

Can Market-based Approaches 'Ratchet up' Global Forest Standards?

Lessons from Forest Certification for 'Legality of Traded Timber'



Ben Cashore*

Keynote presentation to International Workshop On 'Legality Of
Traded Timber: The Development Challenges'

24-26 November 2008, FAO, Rome

Co-Hosted By FAO's Forestry Department And The VERIFOR
Project

*Professor, Environmental Governance and Political Science, School of Forestry and Environmental Studies
Director, Program on Forest Policy and Governance, Yale University

Argument #1

☞ **Can Market-based Approaches 'Ratchet up' up Global Forest Standards?**

☞ Answer not preordained

☞ **Depends on whether strategic policy decisions on the part of**

☞ Governments

☞ Non-governmental organizations

☞ Businesses

☞ **Are**

☞ Problem focused

☞ Long-term oriented

☞ Contain a clear rationale for support

Argument #2

☞ Forest certification needs 'legality of traded timber' initiatives

☞ 'legality of traded timber' needs forest certification

☞ Synergistic potential

☞ Far greater than individual

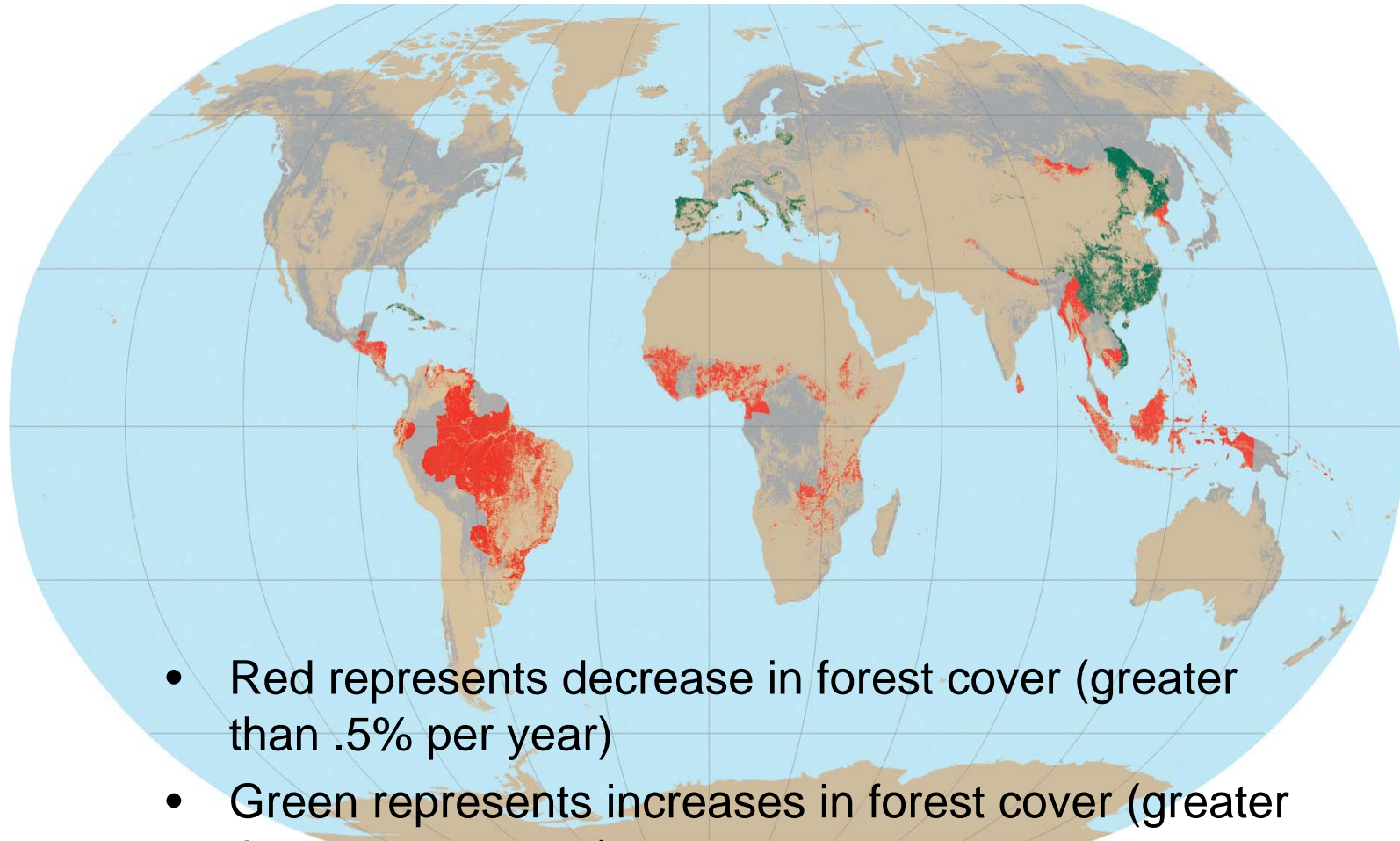
Develop argument in four parts

- **Discuss key global forestry challenges**
- **Identify analytical tools**
- **Review emergence of forest certification**
 - Contrast to intergovernmental efforts
 - Success and difficulties
- **Identify potential role of 'legality of traded timber'**
 - In helping break logjam
 - 'ratcheting up' global forestry standards

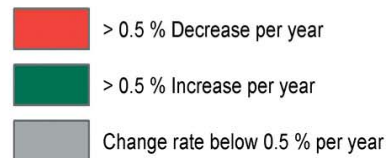
Environmental Challenges in Global Era: Globalization

- Extraordinary
 - **Russia vast untapped resource**
 - **Growth of China reshaping forest markets**
 - **Its wood imports *tripled* from 1997 to 2006**
- Key countries China imports from:
 - **Russia**
 - **Malaysia**
 - **Indonesia**
 - **Thailand**
 - **PNG**
 - **Gabon**

