

CHAPTER 5

TRADE RESTRICTIONS AND THEIR FUTURE¹

Highlights

- Access to forest products markets is influenced by a wide range of institutional measures which restrict trade, either overtly or in many cases covertly.
- Tariff levels have been declining steadily but still remain high for some ECE region markets and for some trading partners.
- Non-tariff barriers restrict trade in many ways, particularly through health and technical standards; unlike tariffs, some non-tariff barriers are increasing.
- The question of whether certification of sustainable forest management is, or will be, a barrier to trade is widely debated.
- The exact effect and direction of impediments to trade are difficult to predict, but they merit vigilance.
- Moves are underway to begin another round of multilateral trade negotiations for forest products.
- The implications of further trade liberalization for individual Timber Committee member countries will vary depending on whether they are exporters or importers.
- There is considerable opposition by many environmental groups to further forest products trade liberalization.

Secretariat introduction. The secretariat would like to thank Dr. I.J. Bourke for this timely synopsis of tariff and non-tariff barriers and their effects on the ECE region forest products trade. The special topic of the 57th Timber Committee Session “Trade and the Environment” will focus on a number of these same issues. Readers who wish more information on these subjects are encouraged to obtain the author’s other publications.

5.1 Introduction

Trade in forest products has become increasingly global in recent years, with the number of countries exporting and importing various forest products growing. In addition the ownership of forests and processing plants, concession rights, and management contracts for such things as harvesting, are increasingly

held by foreign companies. As a result the rules and conditions of forest management and trade are being set or influenced by foreign interests. Clear examples of this are the current efforts on criteria and indicators of sustainable forest management, global conventions on bio-diversity, and proposals for some type of global forest instrument, such as a forest convention².

With this increasing globalisation has come a resurgence in interest in questions of market access and trade protectionism. Increased trade restrictions or policies which have the potential to restrict trade have been promoted by a number of developing countries and particularly by environmental non-governmental organisations (NGOs), as a means of solving environmental problems. Some see protectionism as one of the main obstacles facing international trade, arguing that trade levels and the profitability of exporting could be substantially increased if exporters were not faced with a series of discriminatory import barriers against their forest products. Others however

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² More discussion on these issues may be found in the FAO publication “State of the World’s Forests 1999”. (FAO Rome 1999).

see increased trade as being against the sustainability of the forests, and consider that protectionist practices may be an essential part of overcoming the pressures on the forests. The subject of trade restrictions is thus proving to be one where views and positions vary considerably. Discussions at the Intergovernmental Forum on Forests (IFF) on the subject of trade and the environment have highlighted the difficulties.

This section discusses a number of issues related to trade restrictions. It provides a summary of the situation and trends in trade restrictions of significance to Timber Committee member countries. It reviews the various restrictions that exist, assesses the extent to which they are a problem, indicates their trends, and finally highlights current interest and debate on a follow-up round of multilateral negotiations. It should be seen as a brief background to the subject, rather than a comprehensive coverage³.

5.2 The question of market access

Access to markets is influenced by a wide range of formal trade restrictions. These are institutional measures which restrict trade – either overtly or in many cases covertly. In particular, this means government-imposed measures which are either deliberately aimed at restricting or distorting trade patterns, or do so inadvertently.

In addition to these formal measures there are, however, some measures that do not strictly fit into this category, such as many connected with environmental issues. These may be considered as trade impediments rather than formal barriers, since, although not clear restrictions, their impact or potential impact is very similar to formal trade measures – and in many cases their intention is the same.

The formal trade restrictions have been the focus of the international multilateral trade negotiations held under the auspices of the General Agreement on Tariffs and Trade (GATT). The most recent of these 'Rounds' of negotiations was the Uruguay Round (UR) which was formally completed in 1994⁴ and which, in addition to the moves on reducing restrictions, also resulted in the conversion of GATT to a new global trade institution, the World Trade Organization. As well, there have been many bilateral and regional negotiations which have also been

addressing, amongst other things, the subject of trade restrictions, such as those of the Association of South East Asian Nations (ASEAN)⁵, the Asia-Pacific Economic Co-operation (APEC)⁶, the expansion of the European Union (EU), the North American Free Trade Agreement (NAFTA), and the Mercosur Agreement (Southern Common Market).

