

## ILLEGAL FOREST ACTIVITIES IN THE ASIA PACIFIC RIM<sup>1</sup>

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Illegal acts are a major threat to the forest resources in the Asia Pacific Rim. This region has a large percentage of the world's remaining natural forests, including the largest contiguous forest area in the world, which is located in the Russian

Far East and Siberia, and the second largest tropical forest area in the world, which is located in Indonesia. Illegal forest acts have substantial negative economic, social, and environmental impacts, are common in both developing and industrialised

nations, and occur in all major forest types—boreal, temperate, and tropical. They do not stop at illegal logging; rather, they include the entire market chain from illegal transport to industrial processing and trade operations, all the way down the line to markets. The purpose of this brief is to alert those concerned with sustainable forestry in the Asia Pacific Rim—the local communities, national and local authorities, NGOs, researchers, international donors, and the private sector—about the magnitude and impact of these illegal acts.

### Magnitude of Illegal Activities

Though there has been no comprehensive regional assessment of illegal forest activities in the Asia Pacific Rim, research focused on individual countries, crossborder activities, and actions taken by transnational forest corporations paints a picture of widespread corruption and crime. (See Box 1



FOREST  
TRENDS

#### PARTICIPANTS INCLUDE REPRESENTATIVES FROM:

World Wide Fund For Nature—  
Global Forest and Trade Initiative  
(WWF-GFTI)

Mater Engineering

Forest Trends (FT)

Port Townsend Paper

Pacific Environment and  
Resources Center (PERC)

Chinese Research Center for  
Environmental and Ecological  
Economics (RCEEE)

WWF Forest Futures Programme

Center for International Forestry  
Research (CIFOR)

WWF-World Bank Alliance

Earth Rights International

Forestry Department, University  
of British Columbia (UBC)

Certified Forest Products Council  
(CFPC)

Weyerhaeuser Company

Department of Natural Resources,  
State of Washington

Department of Economic  
Development, State of Oregon

International Sustainable  
Development Foundation, Oregon

#### BOX 1

#### Examples of illegal practices in the forestry and forest industries sector

##### Illegal occupation of forest land

- Converting public forested land for agriculture or cattle ranching by families, communities or private corporations
- Encouraging landless peasants to occupy forested areas, thus forcing governments to grant land ownership rights, which are then purchased by corporations

##### Illegal logging

- Logging in protected and prohibited areas, and outside concession boundaries
- Obtaining logging concessions through bribes
- Duplication of felling licenses
- Logging of protected species
- Girdling or ring-barking to kill trees so that they can be "legally" logged
- Removing under/oversized trees from public forests
- Extracting more than authorised amounts of timber

##### Illegal timber transport, trade, and smuggling

- Smuggling timber
- Transporting illegally harvested timber
- Exporting and importing tree species banned under international law, e.g., CITES
- Exporting and importing timber in contravention of national bans

##### Transfer pricing and other illegal accounting practices

- Declaring artificially high purchase prices for inputs, such as equipment or services from related companies
- Manipulating cash flows to transfer money to subsidiary or parent company, e.g., inflating debt repayment to avoid taxes
- Under-grading, under-valuing, under-measuring, and misclassification of species for export or for the local market

##### Illegal forest procedures

- Operating without a processing license
- Ignoring environmental, social, and labour laws and regulations
- Using illegally-obtained wood in industrial processing

##### Woodland arson

- Setting woodlands on fire to convert them to commercial use

**for the findings of studies examining illegal activities both within and among Asia Pacific countries.)**

The situation in Indonesia illustrates the problems in many of these countries. In 1997/1998, illegal timber harvesting was approximately 33 million cubic meters, exceeding the official production of 29.5 million cubic meters. The estimated cost to the government was \$3.5 billion per year—one-third of the potential timber harvesting revenue. During the mid-1990s, 84 percent of timber concessionaires did not follow the law and in some cases illegal logging was even taking place in some of Indonesia's most important national parks. Still another assessment exposed that as much as 40 percent of the large paper industry's wood supplies came from undocumented sources.