Environmental Challenges in Global Era: Deforestation



- Red represents decrease in forest cover (greater than .5% per year)
- Green represents increases in forest cover (greater than .5% per year)

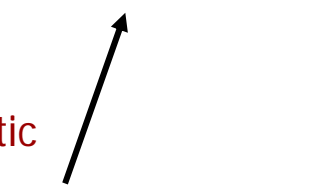
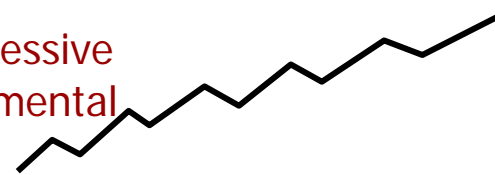
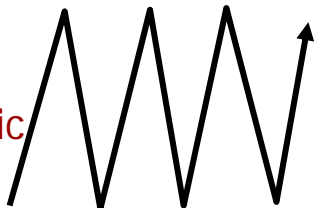



Illegal Logging

Country	Wood harvested illegally (estimates)
Bolivia	80%
Brazilian Amazon	85%
Myanmar	80%
Cambodia	90%
Cameroon	50%
Colombia	42%
Ghana	34%
Indonesia	51%
Russia	20-50%

Source: ITTO Tropical Forest Update. 2002. Vol. 12, No.1. The ITTO data is based on a wide range of sources employing different measurement methodologies.

Analytic Tools: Policy Change

		Tempo or Speed of Change	
		Fast	Slow
Directionality	Cumulative (heading to a new equilibrium)	<p>Classic paradigmatic</p> 	<p>Progressive incremental</p> 
	In equilibrium	<p>Faux paradigmatic</p> 	<p>Classic incremental</p> 

Source: Cashore and Howlett, 2007

Analytic Tools: Policy Support

👉 Critical question

👉 Yet neglected

👉 In favor deliberations over policy content

👉 Today focus on how might

👉 Forest Certification and

👉 "Legality of Traded Timber"

👉 Obtain and maintain support

👉 Progressive incremental



Analytical Framework: The California Effect

- The “California Effect” (Vogel)
 - Phenomenon where business in regulated markets
 - See strategic self interest in promoting similar regulations
 - on their less regulated competitors
 - Can lead to business and environmental group strategic coalitions in championing policy change



Analytical Framework: The California Effect

- The “California Effect” (cont)
 - Market integration (economic globalization) requirement for such phenomena to occur
 - Prerequisite: active environmental and social Non-governmental organizations
 - Spark initial regulations
 - Environmental groups’ markets campaigning healthy