The Uruguay Round negotiations resulted in schedules for reducing tariff barriers, together with a number of special agreements which were aimed at reducing the effects of many Non Tariff Barriers (NTBs). Two agreements of special interest to forestry are the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) which aims to improve conditions surrounding inspection and quarantine; and the Agreement on Technical Barriers to Trade (TBT) which seeks to limit the use of technical regulations and product standards for other than legitimate health, safety, product quality and environmental protection purposes.

The SPS and TBT set out rules for bringing national standards into conformity with international norms so as to facilitate trade. The SPS Agreement obligates governments to implement rules applying to food and plant health and safety only to the extent necessary to protect human, animal or plant life or health. The TBT Agreement sets out procedures for ensuring that technical regulations and standards – including packaging, marking and labeling requirements – do not create "unnecessary obstacles to international trade". The TBT seeks to ensure that product standards are not used as disguised protectionist measures, and to reduce the extent to which they act as barriers to market access.

5.3 Trends in tariffs

(i) Current situation

Tariff restrictions have been declining steadily for a number of years. In recent years tariff barriers have declined in most of the main import markets. The extent of the decline differs with the market and the specific product, but few developed country tariffs are now particularly high for most forest products. This is shown for selected countries in the table below which provides a general indication of rates for selected countries (table 5.3.1). With the exception of some

³ A detailed coverage can be found in I. J. Bourke and Jeanette Leitch. "Trade Restrictions and Their Impact on International Trade in Forest Products". (FAO Rome 1998).

⁴ For full details see Barbier, E.B. (1996). "Impact of the Uruguay Round Agreement on International Trade in Forest Products", FAO and Bourke, I.J. (1996) "The Uruguay Round Results –an Overview". In *Tropical Forest Update*, ITTO, Vol. 6 (2) September.

⁵ ASEAN comprises Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Brunei and Vietnam.

⁶ APEC comprises Malaysia, Singapore, Thailand, Indonesia, Brunei, Philippines, Australia, Canada, Republic of Korea, Japan, New Zealand, United States, China, China Hong Kong, Taiwan Province of China, Papua New Guinea, Mexico, Chile, Peru, Russian Federation and Vietnam.

TABLE 5.3.1
Current tariff rates in selected importing countries
(% ad valorem)

| | Australia | | European Union | | Japan | | United States | | China | Republic | Thailand |
|----------------------|-----------|------|----------------|---------|-----------------------|-----|----------------------|-----|----------|----------|----------|
| | | | | | | | | | of Korea | | |
| | MFN | GSP | MFN | GSP | MFN | GSP | MFN | GSP | | | |
| Wood in rough (logs) | 0.0 | | 0.0 | | 0.0 | | 0.0 | | 2.0 | 1.0 | 1.0 |
| Sawnwood | 0-5 | 5(C) | 0-2.5 | 0.0 | 4.8- 7(C) 7.6 (NC) | 0.0 | 0.0 | | 3.0 | 5.0 | 1-5 |
| Mouldings, etc. | 5.0 | 5.0 | 1.2 | 0.0 | 4.1-6.3 | 0.0 | 0-2.7 | 0.0 | 20.0 | 8.0 | 20.0 |
| Plywood | 15.0 | 10.0 | 7.6-10 | 5.3-7 | 7.5(C) 7.4-12(T) | | 0-15.2(C) 0-8(NC) | 0.0 | 15.0 | 15.0 | 20.0 |
| Joinery | 5.0 | | 2-4.2 | 1.4-2.9 | 2.8-6.3 | 0.0 | 0-6.4 | 0.0 | 18.0 | 8.0 | 20.0 |
| Wood furniture | 15.0 | 10.0 | 2.2 | 0.0 | 0.0 | | 0-7 | 0.0 | 22.0 | 9.0 | 80.0 |

Source: Country tariff schedules; *Bulletin International des Douanes*

Notes: (Data as at 1997-early 1998 in most cases); C = coniferous; NC = non-coniferous; T = tropical;

GSP = Generalised System of Preferences; MFN = Most Favoured Nation.