Illegal forest activities in this area of the world often spill over national borders. For example, a study commissioned by the World Wildlife Fund concluded that most of the timber exports from various countries in Asia were illegal. Substantial logging trade has been documented between Cambodia and Vietnam, despite both countries' prohibitions on such trade. Similar illegal timber trade activities take place between Myanmar and China. In 1995 Myanmar reported that it exported about 276,000 fewer cubic meters of logs than importing countries declared they received. This could be equivalent to an undeclared \$86 million, which would be almost half of Myanmar's forest export revenues that year. The large illegal flow of logs from the Russian Far East to China carries major local and international importance. "No one knows how much forest is cut illegally," says Alexander Vasyanovich, the head

of the Natural Resources Department of the Irkutsk regional administration, adding, "No one will tell you the truth." Russia's Institute for Economic Research estimates that at least 20 percent of the value of timber trade from the Russian Far East to Japan, China, and South Korea, the three main export markets, is illegal. In 1999 the Primorski region alone illegally exported some 300,000 cubic meters, with a value of about \$24 million. Viktor Doroshenko, General Director of the Primorsky region's largest logging firm, Primorsklesprom, declares that "as much as 40 to 50 percent of Russian timber is sold to Pacific Rim countries under dumping prices and faked contracts."

In the last few years aggressive transnational forest corporations often have expanded their operations in developing countries. This has brought a surge in illegal activity as many of these corporations reputedly have little respect for the laws of host countries. These corporations ignore the prescriptions of forest management plans, obtain timber concessions by bribing public officials, engage in transfer pricing and employ other illegal practices—often in collusion with government officials.

The research done on illegal forestry activities in the Asia Pacific Rim may underestimate the magnitude of illegal acts. In many cases, local officials are reluctant to report illegal acts because they fear reprisals from criminals or because they are directly involved in the illegal schemes. Companies often conceal their extractions through complex methods of documentary fraud and corruption of officials. In many countries a large proportion of the exploitation of forests is part of the "shadow" economy. Thus, a

proportion of forest illegal acts either remains undetected or is even recorded as legal.

## Variety of Illegal Forest Acts

In every Asia Pacific country, diverse groups are involved in a variety of illegal activities. Examples of illegal acts include unauthorised exploitation of public and private lands, illegal logging in protected or environmentally sensitive areas, logging of protected species, woodland arson, illegal transport of wood and other forest products, smuggling, transfer pricing and other fraudulent accounting practices, and illegal industrial processing, e.g., discharging pollutants. **(See Box 1 for some of the most notorious illegal practices in the forestry sector of the Asia Pacific.)** Synergies may be created involving various actors. For example, some corporations excuse their logging of prohibited species because illegal loggers, coming into the concession areas after they are opened for exploitation, would steal them anyway.

Some illegal acts are the unintended consequences of faulty laws. An imperfect legal framework induces or even forces some actors to operate outside the law. For example, ownership of forestlands is often a matter of contention between official government claims and those of local communities, especially indigenous ones because many forest laws unfairly criminalize ancestral use. These laws often deprive indigenous communities of the legitimate rights they have held for generations, leaving them with no option but to act in ways considered "illegal" by the state. Recently these conflicts have become

**TABLE 1 Evidence of the magnitude of illegal activities in the forestry and forest industries sector in the Asia Pacific region<sup>3</sup>**

