



Sustainable trade of tropical timber: Poverty reduction and conservation of tropical forests

Why and how seco intervenes?

The importance of tropical forests: Services for the global environment and economic potential for their inhabitants

For many developing countries and their populations, tropical forests are an important and potentially sustainable **source of revenue**. While timber and its derivatives remain the main products, trade of other forest products (so called non wood forest products) is growing in importance. Its diversity holds a big potential for the future.

190 million m³ of tropical timber are produced each year worldwide, of which 40 million m³ are exported.
 For Indonesia, the trade and use of tropical timber and other forest products, including exports and national consumption represents 15% of its gross national product.

For their inhabitants, tropical forests represent not only the main means of subsistence but also a fundamental socio-cultural environment. Thus the conservation of tropical forests plays a crucial role in **poverty reduction**.

90% of the 1.2 billion people who live in extreme poverty depend on forests to satisfy parts of their livelihoods.
 350 million of people living in or close to forests obtain the major part of their revenue and food from forest resources.



Through their different **environmental functions** (e.g. climate regulation, CO₂ fixation, protection of water springs and soils) forests provide inestimable services, which are currently undervalued economically and insufficiently compensated.

550 billion tonnes of CO₂ are stored as biomass in forest ecosystems.
 The deforestation of 12 million ha/year, implies an equivalent area of tropical soils which is subject to reduced fertility.

Tropical forests constitute the main reserve of terrestrial **biodiversity**. The economic potential of conserving this biodiversity is undervalued and most threatened by inadequate management.

²/₃ of terrestrial plant and animal species depend on forest ecosystems for their survival.

Tropical forests are of invaluable social and economic importance: directly and indirectly, actual and prospective, local and global, today and in the future.



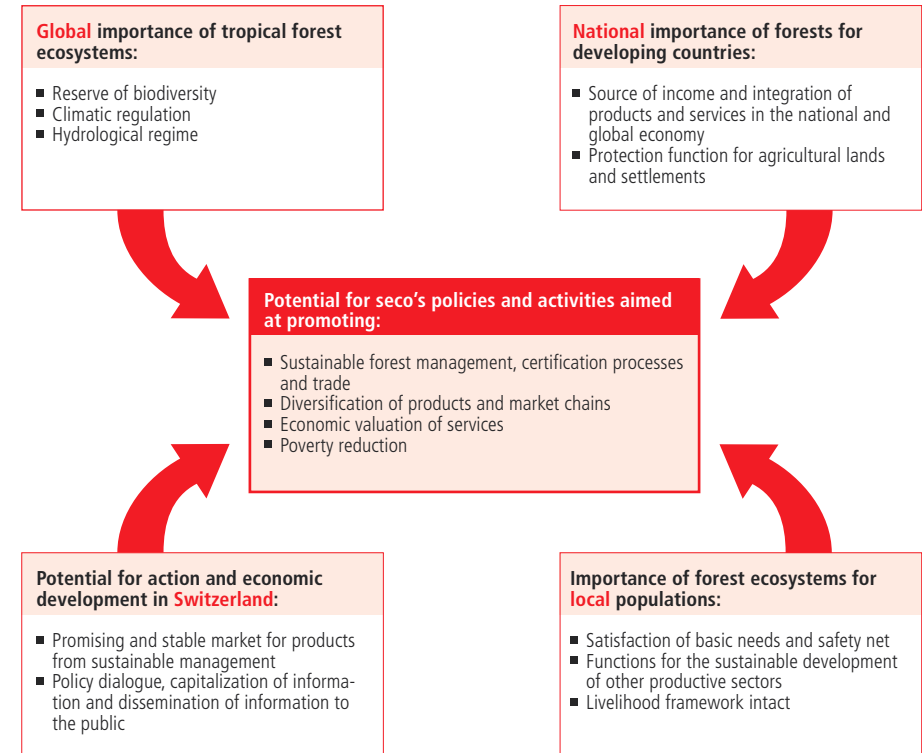
The trade of tropical forest products in Switzerland: Awareness, reality and potential