These rates should be taken as a guide only as some may have recently been reduced further and they are often subject to special rules, conditions and limitations.

products in some markets, tariffs for forest products in developed countries are generally less than 5% for most products. However, rates for some products are still high (in the range 10-15%). In particular this is true for wood-based panels (especially plywood), builders' woodwork and furniture. Further, even a relatively low duty can add a substantial extra cost and give domestic producers considerable protection. Since the import duty is usually charged on the c.i.f. price the additional costs create marketing difficulties for distant suppliers, particularly in the competitive basic commodity products where price competition is greatest, and in periods of weak demand when competition is high. Tariffs in *developing* countries have also been declining rapidly, although many are still higher than in the main developed countries.

(ii) Future trends in tariffs

Tariffs will continue to decline as the results of the Uruguay Round are implemented. Tariffs in developed countries on many products will be reduced to very low levels, or completely eliminated. In developing countries reductions will result, but not to the same degree. The gains will be country-specific, being limited to certain products in particular markets, with some countries continuing to maintain high tariffs on some, but not all, of their products. The extent and the speed of the reductions will vary considerably between countries and also products, and in some cases the phased reductions may take up to 15 years to be fully achieved. In the developed countries paper and paperboard products in the main importing countries –

United States, Canada, EU and Japan – together with some smaller importers, will have tariffs completely phased out over an 8-10 year period. Similarly, major importers such as the European Union, Japan and the United States will eliminate tariffs completely on furniture over the next 8-10 years. Wood-based panels (especially plywood) and some value-added products will continue to face greater tariffs than most other products.

One benefit of the tariff reductions will be that tariff escalation, which occurs when tariff rates increase as the degree of processing increases (for example, where logs are duty free, sawnwood faces a low tariff, while plywood has a higher rate still), will be reduced in the main developed country markets. In addition to the reductions most tariff rates will be bound. That is, countries will place an upper limit on the specified tariff so that tariffs will not be able to be increased above the bound rate.

As well as the influence of the GATT/WTO negotiations, there are bilateral and regional negotiations which will also have an important influence. The impacts of such moves, if implemented, may be very significant because they are regionally oriented and will build on the Uruguay Round results. Of note are the efforts in the Asia-Pacific region of APEC, which is seeking to speed up the rate of trade liberalisation. It has set a target of free trade among its members by about 2010 for the developed nations, 2015 for the newly industrialized countries, and 2020 years for the developing countries.

5.4 Trends in non-tariff measures (NTMs)

(i) Current situation

In addition to tariffs, a wide range of NTMs exists. These include a host of different rules and procedures, ranging from health and technical standards to measures influencing prices. NTMs are much more complex and difficult to recognize and therefore assess than tariffs, especially in quantitative terms. They cover a very wide range which in some circumstances can have restrictive effects while in others cases do not. Even the same mechanisms can vary widely between different countries, depending on the way in which they are implemented and the exact details of the regulation. In some cases they may be legitimate protection measures; in others the same restrictions may be excessively restrictive and make importing difficult. There are also cases where the trade protective effects are unintentional. At the very least, though, they make exporting more difficult, especially for smaller and less experienced exporters. In these conditions marketing becomes a more complex, costly and challenging task.

(ii) NTMs which may act as barriers to trade

Specific limitations on trade: quantitative restrictions; export restraints; health and sanitary regulations; licensing; embargoes; minimum price regulations, etc.

Charges on imports: tariffs; variable levies; prior deposits; special duties on imports; internal taxes, etc.

Standards: industrial standards; packaging; labeling and marking regulations, etc.

Government interventions in trade: government procurement; stock trading; export subsidies; countervailing duties; trade diverting aid, etc.

Customs and administrative entry procedures: customs valuation; customs classification; antidumping duties; consular and customs formalities and requirements, and sample requirements.

(iii) Some of the NTMs which have most effect on forest products

Phytosanitary and technical regulations and standards: These present some problems in specific situations. In particular, regulations and standards which relate to environmental issues are important issues for forestry. While few of the standards and codes discriminate specifically against imports and are therefore not strictly trade barriers, many do create much greater problems for foreign producers than domestic producers. Examples of this type of

restriction include: restrictions on wood panels which release formaldehyde from the glues with human health risks; restrictions on certain timber preservation processes and materials; controls on processing methods (for example, in the bleaching of pulp where there have been widespread moves to encourage or force companies to replace chlorine, which produces extremely toxic by-products, with other more environmentally friendly bleaching agents); and packaging regulations. Most countries in the world have official building codes and standards. These are specified in considerable detail, and products which are to be used in certain end-uses must meet their requirements. The same is true of phytosanitary regulations. The most common trade complaint against standards and regulations is that their rules and their administration are excessively restrictive, and go well beyond the level needed to ensure adequate protection.

