CAN'T SEE THE FOREST FOR THE TREES

HOW THE WTO IS GAMBLING WITH OUR FUTURE

Friends of the Earth
1 Introduction

A new threat to the world's forests is emerging. Trade talks to open up markets for timber and wood products could speed up their destruction, devastating the livelihoods of millions of the poorest people in the world and undermining efforts to tackle climate change.

Despite being party to international agreements and commitments to cut poverty and protect forests, the European Union is one of the leading advocates of further trade liberalisation. The UK Government is another vocal supporter of the European position, despite “promises” to create a “one planet economy”.¹ Both continue to develop trade policy without due regard for sustainability, and without appropriate democratic checks and balances. For these and other omissions, they are failing to meet their commitments to their citizens and the world’s poor.

Current proposals at the WTO mean:

- NAMA will undermine attempts to grapple with climate change and to protect our economies from the resulting damage.

- NAMA threatens to have a lasting effect on the economic wellbeing of over 1 billion people. It will make poor people poorer, prevent them from escaping poverty and cut away their safety net in the natural world around them.

- NAMA threatens benefits forests provide, such as helping stop floods, preventing soil erosion and evaporation from the soil, regulating rainfall and river flows, and providing clean, reliable supplies of water.

- NAMA will increase logging. Growth in logging operations often help mask a rise in illegal logging – already a serious problem in many countries.

The UK and EU have failed to consider adequately the impact of their trade policies on sustainability. We must change this.

What is NAMA?

NAMA (Non-Agricultural Market Access) is an ongoing area of negotiation at the World Trade Organisation (WTO). NAMA focuses on increasing market access for member countries in trade in industrial goods and natural resources, which include fish, gems and minerals, chemicals, and forestry products such as wood. In particular, it aims to open up markets for timber and forestry products. This threatens to speed up the destruction of the world’s forests.

What can be done about it?

Friends of the Earth is not anti-trade or anti-business. However, there is mounting evidence that the world’s forests, and the poor communities that depend on them, can never be properly protected by agreements based on the “free” trade principles that currently dominate political discourse. Unless action is taken, new WTO agreements will bring escalating damage and injustice that far outweigh their benefits. The stakes are too high.

Friends of the Earth is calling on the UK Government to take a lead in pressing internationally for:

- a commitment to move away from current short-term proposals tabled at the WTO based on increasing market access without due regard to the costs
- a new approach to trade that seeks lasting solutions to poverty and sustainability, including with regard to climate change, that elevates and strengthens social justice and environmental sustainability as key aspects of our common success economically and on a changing planet.
2 Rhetoric v policy

On 13-18 December 2005 trade ministers from the 148 WTO member countries are meeting in Hong Kong. A final deal on all the negotiations is not expected before 2006, but this meeting will be a key staging post in these talks. Despite many fine words, the proposals for NAMA are set to increase global poverty and accelerate environmental destruction. We want MPs and MEPs to help us prevent this.

Setting the stage

Following the collapse of ministerial meetings in Seattle (1999) and Cancun (2003) there has been growing pressure on WTO members to save the talks in Hong Kong. It appears the process of negotiation has been elevated above getting the right results. Within the EU and UK, commitments to poverty reduction and environmental protection are contradicted by policy and practice at the WTO. Our EU Commissioner for trade, Peter Mandelson, is driving for maximum competitiveness for EU businesses at the WTO, despite the ostensibly pro-poor focus of the talks.

To deliver a genuine, sustainable pro-poor solution, the needs of people must be balanced against the drive for economic growth, which often harms the people it claims to help. The role of industrialised countries in destroying the habitat of others to feed our consumptive lifestyle must be tackled.

UK policy trades away the future

The UK Government claims that it does not support forced liberalisation, yet it backs Mr Mandelson’s approach. This is despite the fact that it admitted in April 2005 that neither the Department of Trade and Industry (DTI) nor the Department for Environment and Rural Affairs (DEFRA) have conducted, nor plan to conduct, any impact assessments to study what NAMA will actually do on the ground.²

Months later neither Minister of State for Trade Ian Pearson nor representatives of DEFRA are able to explain how it is possible to continue to pursue such a high level of ambition for increased liberalisation in NAMA before they have carried out the appropriate ground work or adequately considered other sources that contradict their claims.³
What is more, by continuing to develop trade policy in secret venues such as the highly controversial Committee 133 (an approach criticised by the EU Ombudsman as insufficient in a democratic society), both Peter Mandelson and Prime Minister Tony Blair are preventing normal democratic checks and balances closing the gap between policy and Government rhetoric.6

Bars to trade?