Analytical Framework: The Delaware Effect

- The “Delaware Effect”
 - The Phenomenon where businesses flee to less regulated markets
 - Or act as break to increase regulations
 - Common phenomenon in an era of increasing economic globalization
 - Forest firms operating in Indonesia or Malaysia
 - or from US Pacific Northwest to US Southeast

Emergence of Forest Certification

☞ **The “certification solution”**

- ☞ Bypasses government authority
- ☞ Standards developed regarding responsible forest management
- ☞ Firms are audited for compliance
- ☞ Rewarded with sustainability/eco-label
- ☞ Success depends on market demand

☞ **Environmental groups strong support**

- ☞ Bypasses slow intergovernmental efforts
 - ☞ Failure of Rio (Delaware effect)
- ☞ Proliferation to other sectors

NSMD conundrum



- ☞ Requirements cannot be so high as to put supporters at competitive disadvantage**
- ☞ If requirements are too low, they may not address the problem**

Potential of Forest Certification

☞ What environmental challenges could forest certification address?

☞ **Conversion to palm oil plantation**

☞ **No**

☞ **Deforestation owing to subsistence forest use**

☞ **No**

☞ **Climate change?**

☞ **Marginal at best**

☞ **Promotion of Responsible Commercial forestry**

☞ **Yes**

☞ **Illegal logging**

☞ **Yes**

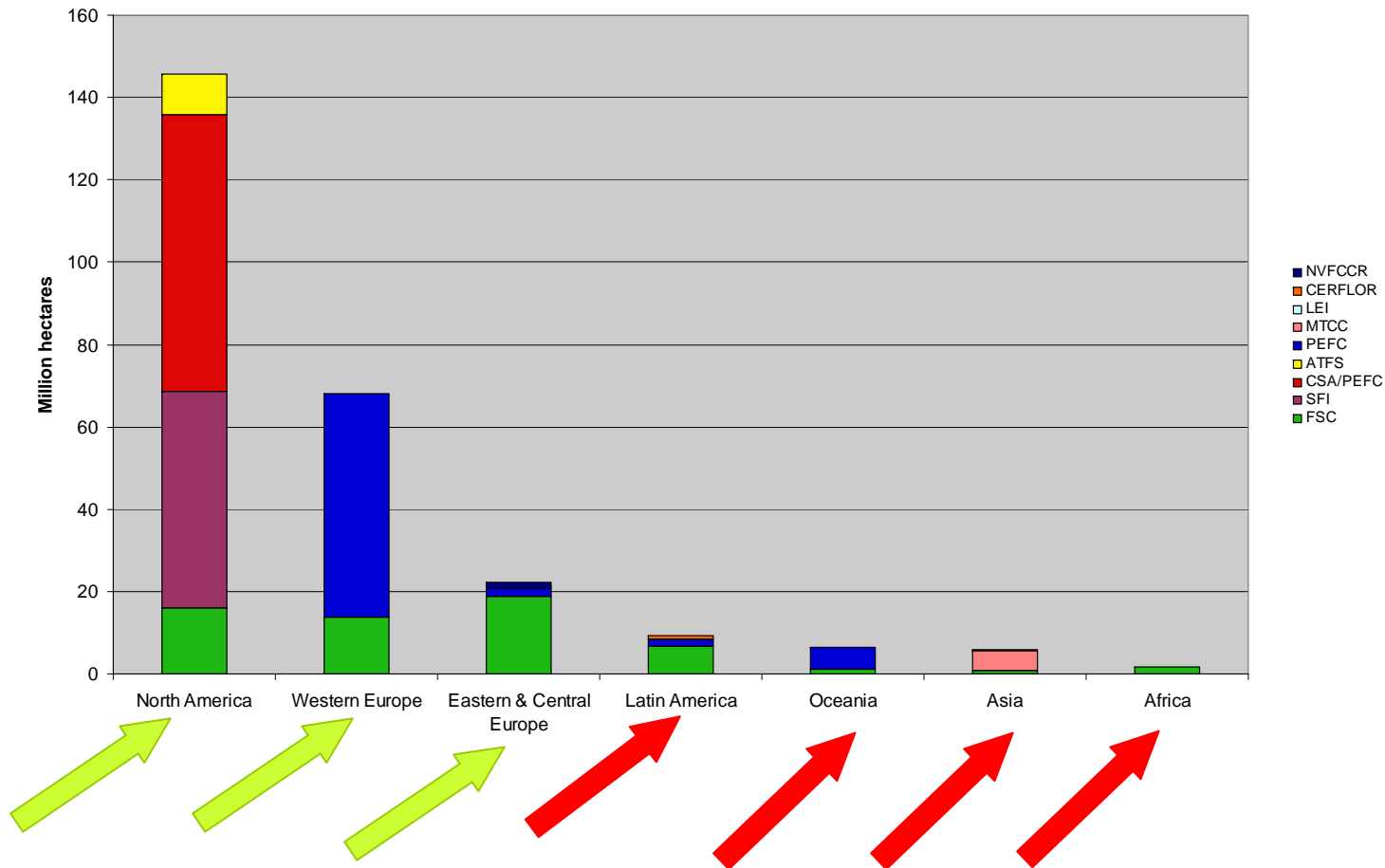
What has happened to date

- Support for forest certification
 - **STRONG among industrial forest companies in Europe and North America**
 - **WEAK in developing countries**
 - **HUGE debate about which program is most appropriate**
 - **Forest Stewardship Council created by**
 - **Environmental groups (WWF and allies)**
 - **Social activists**
 - **Some businesses**
 - **Industry initiated programs**

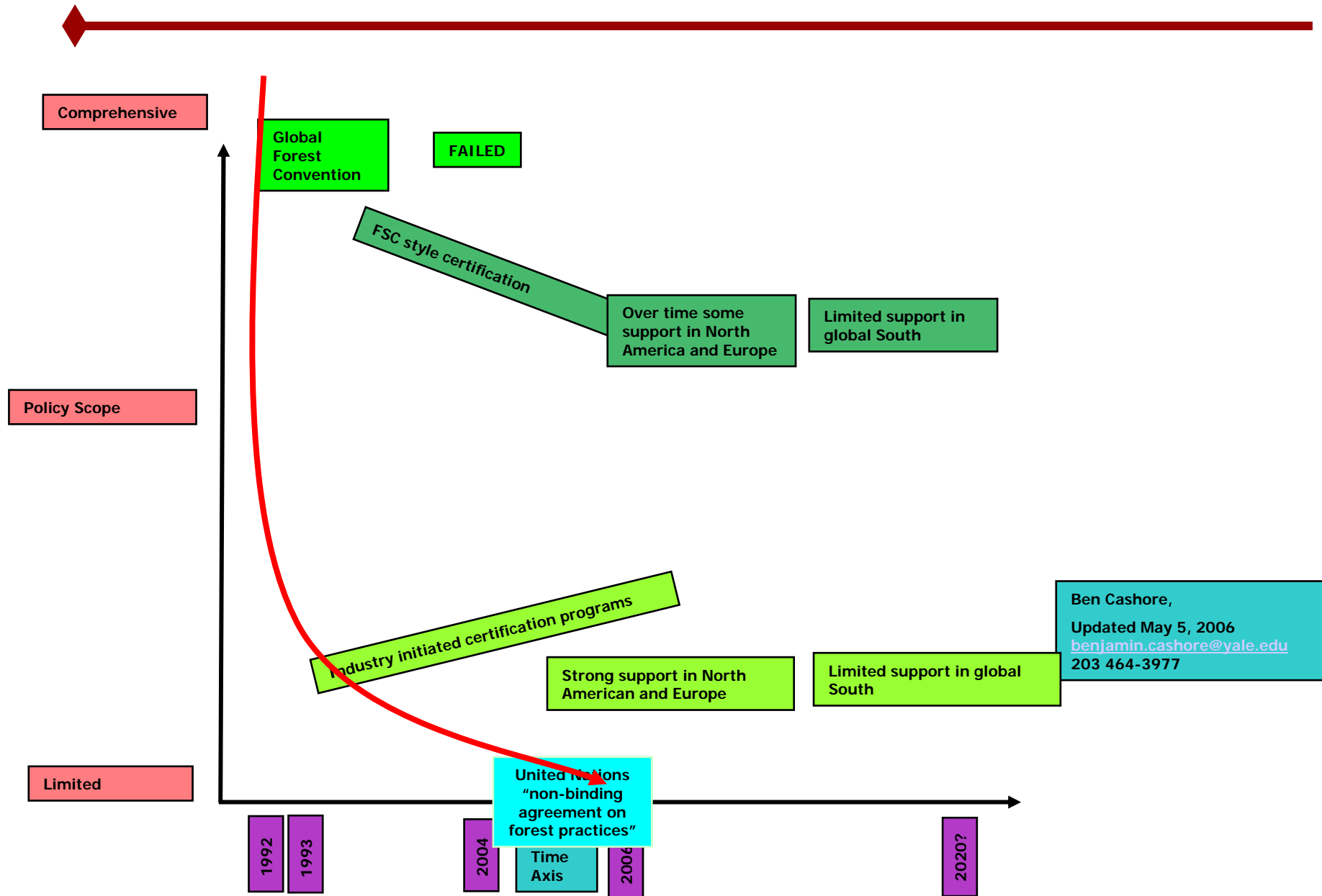
Area Certified: by Region and Certification system