Most are of considerable, and growing, significance in European countries. Whether they are in fact being used as trade barriers can be very difficult to determine. Most are obstacles to overcome, rather than deliberate attempts to block trade. It does, however, seem likely that in some cases the regulations and/or the way in which they are administered, are excessive. Some have resulted in major trade disputes between countries.

Export restraints: Although *import* restrictions are the most obvious barriers in forest product trade, *export* restrictions are of considerable significance for trade. Export restrictions are common in most developing countries and in some developed countries, and have had a major impact on world trade patterns for some forest products – notably logs and plywood. Export controls include total bans, export quotas, or selective bans based on species; indirect quantitative restrictions due to controls on harvest levels; direct charges such as export taxes or export levies; indirect charges in the form of royalties and reforestation levies; and administrative controls such as permits and licenses. They may be imposed primarily as a revenue-generating instrument, especially if this method of collection is more efficient than other instruments to capture resource rent. Permits and licenses may simply be information and quality control instruments or their intent may be to restrict export quantities, especially if they are conditional upon factors other than product attributes.

Restrictions on log exports have traditionally been associated with promotion of the domestic processing industry in timber producing countries, mainly for export rather than domestic demand. Other aims range from attempts to increase the financial return to the country, efforts to ensure adequate wood

supplies for the domestic wood-working and other wood-based industries (especially in competition with overseas log buyers), through attempts to protect forests from overuse.

Log export controls have increased markedly in recent years, especially as many tropical countries have attempted to retain logs for domestic processing, or as is the case more recently, to reduce harvesting levels. Controls on harvest levels are in place or scheduled in many countries. Since export bans are technically illegal under Article XI of GATT, many countries are turning to other measures – ranging from export taxes to permits and licenses, in place of direct quantitative controls.

One interesting issue in this respect is the dilemma faced by some countries over export controls, logging bans, and similar measures. From one point of view some countries favor these controls, while at the same time being against them for other countries. For example, countries with over-exploited forest resources Vietnam and Mongolia have introduced log export controls as a means of limiting the harvest of their resources and thus reducing the pressure on their forests. However they wish to meet the requirements of their industry and the market by importing wood from other countries. Their access to logs from nearby countries is however restricted by similar restrictions in Laos, Cambodia and China. These countries have log export controls, and logging bans in place in order to protect their own forests.

Quantitative restrictions: Overall quotas, quotas allocated to a specific country or a quota limiting eligibility for a particular tariff rate (e.g. the Generalized System of Preferences (GSP) rate) exist in a limited number of cases. In general their use has declined, but for some products in some markets they still create difficulties. For example the EU imposes import quotas on board and panel products. It also has tariff quotas or tariff ceilings on newsprint, fibre-building boards, builders' woodwork and some furniture items.

United States and Canada Softwood Lumber Agreement is an example of a quantitative restriction stemming from a long-running dispute over the pricing of provincially-owned Canadian stumpage. In 1994, part of the “settlement” of this dispute was the imposition by the United States of a duty-free quota on Canadian imports of softwood lumber. Above-quota volumes are taxed. Even this “solution” has not defused the situation, and disputes surface regularly. Recent examples are a request by the United States for arbitration on a British Columbia decision in June 1998 to lower stumpage rates. More recently the United States has re-classified pre-drilled stud lumber

into a tariff category covered by the quota. This occurred after Canadian processors sought to move products to non-quota items by carrying out what the United States saw as minimal processing before export. In the most recent move the same has been done for rougher headed lumber and notched studs after exports of these from Canada rose dramatically.

Other measures imposed by importers which can have restrictive effects depending on the way in which they are implemented are: import licensing procedures and customs procedures; these can often provide domestic producers with protection from imported products. Domestic policies such as subsidies, financial assistance, tax concessions, export encouragement schemes, etc., can substantially improve the competitiveness of domestic producers in both their own domestic market and export markets, and are often used specifically for these purposes. Assistance can take many forms, but often involves reducing production costs through low stumpage fees, planting subsidies and tax concessions, assisted transport, the provision of infrastructure such as roads, etc. They occur in many countries, notably in Europe.