**Country Assessment**

Malaysia	<ul style="list-style-type: none"> <li>• One third or more of forest exports was illegal in the early 1990s.</li> <li>• Forest products exports to Japan were under-declared by 40 percent in the early 1990s.</li> </ul>
Cambodia	<ul style="list-style-type: none"> <li>• Households and enterprises perceived corruption as the leading problem for citizens and enterprises.</li> <li>• Illegal exports were coming through the Thai border.</li> <li>• In 1997, a minimum of US\$184 million worth of timber was felled in Cambodia, much of it received by corrupt officials.</li> <li>• In 1997, only 10 percent of logging was legal.</li> </ul>
Laos, Cambodia, Thailand, Philippines	<ul style="list-style-type: none"> <li>• Almost all timber exports in the early 1990s were illegal.</li> </ul>
Cambodia, Vietnam	<ul style="list-style-type: none"> <li>• Substantial illegal logging trade exists between the two countries.</li> </ul>
Indonesia	<ul style="list-style-type: none"> <li>• 95 percent of exports were illegal in the early 1990s.</li> <li>• Malaysian companies were accused of logging illegally and smuggling logs to Malaysia.</li> <li>• In the mid 1990s, 84 percent of timber concession holders failed to obey the law.</li> <li>• Losses due to illegal logging was estimated to be US\$3.5 billion per year in the mid 1990s.</li> <li>• 84 percent of timber concessionaires did not follow the law. Illegal logging was taking place in national parks.</li> <li>• As much as 40 percent of pulp and paper wood supplies came from undocumented sources.</li> </ul>
Myanmar	<ul style="list-style-type: none"> <li>• In 1995, some 276,000 cubic meters valued at US\$86 million, or almost half of the country's forest exports, were undeclared.</li> </ul>
Papua New Guinea	<ul style="list-style-type: none"> <li>• Foreign companies bribed politicians and leaders, illegally logged and exported timber, and transferred funds abroad illegally.</li> <li>• Senior officials obtained logging rights in exchange for bribes.</li> <li>• Fraudulent activities in the forestry sector led to an estimated loss in national income equivalent to the annual aid the country received from Australia: more than US\$180 million in 1998.</li> <li>• In 1994, Forest Minister Tim Neville estimated that US\$1 million was lost daily to illegal practices. Foreign corporations gave bribes to local leaders, national ministers, members of the Parliament, and to at least one secretary of the Department of Forests.</li> </ul>
Philippines	<ul style="list-style-type: none"> <li>• 16 million hectares of forest have shrunk to 70,000, mainly due to illegal logging.</li> <li>• During the 1980s, the country lost US\$1.8 billion a year due to illegal logging. This figure was close to the country's GNP.</li> <li>• A large ADB-financed Afforestation project reportedly was affected by widespread corruption, with money diverted to finance the agendas of local politicians.</li> </ul>
Russia	<ul style="list-style-type: none"> <li>• The deputy head of the Federal Forestry Service, Dmitry Odintsov, recently complained about the rise in illegal operations, noting that there are "some timber procurement offices controlled by organised criminal groups engaged in illegal timber exports." Poachers cut down about 20 percent of the official harvest in Russia's Far East.</li> <li>• About 20 percent of timber logged in Russia violates the law.</li> <li>• As much as 50 percent of logging in the Primorsky and Khabarovsk regions may be illegal.</li> <li>• There is a substantial export trade from Siberia to China.</li> </ul>

more acute due to the growing interest in developing markets for the environmental services forests provide. This has brought new attention to property rights issues. Many governments, local organisations, and private sector actors are just beginning to consider questions regarding who owns forest's ability to provide carbon, biodiversity and water services, who should pay for the production of these services, and how dominant cultural, legal, and regulatory mechanisms could be reformed to protect these interests and rights. The interest in determining what is legal or illegal has thus acquired new relevance.

Companies or individuals may extract timber from public or private forestlands without authorisation, log protected species, log in excess of prescribed volumes in timber concessions, or log outside concession areas. Since many forest management plans allow for "sanitary" cuts (extracting over mature trees, trees infected by pests or killed by fires, etc.) loggers may abuse this reason illegally to extract large volumes of valuable trees. Surreptitious girdling of trees to kill them may take place to force their exploitation. Some unscrupulous logging interests sponsor poor individuals to enter forests can cut down trees illegally for them.

Illegal activities do not stop at the forest. They travel down the line to include operations related to transportation of forest products in national and international trade. Individuals and corporations may transport timber without permits or smuggle products across international borders. Timber smuggling is often induced by restrictions to logging imposed in one of the trading countries.

Some corporations inflate the price of imported inputs, such as machinery, and deflate

prices and volumes of their exports to reduce nominal profits and their tax liability with the host country and then illegally transfer funds abroad. These illegal practices are facilitated when enterprises are vertically integrated, i.e., when they are exporting to or importing from other branches of the same company thus making it easier to manipulate accounts.

In countries where law enforcement is weak, illegal and highly mobile sawmills often buy illegal logs from local small-scale operators—thus evading taxes and environmental laws. In other cases large industrial installations, such as pulp and paper complexes, may not follow water pollution and other emission control rules.

