



## Trade in sustainably produced tropical timber: poverty reduction and the conservation of tropical forests



**A SECO commitment**

# The potential

## 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 income**, thus contributing to poverty reduction. While timber and timber-based products remain the main products, trade in other forest products (non-timber forest products) is growing in importance. The diversity of these products holds great potential for the future.

190 million m<sup>3</sup> of tropical timber are produced each year worldwide, of which 40 million m<sup>3</sup> are exported.  
For Indonesia, for example, the trade and use of tropical timber and other forest products, including exports and national consumption, represents 15% of its gross domestic 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 preserving ethnic diversity.

90 per cent of the 1.2 billion people who live in extreme poverty worldwide depend on forests to cover part of their basic needs.  
350 million people living in or close to forests derive a major part of their income and food from forest resources



Forests contribute to climate regulation, bind the greenhouse gas carbon dioxide (CO<sub>2</sub>), and protect water springs and soils. These environmental services are undervalued economically and insufficiently compensated.

430 billion tonnes of carbon are stored in tropical forest ecosystems.  
The deforestation of twelve million ha/year causes a dramatic decline in the tropical soil fertility of this surface area.

Tropical forests constitute the main reserve of species that are found worldwide. The economic potential of biodiversity and its conservation is undervalued. The threat to biodiversity presented by inadequate management is significant.

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



## Incentives instead of bans

### Trade in tropical forest products contributes to the protection of tropical forests

In Switzerland, the use of tropical timber has been a political issue for years. There have repeatedly been calls for boycotts or bans, e.g. regarding the import of tropical timber. The Federal Council has always spoken out against trade bans, instead favouring private voluntary agreements. In order to implement this policy, the State Secretariat for Economic Affairs (SECO) is engaged in promoting trade in sustainably produced products. Producer countries receive technical and institutional support to achieve the standards required in consumer countries. The most important partner in the implementation of this policy is the International Tropical Timber Organization (ITTO).

Within the Federal Administration, SECO is responsible for sustainable economic development cooperation. With regard to commodities, it supports selected partner countries in terms of the diversification of their economic base and the reduction of dependence on exports of raw materials. The focus is on the promotion of trade in sustainably produced commodities. This should be achieved, wherever possible, through voluntary measures and agreements.

In spite of their enormous ecological, economic, social and cultural value, tropical forests are rarely managed sustainably. By placing an **explicit economic value** on them and by financially compensating for their ecosystem services, tropical forests can be used sustainably and saved from destruction. In order to do so, tropical countries need to sell their products to environmentally-aware customers in the high price markets of industrialised countries and must be able to correctly assess the environmental services of forests. This means that tropical countries have to be capable of meeting the ecological and social standards required to succeed in the international market.

Switzerland offers a lucrative niche and test market for innovative products and trade modalities, which promote a more ecological and socially-appropriate style of forest management

## The commitment

### Promotion of trade in sustainably produced tropical timber

SECO is promoting framework conditions that promote trade in sustainably produced timber and other forest products, and encourages the financial compensation of the forests' ecosystem services. This contributes to poverty reduction and the conservation of tropical forests.

This goal is being pursued using the following measures:

#### 1. International policy dialogue

- Active participation in the work of the International Tropical Timber Organization (ITTO) and in the formulation of the International Tropical Timber Agreement (ITTA);
- Contribution to regional forums of the Forest Law Enforcement and Governance (FLEG) initiative implemented by the World Bank;
- Support to other federal agencies (particularly the FOEN and SDC) in the international policy dialogue on tropical forests.

#### 2. International involvement at the operational level

Support and monitoring of project work, with the following focal points:

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

SECO has entrusted the implementation and monitoring of project work in tropical forests to the Swiss foundation, Intercooperation. The main partner in implementing the activities is the ITTO, together with several bilateral partners such as the WWF and the IUCN. SECO is currently supporting around a dozen important projects in tropical countries through the ITTO.