Forest area under different certification standards



Brief History of Global Efforts to Promote Sustainable Forestry 1992-2006



What is future of certification?

- Can these downward trends be reversed?
- Is there potential to use certification to “spark upwards” environmental protection
- To create a “California effect” in the private sphere?
- I argue:
 - **Requires greater attention to**
 - **‘progressive incremental’ steps**
 - **Nurturing the ‘California effect’**
- Three strategies emerge

1) California Effect by Rewarding the Top

- ☞ Do not set a bar that is too high
 - ☞ Reward firms operating in markets with
 - ☞ Relatively high forest management standards
 - ☞ High compliance/enforcement
 - ☞ Send signal to less regulated competitors
 - ☞ Potential to create larger environmental group and business coalition

2) California Effect by Weeding Out Bottom

☞ **Remove worst performers from global markets**

☞ E.g. illegal logging

☞ **This could create the biggest coalition of environmental groups and businesses**

☞ All those logging legally have self interest to participate

- AF&PA study estimated price of lumber in world markets would go up 15% in absence of illegal logs

☞ **Environmental groups working strongly on this**

☞ Environmental Investigation Agency

☞ Greenpeace

☞ Sierra club

2) California Effect by Weeding Out Bottom

☞ Governments also supports

- ☞ Aids, not detracts, from *public policy*
- ☞ Respects national sovereignty
- ☞ Producer countries want to end illegal logging
 - ☞ Negative impacts on
 - ☞ Tax revenue
 - ☞ Development
- ☞ Consumer countries
 - ☞ Negative impact on their own industries

2) California Effect by Weeding Out Bottom

☞ What are mechanisms?

- ☞ A) Government import policies
- ☞ US Lacey act amendments
 - ☞ Gives US officials right to pursue importers of illegal timber
 - ☞ Fines, criminal penalties
- ☞ Strong support from businesses and environmental groups

2) California Effect by Weeding Out Bottom

☞ What are mechanisms?

