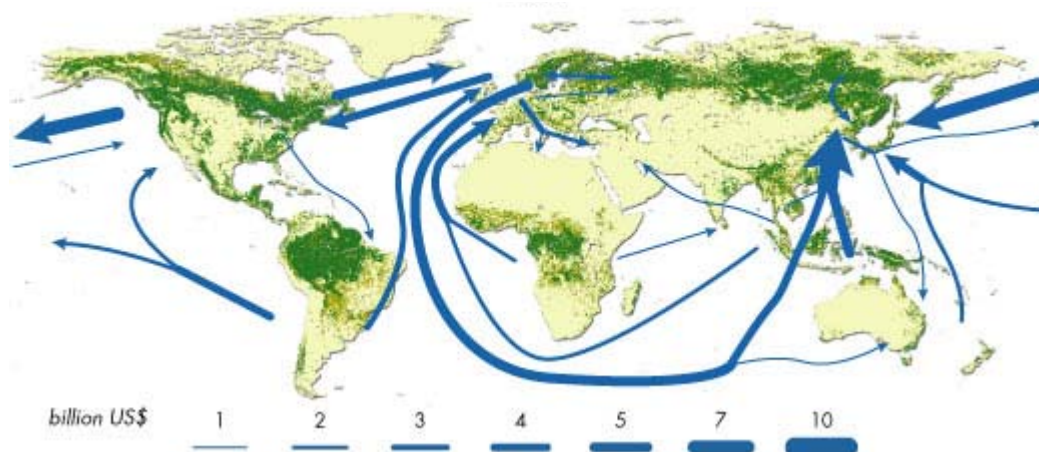
#### MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

The aim is to reduce or eliminate tariffs and non-tariff barriers on a range of products, including forest products. The text also specifies the reduction or elimination of tariff peaks, high tariffs, and tariff escalation. Import/export tariffs are relatively low in forest products trade.

#### TRADE AND ENVIRONMENT

Negotiations will focus on clarifying the relationship between trade measures under the multilateral environmental agreements (MEAs) and existing WTO rules and trade obligations. MEAs of special note for forestry are the Convention on International Trade in Endangered Species (CITES); Convention on Biological Diversity (CBD); and the UN Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol.

**Figure 1. Gross value of inter-regional trade in raw wood in 2003**



Source: FAOSTAT

The WTO Committee on Trade and Environment (CTE) will pay particular attention to the following aspects concerning the forestry sector:

- ▶ The effect of environmental measures on market access, especially for developing countries, including recycling and eco-labelling;
- ▶ Environmental labelling requirements and their impact on trade in both the CTE and the Committee on Technical Barriers to Trade (CTBT).

Private constituencies in the forestry sector and the environmental community are seeking further clarification on: (i) whether environmental actions are legitimate within internationally agreed trade rules; what exceptions are possible under Article XX;<sup>1</sup> and (ii) whether (sub-national) governmental public procurement policies are compatible with GATT/WTO rules.

### **Forest certification**

In addition to continued tariff reductions, forest certification and labelling are of great relevance. The Doha Declaration spells out that the Committee on Trade and Environment (CTE) should "give particular attention to [...] labelling requirements for environmental purposes." Currently, forest products are mainly certified under a single issue label that is granted on a voluntary basis for forest management according to a set of standards. SFM includes the valuation of environmental and social services of forests; this impacts on forest economics and the competitiveness of forest products. In WTO terms, certification and labelling might constitute a non-tariff barrier, and in the mid-term perspective, there may be negotiations under the WTO Agreements on

Technical Barriers to Trade (TBT), Government Procurement, Subsidies and Countervailing Measures or possibly under GATT Article III on National Treatment of Internal Taxation and Regulation. The CTE was to report on this issue during the Fifth Session of the Ministerial Conference in Cancun, 10-14 September 2003. It is reported that most members agreed that voluntary, participatory, market-based and transparent environmental labelling schemes were potentially efficient economic instruments in order to inform consumers about environmentally friendly products. As such they could help move consumption onto a more sustainable footing. Moreover, they tended, generally, to be less trade restrictive than other instruments. It was also noted, however, that environmental labelling schemes could be misused for the protection of domestic markets. Hence, these schemes needed to be non-discriminatory and not result in unnecessary barriers or disguised restrictions on international trade.

### **Agricultural trade reform may affect forestry**

Tariff and subsidy reductions on agricultural products competing with forestry for land may be indirectly relevant to forest products trade. This is likely to be less significant in tropical than in temperate regions, because tariffs and subsidies on agricultural products generally tend to be higher in temperate regions. Tariff reductions on products from tropical regions such as oil palm, rubber, coffee and cocoa may not be of major significance. However, the impact of future reductions in agricultural tariffs and subsidies on forests in general, and on natural tropical forests in particular, cannot presently be predicted.

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<sup>1</sup> Article XX concerns exceptions to GATT obligations, including those relating to the protection of human, animal or plant life or health, or of the environment (Art. XX (b)), and for the conservation of natural resources (Art. XX (g)).

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### **Key challenges**

- ▶ *To assess the interactions between SFM and forest products' trade and the compatibility of SFM legislation with WTO rules;*
- ▶ *To increase the mutual understanding between international and national certification schemes on forest products certification and labelling to support SFM and to clarify whether or not certification and labelling might constitute a non-tariff barrier in WTO terms;*
- ▶ *To assess the impact of agricultural tariffs and subsidies on forest products' trade and SFM.*