Frequently operations are carried out in ways that obscure economic links and the details of operations thus making it more difficult for law enforcers to trace illegal activities. For example, some transnational companies operate as subcontractors to various national concessionaire firms created by them. Concessionaires appear as different entities thus circumventing laws that may limit the size of timber concessions given to a single company. Companies may incur disproportionate debt or mismanage company operations for the benefit of a few. Some can get away with this because their investments are so large that eventually major creditors or the government itself will come to their rescue. Technically no laws may have been broken. Financial frauds are disguised as corporate mismanagement.

Forest resources are also vulnerable to illegal activities in other sectors of economic activities. For example, mineral and oil resource often lie under forests and illegal operation to extract these minerals have

caused enormous damage to forest in many parts of the world.

## Corruption

Though illegal forestry activities involving only private parties does occur, in almost every case corruption is involved. In this brief, corrupt deeds are defined as illegal, intentional, and surreptitious actions involving public officials.

This differentiation between illegal acts in general and corrupt activities may seem inconsequential, but acts involving corruption deserve special attention for a couple of reasons. The fundamental reason is that those actions undermine the apparatus of government. This is critical in a sector that generates many social and environmental impacts requiring strong and "clean" intervention from the state. If the government itself voluntarily breaks the law, there is little hope that other actors, such as communities and private corporations, will adhere to the legal framework. It is one thing to have a committed government trying to impose the law and perhaps failing because of lack of resources, and it is another to have a state participating in breaking its own law.

Few dispute that sound governance is impossible in an environment of illegality. However, some argue that corrupt activities contribute to economic efficiency because they allow investors and entrepreneurs to avoid immensely complex—and sometimes absurd—bureaucratic regulations. There is no empirical evidence to support the often-cited argument that corruption is "the grease of the development process".

## Consequences of Forest Crime

Illegal forest activities within the Asia Pacific countries have generated a host of negative impacts on the economy, the poor, and the quality of forest management.

**Economic impact.** Forest crime leads to wrong decisions and poor allocation of scarce economic resources, thus undercutting economic development. Though there are no comprehensive assessments of the effects of illegal acts on the economy in the Asia Pacific forest sector, macro and global evaluations reveal that illegal practices in general produce several negative economic effects. There is no reason to believe that effects in the forestry sector would be at variance with these findings. Reasons that illegal forestry activities impair economic efficiency include:

**Lower propensity to invest in sustainable forestry.** Where the rule of law is weak, investment risks tend to be higher. Higher levels of risk make investors demand higher and faster financial returns, thus discouraging investments in long-term forest management. For example, squatters' invasion of forestlands may spur loggers to harvest the best timber resources as fast as possible—with little thought given to long-term sustainability of the resource. In addition, other costs, such as bribes, can be very high. Second, when illegal options are easily accessible, they render a higher profit. As a consequence, concessionaires are reluctant to invest in sustainable forest management practices if they can steal with impunity from a concession area or adjacent areas. Finally, profits from illegal forest operations tend to be sent abroad, thus negating a

host country's investments in productive operations.

**Misallocation of investments.** Funds invested in forestry may be in less desirable options. In part this may be due to the fact that decisions are being made by unprincipled organisations. Responsible foreign investors may shy away from countries where illegalities are common. But this same environment may attract unscrupulous corporations. Similarly government decisions influenced by bribes will only coincide by chance with actions that benefit the country's priorities the most. For example, equipment for forest administration may be chosen because of corrupt deals not because it was well suited to the conditions of the country.

**Reduction of government income.** Forestry administrations, particularly in developing countries, operate under a permanent shortage of funds. Tax evasion diminishes government income that could be used to promote better forest management.

**Reduction of international technical and financial assistance.** International donors, such as the World Bank and the International Monetary Fund, are less likely to initiate forest projects and programs in countries where law enforcement is weak. Donors have been known to withdraw financial and technical support from ongoing projects in such countries.