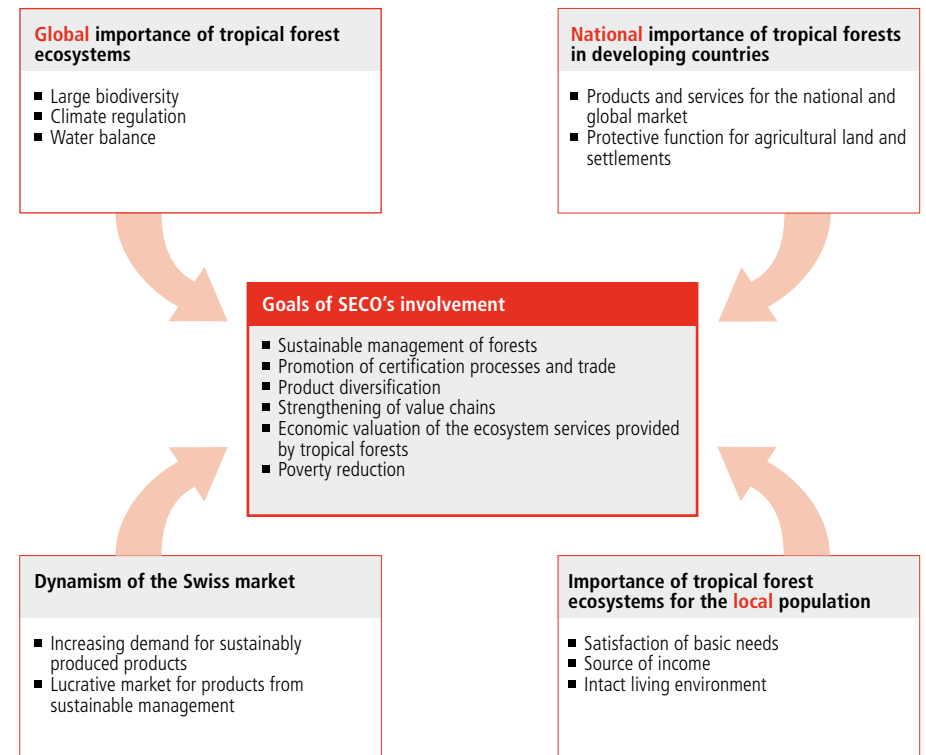
### 3. Interventions in Switzerland

- Improvement of access to markets in Switzerland and Europe for sustainably produced tropical timber and other tropical forest products. SECO is supporting SMEs in selected developing countries to integrate into the international trade system through the Swiss Import Promotion Programme (SIPPO). Firms are provided with advice and technical backstopping and exporters and importers are brought together.
- Promotion of information exchange between Swiss players from the private sector, environmental organisations, other federal agencies and the media. Participation in the policy dialogue in Switzerland and support for efforts to promote imports of sustainably produced tropical forest products in Switzerland.

SECO's activities create synergies between policy dialogue and project work: Strategic guidelines are tested in practice; experiences flow back into policies.



### SECO's orientation framework for the promotion of trade in sustainably produced tropical timber and other tropical forest products



## Examples

**The following projects are representative of the implementation of policy dialogue and project activities.**

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New funding mechanisms for the conservation and sustainable management of tropical forests

### Valorisation of tropical forests in Colombia

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The pilot project located in the valley San Nicolas in the vicinity of Medellin aims to compensate people with money for the local and global environmental services provided by intensively utilized forest areas. This ITTO project supports an initiative between local investors, the government and the local population. The sustainable use and marketing of tropical forest products are supplemented by the compensation for environmental services of forests. For this purpose, environmental services are quantified and evaluated, and mechanisms to market the services are designed and tested. This extends to climate protection, the regulation of the water cycle, and conservation of biodiversity, soil and the cultural habitat. Local ecotourism is also promoted.

The project first involved working out the basics such as the regulation of property rights, preparing management plans and providing organisational support to producers. In the meantime, the project has developed new sources of income by issuing certified emission reductions and other voluntary participation shares for the protection of tropical forests.

The experiences generated through this project serve among other things as a reference for the elaboration of provisions for the climate convention with regard to forests as carbon sinks, as well as a model for other integrated forest management projects.

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Legal basis and dialogue with civil society

### Assessment of ecosystem services of tropical forests in Guatemala

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The project promotes a coherent policy to assess the ecosystem services of tropical forests in Guatemala. The project will thereby make a contribution to sustainable forest management.