5.5 Future trends in NTMs

Like tariffs, some NTMs have been declining, but others have been increasing. It is difficult to say how the situation will change since they are much more complex and difficult to predict. Individually restrictions do not appear to be of major significance, but they present much greater difficulties when a number of measures exist together, and where tariffs are also present. This is likely to remain the case. Continuing efforts are being made to reduce, or at least limit their expansion. Many will be subject to more scrutiny and control than in the past, and there should be a greater degree of discipline imposed, and more uniformity in the way in which countries interpret and implement various regulations. If past actions are anything to go by, NTMs will continue to require close attention.

5.6 Trade impediments

(i) Current situation

In addition to formal restrictions, there are many measures which may be considered to be impediments to trade rather than formal trade restrictions as discussed above. They are actions which are either legal under GATT/WTO rules, or largely outside the boundaries of existing international agreements *as presently defined*. They usually have no direct links to official government regulations, though in a number of instances they may be unofficially encouraged by

governments. Nevertheless, they have many similarities to formal restrictions, often have a similar effect, and in many cases their intention is the same – to restrict trade.

The trade impediments of most significance are related to environmental issues. Some of the policies related to environmental issues concern transport, processing and consumption, including pollution from processing plants; the use of polluting materials in the production processes; energy requirements for processing; patterns of excessive or uncontrolled consumption; and problems of waste disposal. The most recent, however, are measures aimed at limiting trade to forest products made from wood coming from a sustainably managed forest resource. Examples are certification and ecolabelling; and restrictions or bans and boycotts by local municipalities and the retail trade.

Bans and boycotts: In parts of Europe, the United States, and to a limited extent in some other developed countries, restrictions or bans on the use of timber have been put in place by regional and local councils. Some retailers and timber traders have taken decisions to cease handling certain products and some unknown level of consumer resistance to buying wood products exists. The restrictions are either absolute or linked to restricting the use of timber to “approved” supplies. The main target, either implicitly or explicitly, has usually, but not exclusively, been tropical timber. In Europe actions of this type have been especially prevalent in Germany, the Netherlands, and the United Kingdom. An important, and as yet unresolved question, is the extent to which these actions are, or may be, a restriction on trade by discriminating either intentionally or unintentionally amongst producers.

While supporters of these restrictions argue they are legitimate moves taken by autonomous bodies, there is considerable concern by exporters and governments in exporting countries that they are in fact NTBs. Certainly they have an impact on market access. Many appear to conflict with multilateral obligations of governments. Various questions remain as yet unresolved. One important issue is the extent to which these do, or may, restrict trade. Another is whether actions taken for environmental reasons which act as trade barriers are legitimate within internationally agreed trade rules, such as under Article XX of GATT/WTO which allows certain measures which would otherwise be against its rules, to be taken “to protect human, animal or plant life or health”.

Closely allied to the above is the situation where retailers and timber traders in some countries have as a group “voluntarily” agreed to only handle products that come from well-managed resources (i.e. buyers’

groups being promoted by WWF). Although basically voluntary, and only applying to those who have become members of the group, they do have many similarities with formal trade restrictions, in that they represent group action to deliberately restrict sales of certain (mainly imported) wood products. To date buyers groups have not had a significant impact on the market because of the limited extent to which they have been taken up, and also a lack of supplies of approved wood. They are most active in the United Kingdom through the WWF “95 Plus Group”.

Certification of forest products: This is currently an important issue for forestry. The aspect of interest here is whether it does, or might, act as a trade barrier. Although many supporters argue that certification is not a trade restrictive practice, it has many of the characteristics of one. In fact this is to a degree the very goal that it is trying to achieve – to encourage consumers to discriminate in favour of certain products (and therefore against others). Even though most forestry certification schemes seem likely to be voluntary they may in reality be compulsory since some important retailers may be unwilling to carry uncertified products (as is occurring in the United Kingdom).