**Social and economic impact on indigenous and other communities.** Many of the world's poorest are dependent on forest resources, are forest dwellers, and have legitimate—yet not legally sanctioned—claims to forest resources. They suffer because of a faulty legal system. In other cases, the law may be adequate but actors living in poverty

may be willing or compelled to act in criminal ways. Some may benefit but often gains are short lived. For example, initially, landless peasants invading public or private lands benefit from poor law enforcement.

However, the same environment that allows this to happen generates a host of other effects that will eventually hurt the poor. First, if poor law enforcement is systemic and economic growth is impaired as a result, the poor are likely to suffer the most. When economic expansion is slow, the state is not inclined to provide public services such as training and subsidies for the poor

In addition, powerful economic interests are able to capture parts of the state. The very poor are unable to negotiate large operations and can't pay substantial bribes to benefit from corrupt deals. Thus, the capture of the state by economic and political interests is likely to lead to greater inequality. And, given their lack of political influence, the poor may be asked to pay proportionally more than the rich do in order to obtain government services. In some cases, public officials abusing their power are able to extract money from the disadvantaged for access to forest goods and services—such as fuelwood or hunting—that are granted to them by law.

Moreover, the proliferation of illegal logging activities usually affects the poor negatively because those activities often take place in areas that are vital for the subsistence of the poor. Illegal activities reduce the quality of forests or result in outright deforestation. This deprives local populations of important resources, including agricultural implements, construction materials, medicines, and fuelwood. In addition, food supply is reduced for

BOX 2

Action Plan to Reduce the Illegal Russia-China Timber Trade

These recommendations were the result of a joint Chinese-Russian-North American conference in Chita, Russia, September 2000. The conference focused on the growing illegal and unsustainable practices of the Russian – Chinese timber trade.<sup>4</sup>

**Ensure open, accurate, and transparent data**

- Make customs points and data fully open to inspection by any individual or organisation
- Actively compare Russian and Chinese statistics to detect discrepancies and act to reduce them
- Establish channels of communication between Russian and Chinese customs, forestry, and environmental officials

**Provide for accurate and reliable documentation**

- Ensure that documents establish entire chain of custody
- Monitor import/export statistics of particular species to ensure that they do not exceed permissible harvest volumes
- Use ultraviolet paint to mark confiscated timber and prevent the export or trade of such timber

**Strengthen customs control**

- Establish a 10-day holding period for timber prior to export from Russia to China, in order to check documents
- Train border officials to distinguish more valuable tree species and grades of timber
- Launch a special initiative focusing on three major Russian-Chinese border points

**Crack down on corruption and bribery.**

- Increase fines and impose criminal penalties on businessmen and officials involved in illegal logging and timber trades
- Encourage Russian and Chinese anti-corruption government agencies to share information and crack down on illegal activities
- Encourage press coverage and outreach among NGOs and citizens to highlight corruption and bribery

**Promote greater cross-border co-operation**

- Create a Russia-China Working Group involving regional and national government officials, scientists, and NGOs to jointly monitor the Russia-China timber trade
- Impose reciprocal import restrictions in China to match Russian Far East export restrictions
- Compare accurate import statistics in China with export statistics in Russia

rural communities that depend on forests for a substantial part of their nutrition needs. Sources of local income and employment also are likely to be lost in the long term. Benefits to the poor, if any, tend to be transitory.

**Environmental Impact.** Forest crimes decrease the quality of forest management. Forests produce a number of non-timber goods and services—such as carbon sequestration, aesthetic and religious values, biodiversity, and soil and water protection—that are only just beginning to be transacted

in markets around the world. Absent established market prices, the private sector will not produce these goods and services in sufficient amounts. However, because these are important to society, most countries establish laws, rules, and incentives aimed at sustainable forest management that require operators to manage forests in ways designed to ensure their renewal. While sustainable forest management can be profitable, unsustainable practices are almost invariably even more profitable. Therefore, when governments are

unable or unwilling to enforce the law, operators evade sustainable forest management regulations simply because costs can be avoided.

Furthermore, illegal logging and trade depress the market value of forest products. This has two connected effects. First, cheap resources tend to be used in wasteful ways, which creates rapid liquidation and impairs the production of plentiful future harvests. Second, market incentives that would encourage more sustainable forest management are reduced to very low levels.