In Switzerland, the utilization of tropical timber has been politically a hot issue for years. Repeatedly, there have been initiatives and proclamations for boycotts or prohibitions, e.g. of the import of tropical timber. The Swiss Government has always pronounced itself against prohibition and has favoured voluntary agreements on a private basis. In order to implement this policy, the State Secretariat for Economic Affairs (**seco**) is engaged in promoting an open trade from **sustainably managed** sources. Producer countries are supported technically and institutionally to achieve the standards which are required in consumer countries. The most important partner for implementing this policy is the International Tropical Timber Organization (ITTO).

seco is the competence centre of the Swiss Federal Administration for sustainable economic development cooperation. Regarding commodities, it supports selected partner countries in respect to the diversification of their economic base and reduction of dependence on exports of raw materials. By doing so, **seco** avoids any use of interventionist measures. The focus is on the promotion of sustainably produced raw materials.

In spite of enormous ecological, economical, social and cultural value, tropical forests are rarely managed and used sustainably. By putting an **explicit economic value** and by paying or compensating for their ecosystem services, tropical forests can be sustainably used and saved from destruction. In order to do so, tropical countries must be in a position to sell their products to ecologically conscious and sensitized consumers in high price economies of the industrialized countries, and they must be able to correctly assess the environmental services of forests. This would require that tropical countries are capable of maintaining ecological and social standards that are necessary to succeed in the international market.

Despite its relatively small share of the global market, Switzerland represents both a lucrative niche and a test market for innovative products and trade modalities, which favour greater ecologically and socially respectful forest management.



Promoting frame conditions for tropical timber trade

The goal of seco's involvement is the promotion of framework conditions for the trade of sustainably produced timber and other forest products, as well as ecosystem services of forests, for the purpose of poverty reduction and conservation of tropical forests.

To achieve this goal the following working domains are applied:

1. International policy dialogue:

- Active participation in the work of the International Tropical Timber Organization (ITTO) and in the formulation and implementation of the International Tropical Timber Agreement (ITTA);
- Contribution to regional forums of the FLEG-initiative supported by the World Bank (forest law enforcement, governance and trade) in the domain of tropical forests;
- Support to other Federal Offices (particularly SDC and SAEFL) in the international policy dialogue on tropical forests concerning trade, development and environment.

2. International involvement on operational level:

- Support of export capacities from sustainably managed tropical forests through the promotion of certification and labelling as well as cooperation among public and private sector and civil society;
- Fight against illegal logging and illegal trade with forest products;
- Promotion of environmental services of tropical forests (carbon sequestration, biodiversity, ecotourism etc.);
- Establishment of conservation belts in susceptible tropical forest areas as components of sustainable forest management concepts.

seco has entrusted the implementation and monitoring of project work in the domain of tropical forest to the Swiss based foundation **Intercooperation**. Main partner in implementing the activities is ITTO, besides several bilateral partners such as WWF and IUCN. Currently, **seco** is supporting through ITTO, approximately a dozen important projects in tropical countries.

Moreover, sustainable trade with biodiversity products is encouraged through the collaboration with the UNCFAD bio-trade-initiative that is globally and regionally anchored. This initiative also includes the promotion of geographical specification of provenance, traditional knowledge, as well as rules and regulations on the access to genetic resources and the equitable distribution of profit from their utilization.

3. Level of intervention Switzerland:

- Improvement of access to markets in Switzerland and Europe for sustainably produced timber and other forest products from the tropics.

Through the Swiss Import Promotion Programme (SIPPO), seco is supporting small and medium enterprises in selected developing countries for their integration into the international trade system. Advisory services and technical backstopping are given to these enterprises, and importing and exporting firms are brought together.

- Information for Swiss actors by means of capitalization and divulgation of experiences.

Participation in internal policy dialogue and support to initiatives for promoting the trade of sustainably produced forest products.

seco's engagement aims to generate synergies between policy and project work: Strategic guidelines are tested and implemented in the field. The operational experiences flow back into policies.