Certification and eco-labelling activities are still in their infancy, with main interest being in Europe, especially Germany, the Netherlands and the United Kingdom, where environmental groups are active and where some retail interests see a potential market advantage from providing certified products. Exporting countries such as Canada, Sweden, Finland, Malaysia and Indonesia are actively developing their own certification schemes, both as a defensive market strategy and a means of improving their forest management practices. The effect on trade so far has been limited, but a considerable degree of market uncertainty is being generated in many markets. Both the range of products and the volume of trade covered by operational certification schemes is insignificant in global or regional terms, being less than 0.5% of the wood entering international trade and a negligible proportion of total wood used for industrial purposes.

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) is an international agreement which deliberately has trade-restrictive elements. It uses a system of permits issued by designated authorities in member countries to regulate international trade in endangered species. Species, sub-species or populations may be listed in one of three appendices to the Convention and as a result face varying degrees of trade restriction. Appendix I essentially prohibits commercial trade; Appendix II requires an export

permit issued by the authority in each exporting country; Appendix III requires commercial trade to have export permits for the country(ies) listing the species, or a certificate of origin from other countries.

CITES has surfaced as a controversial issue for forestry, due to attempts by some developed countries, strongly supported by conservation groups, to have a number of commercially-important forestry species (most notably mahogany) placed in CITES appendices. Forestry and trade interests are concerned that CITES is being used unfairly to stop or limit trade, and that the mere fact of having a species listed – even in Appendix III – will have a negative impact on trade in that species.

(ii) Future trends in impediments to trade

While formal barriers are set to come down, impediments to trade will continue to exist and seem likely to grow in significance. It seems clear that under certain circumstances they will hamper or restrict trade. Those aimed at restricting trade to the products that come from a sustainably managed forest resource may have the greatest impact.

Restrictions or bans by local municipalities, the retail trade, and in some cases by national governments, seem likely to have a growing effect on trade unless the conditions surrounding them are changed. Their impact will vary considerably with the market, the product, and also the producing country concerned.

The exact effect and direction in which these will move is difficult to predict with any real certainty. It will be heavily dependent on which markets institute them, the degree of support that is given by consumers, legislators and traders, and the extent to which harmonisation or at least mutual recognition of different practices is achieved. While many have valuable objectives, they may also have undesirable trade effects.

5.7 Where to from here for reductions?

Currently there are moves underway to launch a new round of WTO multilateral trade negotiations in late 1999 (the so-called "Millennium Round"). Follow-up negotiations covering agriculture and services were built-in to the Uruguay Round and as a result must begin by the end of 1999. The precise nature of these negotiations is, however, undecided at this point. A decision on whether to proceed on a new round and what it would include will be made at the WTO's Third Ministerial Meeting in Seattle (November 30 and December 3, 1999).

There is strong support for the idea of expanding the negotiations beyond agriculture and services, to address other areas, and to include some new areas not covered in the Uruguay Round. This support is not total, however, a number of developing countries believe that the Uruguay Round agreements should be fully implemented before any new round is contemplated. They fear that they will lose out further if new subjects that are against their interests are introduced. In principle though, the major trading powers (Japan, the United States, the EU) and most other important trading nations (both developed and developing) support the idea of a "comprehensive" new round of negotiations which would cover a number of trade sectors. This would allow countries to make cross-sectoral trade-offs, i.e. balance offers in one sector with gains in others.

The feature of cross-sectoral trade-offs is important for forestry. Multilateral negotiations which cover many sectors and many individual products invariably result in governments concentrating on getting reductions in areas of most importance to the country, often at the expense on some other sectors. Concessions may be given on "less important" sectors to achieve gains in others. In this process forest products often receive little focus when compared with some other sectors. As an example, industry interests in the United States have been arguing that in previous negotiations their government negotiated away protection on paper and wood products in order to win concessions in other areas⁷.

There are varying views on what topics should be covered in a new round, how widely the talks should be expanded, whether new areas should be included, how long any negotiations should last, and how the negotiations should actually be conducted. Suggestions for coverage include industrial tariffs, e-commerce, regional agreements, labor standards, investment, competition policy, and the environment. Not all of these have significance for forestry however.