The project helps to develop a suitable legal basis. To this end, experience is being gathered in areas in which forests are seriously at risk of being overexploited or affected by social conflicts. An important component of the project is the promotion of dialogue between civil society, the state and the private sector.

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Transboundary protection of biodiversity

### Pulong Tau National Park in Sarawak, Malaysia

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The conservation of tropical forest as a public good requires cooperation on several levels: between industrialised and developing countries and between local players interested in a forest resource. Switzerland participates actively in the development of solutions aimed at achieving cooperation between the indigenous population, commercial forestry enterprises and forest authorities. This should make it possible to conserve and regenerate the basic means of existence of the indigenous communities in these regions by economically and ecologically acceptable means.

This ITTO project facilitated the creation of the Pulong Tau National Park in the Malaysian state of Sarawak. It is therefore contributing to the conservation of the last remaining natural mountain forests in northern Borneo and to the improvement of the living conditions of the indigenous communities including the Penan, the Kelabit and the Lun Bawang. The project promotes measures to protect biodiversity and initiatives to encourage the development of the local communities, both socially and economically, inter alia by promoting trade in forest products from the buffer zones of the National Park. Efforts are being made to extend the existing core zone of the park. This would not only enable the Pulong Tau National Park to be linked to the Kayan Mentarang National Park in neighbouring Indonesia, but also protect the Batu Lawi forest area, which is one of the central settlement areas of the Penan communities.





Conservation of biodiversity in lumber concession areas  
**Support towards the first FSC certification in the Congo Basin**

About seven per cent of the two-million-square-kilometre forest area in the Congo Basin is designated as a protected area. However, successful protection of biodiversity requires that nature protection measures are also applied outside protected areas.



As part of this ITTO project, the Wildlife Conservation Society, the firm 'Congolaise Industrielle des Bois' (CIB) and the government of the Republic of the Congo are working together to improve forest management in order to protect wildlife. A series of measures were taken to reduce the pressure on endangered wildlife in the timber concession areas that border the Nouabalé-Ndoki National Park situated in the north of the country. The acquired experiences flow back into the work in other concession areas and form the basis for drafting national wildlife protection provisions.



The project contributed to the first certification in May 2006 of a CIB concession in accordance with the provisions of the Forest Stewardship Council (FSC). The FSC certificate is awarded for socially beneficial and environmentally appropriate forest management. This first FSC certification in the Congo Basin is a major step towards the sustainable management of African tropical forests.

Promotion of imports of sustainably produced timber  
**Voluntary agreements on the use of sustainably produced tropical timber in Swiss industry**

In the summer of 2004, the Federation of Swiss Door Producers (VST) and the environmental organisations Greenpeace Switzerland and WWF Switzerland signed an agreement concerning the supply of timber and timber products for the Swiss door manufacturing industry. The agreement envisages that VST members do not use illegally produced timber and exclusively use sustainably produced timber in the medium term. This change of attitude on the demand-side provides incentives on the supply-side that result in responsible forest management in the producing countries.

Such voluntary agreements follow Swiss government policy, which promotes the sustainability of timber production and the transparency of trade on a voluntary basis. This agreement can serve as a model for the timber industry. In Switzerland it provided an impulse for further talks to introduce voluntary standards for the sourcing and use of wood involving environmental organisations, the timber trade, the timber industry and the timber processing industry.





## Contacts

SECO's Economic Cooperation and Development Division is the Swiss Federal Administration's centre of expertise for sustainable economic development and the integration of developing and transition countries into the world economy. The aim is to improve the living conditions of the population and to reduce the economic divide between countries. In promoting trade in 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 in the domain of tropical forests:**

International Tropical Timber Organization, ITTO: [www.itto.or.jp](http://www.itto.or.jp)  
Bio-Trade-Programme of the United Nations Conference on Trade and Development,  
UNCTAD: [www.biotrade.org](http://www.biotrade.org)  
FLEG-Initiatives of the World Bank: [www.worldbank.org/forests](http://www.worldbank.org/forests)  
Swiss Import Promotion Programme, SIPPO: [www.sippo.ch](http://www.sippo.ch)