The following four examples from the joint project portfolio with ITTO are representative for implementing policy dialogue and project activities:



Political topic:

Access to international markets through certification of ecologically sustainable products

Operational implementation:

Certification in Indonesia

This project is based on a request by the Indonesian Government for support of the procedures required for national forest certification. Indonesia, the second world producer of tropical timber, has recognized the opportunities for products originating from certified management due to recent developments on the international tropical timber market.

This project provides advisory services to the National Eco-Labeling Institute LEI. Several objectives shall be met, including: better integration of products into the world market, especially into the high price markets of the north; increasing consciousness of actors along the market chain; and improving credibility and national certification capacities. The intended impact includes changes in general attitudes and views of political decision-makers and improvement of management capacities of the certification institute.



Political topic:

Promotion of trade with added-value products for countries from the south

Operational implementation:

Wood processing in Ghana

During its initial phase, this project aimed at developing the capacities of the local wood processing industries involved in the first stages of processing. Through strengthening the technical staff of the Wood Industry Training Centre (WITC) an improvement of its services of drying techniques, for veneering and furniture making has been achieved.

In a second phase, the training offer was widened with options in business administration, permanent training cycles and technical support, the edition of manuals, and an expansion into new wood processing techniques. The Centre, which enjoys an excellent reputation, shall serve as a model for similar services providers in neighbouring countries.

Political topic:

New ways of financing sustainable forest management

Operational implementation:

Valuation of forest in Colombia

This pilot project located in the valley San Nicolas Colombia aims to compensate people with money for the value of local forest functions as well as for the global environmental services in intensively utilized forest areas. The project is testing within different areas the option to finance sustainable forest management through market based instruments. In this context the project supports an initiative between local investors, government and local population that intends to offer climate mitigation certificates to the international market.

After working out the basics (including, regularisation of property rights, elaboration of management plans, organising of producers, international legal recognition), new products such as emission reduction certificates, voluntary shares for interested investors, and compensation for conserving biodiversity are reaching the international market through the project. Moreover, conventional national products such as timber, firewood, non-timber forest products and local ecotourism are promoted.

The experiences generated through the project serve as reference material, among others for a detailed elaboration of rules and regulations for the climate convention with regard to forests as carbon sinks.





Political topic:
Sustainable Utilization and conservation of tropical forest
 Operational implementation:
Transboundary forestry activities in Borneo

The conservation of tropical forest as public good requires cooperation between Industrialized and developing countries. Switzerland participates actively in the development of models for conserving or regenerating living conditions in the concerned regions by economically and ecologically feasible and acceptable means.

The strategy of transboundary conservation areas, financed through forest products and service trade and promoted by ITTO, is one of the most successful programmes initiated by Switzerland. In the island of Borneo, in the transboundary area of Malaysia and Indonesia (Lanjak-Entimau/Betung Kerihun), it has been possible to declare 1.2 million hectares of forest as total conservation area to protect its biodiversity. Today this conservation area is financed through fees paid by ecotourists, through revenues from selling seeds of valuable tree species and through compensation payments, which are made by a local reservoir management – a hydroelectric energy producing company – for the protection functions of tropical forest on its watershed.



The conservation of tropical forest as public good will require cooperation between Industrialized and developing countries. **seco** will continue to participate actively in the development of models to consider how the living conditions in the concerned regions can be maintained or regenerated by economically and ecologically feasible and acceptable means.



Contacts

seco's domain of services «economic development cooperation» is the competence centre of the Swiss Federal Administration for sustainable economic development, and the integration of developing and transition countries in the world economy. Its main goal is the fight against poverty. In promoting trade with tropical timber and non-timber forest products from sustainable sources, seco cooperates closely with its strategic partner Intercooperation.



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Our key partners:

International Tropical Timber Organization: www.itto.or.jp
BIO-TRADE-Programme of UNCTAD: www.biotrade.org
FLEG-Initiatives of the World Bank: www.Worldbank.org
Swiss Import Promotion Programme: www.sippo.ch