Further efforts to cut tariffs are widely supported. Many countries such as the United States, Japan, and European countries (both western and eastern), Chile, New Zealand, Australia and Korea are supporting negotiations on industrial tariffs. APEC is even pushing an "accelerated tariff liberalisation initiative", which proposes the elimination or reduction of tariffs on global trade in a number of product areas, including wood products. This is part of APEC's Early Voluntary Sectoral Liberalisation efforts which seek to speed up tariff reductions in nine sectors, including

⁷ Comments by forest industry representatives to the United States International Trade Commission hearings in May 1999.

forest products, with a target of zero tariffs by 2004 at the latest⁸. Both the EU and Japan (which is in fact a member of APEC) do not support accelerating the reduction of tariffs on wood products.

There is less agreement on other topics, especially on whether and how issues connected with the environment might be covered. Inclusion of them in a new round might result in a clearer focus on aspects that are of interest and concern to forestry. As mentioned earlier, questions which are of major interest to forestry include: whether actions that are being taken for environmental reasons and which act as trade barriers are legitimate within internationally agreed trade rules; what exceptions are possible under Article XX; and whether boycotts or bans taken by sub-national governments are legal under GATT/WTO.

There is considerable opposition by many environmental groups to further forest products trade liberalisation. They believe that liberalisation of trade will increase consumption, dilute rather than improve forest management standards, and dismantle environmental regulations. They argue that it will increase the risk of pests and diseases being introduced into countries which currently have tight restrictions. They also are concerned that it will lead to controls on the use of eco-labelling and certification.

5.8 Implications of further trade liberalisation

The implications of further trade liberalization for individual Timber Committee members will vary depending on whether the member is primarily an exporter or an importer, on the products traded, and the countries traded with. The impact will also depend on what activities are being undertaken – growing, trading, retailing etc.

Assuming that the next round of multilateral trade negotiations will include forestry, and that the issues being supported by most countries will be included, the overall impact for forestry should be very much for continued progress in the current direction. That is, further reductions or complete elimination of many tariffs and quantitative restrictions, and further progress on strengthening the rules surrounding non-tariff measures to limit or remove their ability to be used as NTBs. In this, forestry would benefit most from the efforts that will occur in the SPS and the TBT Agreements, with slight benefits from improvements

in other agreements covering subsidies, the use of anti-dumping and countervailing duties, and customs valuation and licensing procedures. Further reductions in import tariffs will open up markets, but since most rates are currently not high, the effect will not be great. Some products such as plywood, builders woodwork and furniture will remain more difficult. Since NTMs are more difficult to recognize and to monitor, they may be increasingly used to compensate for the declines in tariffs, and therefore need close attention.

Restrictions connected with environmental issues may grow in significance. This area will involve the greatest changes, the greatest disagreements, and the greatest impacts for member countries. In some areas it may result in increased trade tensions. As a consequence they will continue to require considerable attention, and all interested parties will need to keep fully aware of any moves that may affect them. Environmental issues are, potentially at least, the most disruptive measures that may affect trade, especially for the developing countries. They also have the potential, if used soundly, to contribute significantly to improved trade and environmental conditions. Many of the environmental restrictions are increasing, so they will be more of a problem in the future. Many will hamper or restrict trade, though in the short term their effect may be largely limited to selected market segments and countries.

Members will need to develop effective strategies to cope with them, and above all will need to evaluate their impacts carefully and to remain flexible. Sound marketing strategies combined with effective forest management will be essential. Group action will become increasingly important to address many of the issues. In particular certification will require attention until its effects, the interest (or not) in it by consumers, retailers and producers, and the relationship between different certification systems, becomes clearer. Certification will increase but the exact extent of its growth and its impacts are very difficult to predict. Most attention will continue to be focused on Western Europe (with limited attention in southern countries such as Spain, Italy and to some extent France), and to a lesser degree North America and Oceania. Major import markets in Asia (e.g. Japan, Republic of Korea, People's Republic of China, India, Thailand), the Middle East, and Latin America will show limited interest.

As usual in trade, individual countries and companies will be impacted differently. It will therefore be essential to monitor changes and adapt to changing conditions. An important action is to improve the management of the forests. It will always be in the long-term interest of all sections of the

⁸ These are: environmental goods and services, fish and fish products, forest products, toys, chemicals, medical equipment and instruments, energy, gems and jewellery, telecommunications mutual recognition arrangement.

industry –both for trade and land-use reasons– to manage the resource well.