Alongside the formal negotiations on tariffs, and clouding the waters considerably, WTO members are also using the NAMA talks to assemble a list of non-tariff barriers (NTBs) they want removed from global trade.

A list of more than 200 objections by 29 countries and groups of countries now threatens a wide range of national activities, laws and standards claimed to be “barriers” to trade. These objections target Government ethical procurement policies, including specifying the purchase of certified timber and other attempts to improve sustainability, energy efficiency or to source products ethically.

For its part the European Commission (EC) has notified the WTO that it objects to all taxes on exports from all countries, including timber and wood products, regardless of the reasons for such taxes, despite the fact that export taxes are not part of the current WTO mandate. The EC argues that they impede EU business and, under NAMA, wants to see them eliminated.

For developing countries, export taxes are tried and tested tools that help protect social and environmental standards. Abolishing them would pose threats to countries’ environmental and economic wellbeing. For example, Indonesia was forced by the International Monetary Fund (IMF) to reduce export taxes on forest products in 1998. As a result, millions of cubic metres of logs, from legal and illegal sources alike, poured out of the country, forcing down international prices, and undercutting Indonesian attempts to regulate forest use. 7 The EC’s proposal would exacerbate these problems around the world.

On the contrary, documents leaked to Friends of the Earth show that rather than filling these fundamental gaps in thinking and substantiating the claims made about the benefits of “free” trade, the Department for International Development (DFID) is planning a publicity campaign to persuade officials and the public that further liberalisation is needed.4

Without proper assessments, it is unclear how the UK Government can claim that NAMA will deliver – either on poverty reduction, or on “promises” in the UK Sustainable Development Strategy to deliver what it calls a “one-planet economy” that does not displace our environmental burden onto other countries.

Meanwhile, rather than work with DEFRA to examine the growing evidence of damage caused by “free” trade and ensure that the Government can deliver on its “promises” to citizens on sustainability, the DTI continues to develop “The Industrialists” – a team of “successful businessmen brought in to help shape policy that is business minded and friendly.”5

However, it does not appear to be working with DEFRA or sustainability specialists in a similar way to gather the balancing input required to ensure the resulting policies will deliver as promised.

2 Meeting with Department of Trade and Industry, 8 April 2005
3 Meeting of Trade Policy Consultative Forum, 12 September 2005
5 Department of Trade and Industry (2005). Casting a business eye over DTI policy. Available at www.dti.gov.uk
3 Why are forests so important?

About one quarter of the land area of the world – or 3.7 billion hectares – is covered by natural forests. Existing forests are diminishing fast. Today, some 60 per cent of the world’s forest is found in just seven countries – Russia, the United States, Brazil, China, Canada, Indonesia and the Democratic Republic of Congo.

Forests provide so-called ecosystem services that are vital to humanity. For example, they play a key role in regulating water flows on Earth by helping stop floods, preventing soil erosion and evaporation from the soil, regulating rainfall and river flows, and providing clean, reliable supplies of water. Even if humanity could reproduce these services through technology, we could not afford to do so on the scale already offered by forests. We are all dependent on the world’s forests functioning properly, both locally and on a global scale.
Combating climate change

Forests help slow climate change by absorbing and storing carbon from the atmosphere and burying carbon as peat. Destruction of forests generates 20 per cent of man-made carbon dioxide emissions and is a significant cause of climate change, including regionally.10 As a result, defending forests is crucial to our ability to combat climate change.

Current predictions are that at the present rate of change, the economic costs of climate change will outstrip total world economic output by 2065.11 This means that we will be literally unable to afford the damage caused by climate change unless dramatic action is taken soon. Since forests play such a big role in mitigating the damage caused by climate change, for example by providing flood protection, protecting forests is a crucial aspect of protecting our economies as well.