☞ B) bilateral voluntary trade agreements

☞ UK and Indonesia/Malaysia

☞ Strong support from businesses and environmental groups

2) California Effect by Weeding Out Bottom

👉 **But how?**

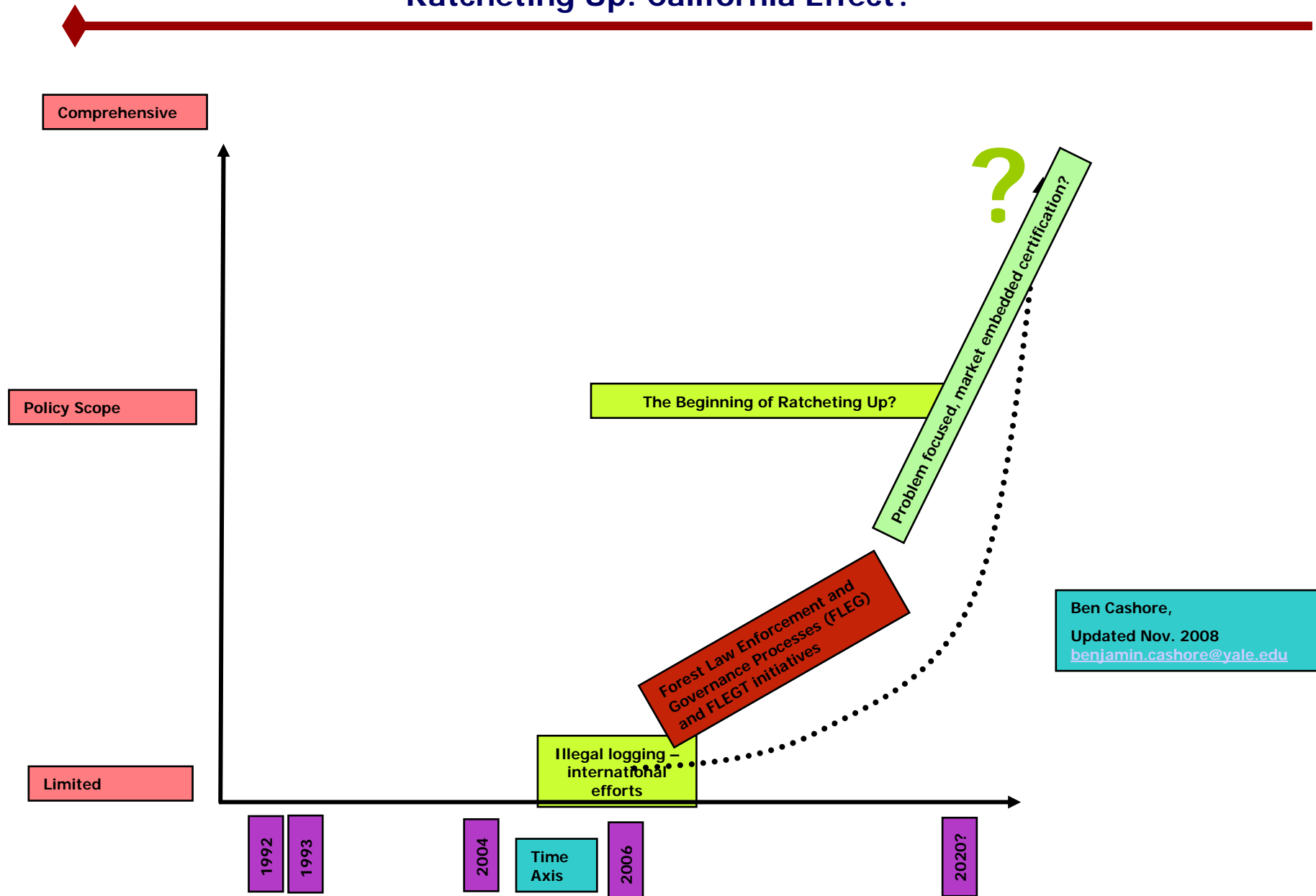
- 👉 C) Legality Verified Labeling
 - 👉 Tropical Forest Foundation
 - 👉 FSC controlled wood
 - 👉 Other certification programs

Ratcheting UP?

- **Could legality verification lead to broader forest certification?**
 - Yes
 - Focuses attention on
 - Global wood products tracking and
 - Through *labeling*
- **Routinization key**
 - Eventually leads to engrained behavior
 - Once engrained
 - Standards can be increased toward certification
 - In way that rewards, rather than penalizes supporters

Future History of Global Efforts to Promote Sustainable Forestry 2006-2020

Ratcheting Up: California Effect?



Consumption key

- **What do consumer choices matter so much?**
- **Let's return to China**
- **Turns out China's appetite for wood has, in part, been fueled by consumers in North America and Europe**
 - From 1997 to present
 - Imports to US from China have increased 1000%
 - Imports to EU from China have increased 800%
 - My piano

3) California Effect Increasing Demand

Create a Better World

- **Reduce confusion in the market place**
 - Better world FSC
 - Better world Fair Trade Coffee
 - Better world Marine Stewardship Council
 - Better world timber legality