

Is free trade compatible with sustainable forest management?

M. Shimamoto, F. Ubukata and Y. Seki

Summary of a study of the impact of trade liberalization in three Southeast Asian countries.¹

Mihoko Shimamoto is in the Faculty of Social Sciences, Hosei University, Tokyo, Japan.

Fumikazu Ubukata is a Research Fellow of the Japan Society for the Promotion of Science, Graduate School of Asian and African Area Studies (ASAFAS), Kyoto University, Kyoto, Japan.

Yoshiki Seki is in the Forest Conservation Project of the Institute for Global Environmental Strategies, Hayama, Kanagawa, Japan.

¹ Summarized by the authors from their article "Forest sustainability and the free trade of forest products: cases from Southeast Asia", *Ecological Economics*, 50: 23–34, 2004.

An analysis of examples from the Philippines, Thailand and Indonesia suggests that free trade does not always favour sustainable forest management.

Philippine forest products industries have specialized in domestic markets since the 1990s. As high-value wood from natural forests has become scarce, Filipino plywood producers have turned to lower-quality wood from trees planted by local farmers. Imported logs are used for the plywood's outside coating, but the local wood works well for the inner core. The trees planted to meet this demand benefit the environment.

However, in response to the request of the Association of Southeast Asian Nations (ASEAN) and the World Trade Organization (WTO), the Philippine Government reduced its tariffs on plywood imports from 50 percent in 1995 to 20 percent in 1997. Domestic forest products industries have thus lost their market share to imported forest products. Domestic plywood companies have predicted that if tariffs fall further, domestic plywood will no longer be competitive with imported plywood. If international timber markets are further liberalized, the market will not drive reforestation, particularly in remote mountain areas, on steep slopes and in areas with poor soil conditions.

Similarly, in Thailand the government has promoted reforestation by local farmers. However, these efforts have been successful only for *Eucalyptus* spp., which have a secure market as pulp. Planting of indigenous species such as teak has stagnated, and domestic sawnwood and plywood producers now rely on imported logs. The government has introduced a subsidy system for the planting of indigenous tree species. However, it has also reduced log import tariffs and opened borders to timber imports, and has not undertaken policies and measures that would expand the domestic market for logs of indigenous tree species.

With its vast primary forests, Indonesia can still produce forest products competitively

using cheap raw materials and cheap labour forces. However, policies promoting the export of forest products and foreign income earning have resulted in rampant illegal logging which has accelerated degradation of natural forests, and some research predicts that the natural forest resources in Indonesia will be exhausted by 2030.

These examples suggest that, in general, land use policies targeting sustainability cannot work well without economic incentives or disincentives including trade measures. To establish planted forests, markets for logs of planted species are necessary. However, to prevent loss of primary forests, the log market should be curtailed.

Sustainable forest management will not be accomplished only by economic incentives; legal and administrative frameworks are also indispensable. But the popular logic that free trade of forest products can be consistent with sustainable forest management when governments have enough administrative capacity in forest management is not persuasive. International trade rules need to consider the control of trade in forest products from the viewpoint of forest sustainability and sustainable land use.

At present, WTO has only two categories for traded commodities: industrial goods and agricultural ones. Forest products are classified as industrial commodities. If there were a new classification for natural resources, which would include logs and roughly processed forest products, trade control measures could be developed to manage the sustainability of the forests.



A mill site in Indonesia

S. ROSE