A livelihood for over 1 billion people

Forests play a role in the livelihoods of 90 per cent of the 1.2 billion people living in extreme poverty. This includes about 350 million who are substantially dependent on forests, and a further 800 million who are partly dependent.12 Forests provide food, materials for shelter, medicines, fuel, and forage and fodder for domestic animals – essential factors in the wellbeing of poor people and their communities worldwide.

Forests also provide badly needed income – particularly when times get tough. People collect honey, nuts, firewood and other produce for sale in local markets to boost household income which can be used for items like school books or tuition fees.

A World Bank report found that in developing countries, at least one fifth of the incomes of poor rural people in forested areas resulted from products taken directly from the forest.13 Other studies show that women and the poorest of the poor are most dependent on forests, and that people’s dependence increases when other sources of income dry up.14 Moreover, poor people – especially rural women – are the most effective guardians of forests. The forests are poor people’s insurance – and they know it.

“The world’s poor depend disproportionately on ecosystem services to provide for their systems of small-scale agriculture, grazing, harvesting hunting and fishing. Without access to infrastructure providing safe drinking water, electricity, fuel and transportation, poor people rely on natural sources of clean air and water, fertile soil, renewable energy and biodiversity to meet their needs.”

UN Millennium Taskforce18

NAMA gambles all these benefits in the pursuit of short-term gains.

Nutritional, medicinal and health benefits for all

Forests are home to more than 90 per cent of the world’s terrestrial animal and plant species. They are a resource of immense significance to humanity, providing a treasure chest of genetic material which is invaluable to increasing human knowledge. Many crops such as bananas, mangos, yams, coconuts, cashews and avocados derive from plants found in tropical forests.15 Drugs such as quinine and 2,000 tropical plants with known anticancer properties originate in forests. Many forest plants have yet to be studied and tested.16

Forests also break the paths of communicable diseases, including yellow fever, leishmaniasis, African sleeping sickness, Chagas disease, Kyasanur forest disease, malaria, typhoid, cholera, amoebic infections, bacillary dysentery and diarrhoea, which together kill up to 15 million people annually.17

Protecting forests will ensure that this genetic warehouse is not lost and this protection remains intact.

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9 See www.worldwildlife.org/forests/basic/facts.cfm
12 See www.fao.org/documents/show_cdr.asp?url_file=docrep008/y5918e/y5918e02.htm
15 See www.rain-tree.com/facts.htm
16 See www.rainforest-alliance.org/resources/forest-facts/ives.html
4 What changes would NAMA bring?

In countries around the world, NAMA is expected to increase logging. Growth in logging operations often helps mask a rise in illegal logging – already a serious problem in many regions. This map shows some of the other problems that NAMA would cause in specific locations around the world.

**Canadian** forests occupy 1.5 times the land area of the entire European Community and represent 10 per cent of the world’s forested area. Canadian business would be a big winner from trade liberalisation, through cheaper imports and higher-value exports. Canada’s First Nations populations, such as the Cree, are likely to bear the brunt of any additional impact on forests, and First Nations women are particularly concerned about how that will affect their rights and way of life.

**Brazil** contains 30 per cent of the world’s tropical forest and 14 per cent of all forest – home to many forest-dwelling people and rare flora and fauna. One fifth of the Amazon forest is already destroyed, with 26,000 sq km cut from August 2003-August 2004 – the second highest level on record. Approximately 94 per cent of Amazon timber is stolen from the Federal Union, states or legitimate forest dwellers. NAMA will not protect their rights or environment. The UK Government is pushing Brazil hard to make big concessions in the NAMA talks.