## Combating Illegal Practices

**Developing forest law enforcement strategies.** The intent of this brief has been to bring attention to the profound breadth and depth of the harm done by illegal forest activities in the countries of the Asia Pacific. Only after comprehending the seriousness of this harm can stakeholders begin to engage in the massive effort required to develop and put into operation plans to combat such practices. Any such effort must start with a general outline of strategies. Situations will vary, but there are three basic steps that proponents of sustainable forest management in the Asia Pacific area or elsewhere can take to enhance forest law enforcement: 1) assessing the probabilities of success in improving governance in the forestry sector, 2) developing a policy framework governing the management of the forestry sector, and 3) implementing prevention, detection and suppression actions.

**Assessing the general governance environment of the country: determining**

**probabilities of success of improving forestry governance.** The governance of a country will largely determine the probability of success in addressing illegal acts in the forestry sector. Experience shows that when illegal activities are common and corruption permeates the government apparatus, reform in a single sector, such as forestry, is short-lived. In these cases government-wide reforms may be needed and perhaps sweeping political changes as well. If the forest sector is small in a country with a corrupt government, the probabilities of success are dim. However combating illegal practices in a country with a large forestry sector can cause the rest of the government to fall into line as well—even in a country with a history of widespread legal abuses.

Various other factors of the governance situation are relevant. There is correlation between the existence of effective democratic institutions and law enforcement, but questions remain, such as: To what extent do political forces allow for participation and consultation in decisions related to the forestry sector? Is the government dominated by an authoritarian regime that does not tolerate dissent? To what extent is the press free to report illegal acts? Is the judiciary sufficiently independent? Are police and the army free from corruption?

**Developing a forest policy framework to promote sound forest management practices: eliminating undesirable or unfeasible policy prescriptions.** In order to reform policy to inspire better law enforcement, the various stakeholders—corporations, rural communities, environmental groups, and traders—must agree on basic principles. Agreement must be reached on issues such as

establishment of clear property rights, clear articulation of forestry policy, and involvement of the media, NGOs, local communities and the public to act as watchdogs.

**Strengthening operational systems to prevent, detect, and suppress illegal acts.** Regardless of how well laws are written, there will be attempts to circumvent them. Therefore, governments must develop effective law enforcement. Law enforcement is rooted in three interrelated sets of actions: prevention, detection, and suppression.

**Prevention.** Prevention activities, geared to reduce the opportunities for illegal acts, include reducing the discretionary power of law enforcers, increasing transparency and public accountability, promoting public education, and promoting independent certification.

**Detection.** Successful detection of illegal acts depends largely on the existence of proper baseline data providing clear information about forest conditions, the existence of a forest monitoring system, verification methods, and third-party reporting.

**Suppression.** Suppression of illegal forest acts involves the use of force, arrest, imprisonment, and financial penalties.

**Implementing forest law enforcement strategies.** It should be stressed that concerted action is much more important than uncoordinated individual stakeholder initiatives. Normally it is not the action of a particular stakeholder group but rather the harmonised initiatives of various sectors of society working towards common objectives that will provide workable solutions to the control of illegal acts. The mixture and sequencing of policy reforms discussed above

will largely depend on the specific circumstances faced in each country but in all cases the success of these approaches depends largely on the adequate involvement of key sectors of society including national and local governments, NGOs and the private sector. Thus, local and national government policy reforms are unlikely to take place unless there is political pressure of some sort. This political pressure is more likely to materialise if NGOs, a free press and other concerned groups of the civil society and the private sector organise campaigns to educate the public on the nature, magnitude, and consequences of illegal forest activities. One such initiative was launched in September 2000 by NGOs and government representatives focused on addressing the illegal practices in the Russian - Chinese timber trade. (See Box 2) Similarly, private sector corporations may be willing to renounce illegal activities when the government establishes a level playing field for all enterprises.

Domestic actions alone are insufficient. The international community the private sector and governments in consuming countries, international financial and technical assistance agencies and initiatives by groups of countries such as the G8 all have key roles. For example, importing nations can stop buying forest products from illegal sources, blacklist corporations that engage in illegal acts, improve customs inspections and promote codes of conduct and ethical investment. International NGOs, UN organisations, and other international bodies can play a useful role in detecting illegal activities and in designing systems for more transparent data exchange and dissemination.