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19 See www.panda.org/about_wwf/what_we_do/forests/what_you_can_do/good_wood/consumers/tissue/eu_facts.cfm
21 www.forestsmonitor.org/reports/russia/twe1.htm
22 See www.panda.org/about_wwf/what_we_do/forests/what_you_can_do/good_wood/consumers/tissue/eu_facts.cfm
23 See www.illegal-logging.info/approachesLev3.php?approachId=16&approachSubName=canada
25 See www.worldwildlife.org/wildplaces/amazon/about.cfm
26 See www.news.bbc.co.uk/2/hi/americas/4561189.stm
27 See www.news.bbc.co.uk/2/hi/americas/4561189.stm
28 Counsell, S (2005). Rainforest Foundation, “Democratic Republic of Congo – after the war, the fight for...
The Democratic Republic of Congo (DRC) contains 12.5 per cent of the world’s tropical forests in an area more than twice the size of France. Some 35 million people rely on the “megadiverse” forests, but illegal logging is a major problem, making forest governance very difficult. Even without NAMA, the World Bank is pushing DRC to allow European companies to engage in further industrial logging. As a least-developed country, DRC may not need to cut its tariffs under NAMA, but this would not protect it from the wider impacts.

Finland’s old-growth forests provide grazing lands for Sámi herdspeople, but are also logged by the Government-owned logging company Metsähallitus. Up to 70 per cent of the old-growth timber logged by Metsähallitus in Sámi areas goes to pulp and paper production and ends up as magazines and copy paper. Two-thirds of Finnish wood is exported within the European Union. NAMA would exacerbate logging in this area.

Russia is home to 22 per cent of the world’s forests, including the legendary taiga forests, and the forests of Ussuriland, inhabited by tigers and leopards. Timber companies operating illegally already force loggers to work in conditions tantamount to slavery. In 2003 estimates suggested that up to 75 per cent of the Russian timber imported into Finland was already being produced illegally, NAMA could make this worse.

New Guinea forests have been snapped up – 70 per cent of available forest resources have already been acquired by the logging industry, most of whom are operating in defiance of the law. Even before NAMA, logging has come hand in hand with human rights abuses. NAMA will escalate the pressures driving the resulting unrest.

Indonesia contains 10 per cent of the world’s tropical forest, home to the orang-utan, Sumatran tiger and rhinoceros, and thousands of other plant and animal species. Indonesia’s forests are disappearing fast – the Government says they’re losing an area the size of Switzerland each year. Further trade liberalisation is expected to make the situation even worse as increased logging masks illegal logging.
5 Why does NAMA mean deforestation and poverty?

Following the WTO Doha Declaration in 2001 NAMA talks have included ambitions to further liberalise trade in all manufactured products and natural resources. NAMA will take chances with the world's most precious resources, with negative impacts falling into two categories:

- environmental – NAMA will impede attempts to protect forests, and to grapple with climate change and its impacts
- economic – NAMA will exacerbate global poverty, as well as increasing the pressure faced by all our economies as climate change begins to bite.

Furthermore, since WTO agreements lock members in to progressive liberalisation, countries that find their circumstances worsening cannot adjust their policies to meet emerging needs.

Making a bad situation worse

Even without the prospect of NAMA, the world’s forests are under threat. Between 1961 and 2000 wood harvests for pulp and paper consumption tripled, and timber production rose by 60 per cent.\(^{34}\) Logging has long been of global concern, yet it continues unabated. During the 1990s alone, 94 million hectares of forest – an area larger than Venezuela – were destroyed.\(^{35}\)

International trade in wood and wood products contributes greatly to forest loss. International trade in logs increased twenty-fold between 1961 and 2000\(^{36}\), and trade in all wood products rose five-fold between 1994 and 2004.\(^{37}\) Trade in agricultural commodities grown where forests used to be, such as palm oil and soya beans, has also risen, and has exacerbated the problem significantly. Proposals for further liberalisation in agriculture would cause even more damage to forests on top of NAMA.

NAMA proposes to increase harvesting most in developing countries, where people depend more directly on forests, and where biodiversity is most significant. Increased trade will also mask an increase in the major, and growing, problem of illegal logging. This is a particular concern for countries in the developing world where forest governance is weak, and where NAMA threatens to further undermine attempts to regulate trade and strengthen such governance.

Hitting the poorest hardest

Companies from industrialised countries are expected to benefit marginally from cheaper imports under NAMA, with large multinational timber companies gaining most. The poorest countries, such as New Guinea, stand to lose the most, with an increase in deforestation and no corresponding economic benefit. In developing countries such as Brazil, which might see overall economic gains from NAMA, it is those who depend on forests – poor people, indigenous communities, and women – who will lose out.

Friends of the Earth fears that NAMA will:

- drive poor people who depend on forests further into poverty, as the basis of their livelihoods disappears
- prevent them from ever escaping the poverty cycle, by de-industrialising the national economies around them\(^{38}\)
- cut away their safety net, by eliminating the option of relying on the forest to boost their incomes as the first two impacts hit home.

The current NAMA proposals suggest that least-developed countries should be exempt from reducing their taxes. However, there is no firm agreement on this, and WTO agreements are often broken by bigger players. Furthermore, such measures cannot cushion them from the impacts of deforestation around them – particularly as illegal logging increases.

Why the figures don’t add up

The EU’s own information shows that further trade liberalisation threatens to increase international trade in timber and wood products and lead to further deforestation, yet no balancing measures are being put forward, or even studied, to compensate for these losses.\(^{39}\) Overall, if NAMA proposals to increase trade liberalisation in forest products go ahead, trade in forest products would increase by 2 per cent globally and harvesting by 0.5 per cent.\(^{40}\) Removing non-tariff barriers would add to this increase.
These figures do not reveal the full scale of the problem for the following reasons:

• using global figures disguises the different impacts that NAMA will have in different places, some of which are already struggling with serious deforestation problems

• the calculations fail to include the costs of forest damage – for example, the loss of climate change protection and the increased expense of coping with the damage

• they also fail to take into account the impact on poor communities who rely on their local forests, and who will shoulder the heaviest burden when the forests disappear because of the lack of options to replace lost income.

NAMA’s advocates argue that since the increase in global trade will only be 2 per cent, little damage will be done. This exposes a failure to understand the severity of the current crisis in forest governance, the knock-on consequences, and what NAMA will mean in this context.

Using global averages as an assurance that NAMA will not cause significant problems is a superficial analysis at best, and an unsuitable basis upon which to advocate further liberalisation, as the EU and UK currently do.

This is particularly the case for a government that is trumpeting its dedication to both poverty reduction and climate protection. So far, the UK Government has failed to explain why it is continuing to be such a strong advocate of NAMA, nor has it produced evidence that NAMA will deliver the benefits it promises.

Until governments recognise that damaging the environment has real economic costs and seek to intervene in markets to ensure that natural resources, such as forests, are protected, trade liberalisation will always lead to further environmental destruction and undermine the livelihoods of people already struggling to survive.

6 What can MPs and MEPs do about it?

By continuing to support NAMA and disregard all its associated problems, EU and UK policies fail to live up to their rhetoric on environmental protection and poverty eradication. Taking chances with the future of the world’s forests is an example of this. As elected representatives, MPs and MEPs have the power and authority to change this.

Friends of the Earth urges MPs and MEPs to help us reconcile these problems by pressing for an approach to trade that leads to truly sustainable development. In particular, MPs and MEPs can help by asking the DTI, DEFRA and the Prime Minister for assurances that:

- the Government will suspend support for NAMA until it can substantiate their claims of benefits
- the Government will bring UK trade policy into line with sustainable development thinking so that it does not continue to run counter to the promises made in the UK Sustainable Development Strategy
- the Government will use its influence, through its presidency of the EU and G8, to halt the EC’s current approach to trade policy in elevating short-term economic gains for some above the long-term needs of all.

“Until governments recognise that damaging the environment has real economic costs and seek to intervene in markets to ensure that natural resources, such as forests, are protected, trade liberalisation will always lead to further environmental destruction and undermine the livelihoods of people already struggling to survive.”
Friends of the Earth (2005)

“Any progress achieved in addressing the Millennium Development Goals of poverty and hunger eradication, improved health, and environmental protection is unlikely to be sustained if most of the ecosystem services on which humanity relies continue to be degraded...”
Millennium Ecosystem Assessment (2005)

Friends of the Earth inspires solutions to environmental problems, which make life better for people

Friends of the Earth is:

- the country’s most influential national environmental campaigning organisation
- the most extensive environmental network in the world, with almost 1.2 million supporters working across five continents, and more than 70 national organisations worldwide
- a unique network of campaigning local groups, working in more than 200 communities throughout England, Wales and Northern Ireland
- dependent on the support of individuals for over 90 per cent of its income.