## Conclusion

Illegal activities are a main threat to forestry resources in the Asia Pacific. A wide variety of harmful acts, including illegal logging, illegal trade, arson, take place in all forest types and regions. Such illegal forest activities have generated a host of negative impacts on the economy, indigenous and other local communities, and the quality of forest management.

It is in the interest of all of the stakeholders—from local communities to national politicians to logging companies to international donors—to work together to ensure the preservation of Asia Pacific Rim forests by identifying and implementing an agreed upon and mutually reinforcing set of actions.



### NOTES:

- 1 This brief has been extracted from a longer paper assessing illegal acts and corruption globally: Contreras-Hermosilla, A. 2001 Forest law enforcement—an overview. *Working Papers Series*, World Bank Institute. Washington, D.C. forthcoming. (<http://www.worldbank.org/wbi/>) All sources used by Dr. Contreras-Hermosilla are cited in the longer paper.
- 2 Dr. Arnoldo Contreras-Hermosilla, former Principal Economist of the World Commission on Forests and Sustainable Development and ex Senior Natural Resources Economist of the World Bank, is a forest policy consultant.
- 3 This paper was financed by the U.S. State Dept. as part of an international diplomatic effort to control forest crime and corruption. See <http://iisd.ca/sd/sdfiles/sdvol60num1.html> for the declaration of East Asian Ministers on crime.
- 4 Source: Gordon, David, Recommendations to reduce illegal Russian Chinese timber trade., Report on Conference held in Huang Shan, China, May 11-12, 2001: Market-based Approaches to Sustainable Forestry Development and Forestry-based Poverty Alleviation: Global Trends and Implications for China (<http://www.forest-trends.org>)

## The Agenda of the Pacific Rim Initiative

### Objective 1: Raise standards and increase transparency.

Jointly, standards for forestry practice and transparency in their application can significantly improve chances of sustaining forests. Priority activities include the following:

- Initiated**
- ☉ Promote certification pilot projects in China
  - ☉ Conduct workshop to identify trade flow issues between producers and buyers, in China-Russia
- Proposed**
- ☉ Research and compare monitoring systems and standards across the region
  - ☉ Promote the linking of access to timber concessions to social and environmental performance
  - ☉ Promote information exchange through partnerships focusing on Sustainable Forest Management in forestry universities & training institutions

### Objective 2: Facilitate discriminating market demand for products and services.

Undiscriminating market demand is arguably a key factor in degrading and depleting forests. Priority activities include the following:

- Initiated**
- ☉ Assess extent and impact of market failure in wood markets in key countries
  - ☉ Undertake research on market structure and trends in key market areas, starting with Japan
- Proposed**
- ☉ Engage leading retailers in the region to purchase wood from well managed forests
  - ☉ Establish and promote Forest and Trade Networks in NW US region of the Pacific Rim

### Objective 3: Promote policies that encourage sustainable forestry.

Positive policy frameworks in consonance with market based instruments will be critical to improve forestry in the region. Priority activities include the following:

- Initiated**
- ☉ Support ongoing work by CIFOR, World Bank, and others on irregular forest activities in Indonesia and Malaysia as well as workshops to devise strategies to reduce forest crimes
  - ☉ Field test the new framework developed by the WWF/WB Alliance to identify complementary and strategic interventions for policy reform in the region
- Proposed**
- ☉ Prepare a policy brief describing ways in which certification can complement government regulatory mechanisms
  - ☉ Promote cross-country learning on critical policy issues including forestry taxation, tenure, and forestry export restrictions

### Objective 4: Encouraging More Discerning Investment in Forestry.

Information is the key to good business decisions. Better information, leads to better decisions that support sustainable forestry practices. Priority activities include the following:

- Initiated**
- ☉ Prepare a policy brief describing the history of poor investment decisions and lessons learned
- Proposed**
- ☉ Prepare a policy brief analyzing capital flows in forest in forest products in the Pacific Rim
  - ☉ Prepare a report card on positive forestry investment criteria
  - ☉ Prepare a position paper analyzing illegal logging and tenure conflicts in the Pacific Rim