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USAID & The Forests Dialogue

Building Partnerships to Reduce Forest Conflict in Asia

Global Company Perspective
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Agenda today

1. Offer global company perspectives on action and strategies to address illegal logging & illegal trade challenges

2. Some thoughts on the “business case” to reduce forest conflict in Asia – enterprise, sector specific and partnership based approaches

But start by introducing the World Business Council for Sustainable Development and its focus and involvement on sustainable forest management.
WBCSD – who are we?

Coalition of 180 leading global companies:

• 35 countries, 20 major sectors, including forestry/forest products

• Global network of 50 national & regional business councils & partner organizations

• Critical mass: member company aggregations
  – USD 5,000 billion revenues = Japan
  – 12 million employees > Portugal
  – 3 billion consumers per day serviced/supplied
WBCSD – what do we do?

Shared commitment to Sustainable Development

- Economic growth + Ecological balance + Social progress
- Development now without compromising prospects of future generations

Mission is to provide business leadership as a catalyst for Sustainable Development

Business action + Policy development + Best practice + Global Outreach programs and activities to earn, retain and expand the business license to operate

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Sustainable Forest Products Industry (SFPI) working group – formed 1996 but active since 2002/03

• International forestry/forest product companies:

• Major customers/service/ suppliers:
  – Caterpillar, Global Forest Partners, Kimberly-Clark, P & G, Swiss Re, Time Inc

• Observer:
  – The Forests Dialogue @ Yale University
SFPI Working Group

Mission:

– Global platform for leading companies to collaboratively define sustainability in the forest products industry.

– Improve performance; enhance customer & stakeholder confidence.

Scope:

– License to operate, innovate, develop and market forest products by addressing critical international issues associated with:

  • Sustainable Forest Management, Wood & Fiber sourcing
  • Energy, Carbon emissions & sequestration

Approach:

– Collaborative relationships; Catalyze consensus building with other stakeholders; Individual and joint company leadership & action
Illegal Logging & Illegal Trade

- Forest conflict is part of the broader challenge of illegal logging and trade
- A very serious and high priority concern for international forest industry
- Undermines sustainable forest management and creates significant market distortions
  - Negative environmental & social impacts
  - Unfair competition by depressing prices & profitability
  - Damages industry reputation, undermines market acceptance and encourages product substitution

Concern shared by governments, IGO, NGO & customers
Combating Illegal Logging

A priority issue for the SFPI Working Group – our response strategy:

1. Task Force of company specialists (since 2003)
2. Data and definitions = size & scale of the problem & the response
3. Pilot Project – shared learning initiatives
4. Multi-stakeholder dialogue & consensus
5. Intergovernmental processes FLEG/T’s
6. Company leadership actions
Joint action

- Worked with WWF International under Collaborative Framework Agreement
  - Refining thinking on the term of illegal logging – sourcing, harvesting & trade

- Joint statement for the 1st Forests Dialogue (TFD) on Practical Actions to Combat Illegal Logging (March 2005)
The Forests Dialogue – seeking consensus

Hong Kong event in March 2005 made several recommendations:

- Encourage collaboration to address problem, including existing alliances e.g. AFPA/CI, GFTN, WBCSD/WWF
- In “high risk” countries consider developing
  - nationally relevant legality standards – clarification process
  - rating systems for targeted countries & species
- Encourage companies to use effective wood tracing systems
- Urgent individual and collective Government action e.g.
  - G8 and other inter governmental approaches such as FLEGs
  - Target bilateral programs & ODA investments in capacity building
  - Greater enforcement of existing legal remedies
Key civil society/business messages targeting the Europe & North Asia FLEG Ministerial Process

- Governments key role in creating enabling conditions for SFM
- Corruption must be opening recognized and directly addressed
  - More regulation without addressing problems leads to further corruption and fraud.
- Partnerships between responsible forest industry and civil societies have led to innovation and best practice – but this is not a substitute for comprehensive government action.
- Support the markets for legal and sustainable forest products in ways which avoids penalizing legal operations
Important that business positively and directly engage in regional FLEG process

Key points from WBCSD position paper for ENA FLEG Ministerial:

• Framework conditions a government role which can’t be delegated
  – Well defined and fully respect property/tenure rights essential

• Take a focused approach on identifiable problem areas
  – Use existing legislation, agencies and resources
  – Avoid perverse incentives

• Private sector needs & uses a range of flexible and cost effective solutions where it has direct control and greatest impact
Reducing forest conflict in Asia

Some thoughts and discussion starters

• Investor & reputation/brand risks of forest conflicts in Asia are so significant, very few global companies are direct investors or major buyers of wood fiber
  – Greatest exposure is pulp/paper from Indonesia

• Legitimate operators working in these high conflict areas need to adopt a range of « extraordinary » operational and supply chain management strategies
Company level strategies

- Actively recognize, analyze & manage the risks related to legality and sustainability – due diligence & investment screens
- Assurance of the origin & legality of wood is an essential part of procurement principles and practices
- Focus on long term partnerships and investments
- Have active local representative network
- Involvement & leadership of local industry associations
- Increase own logging operations & keep supply chains short
- Offer training and capacity building to promote sub-supplier’s performance
- Implement third party verified traceability and CoC systems
- Engage in stakeholder dialogue and demonstration and shared learning projects
Traceability – important supply chain tool to document & verify wood origin & legality

Traceability systems

- « At risk » wood flows
- Verify wood origin
- Verify compliance with corporate policies and national legislation
- Can be third party verified through EMAS, ISO 14001, Chain-of-Custody, Controlled Wood Verification

Source: Latvia Case Study
Company level “tool kit”

Flexible, cost effective solutions for companies operating in “high risk” areas:

• Geographic Information Systems (GIS)
• Environment Management System (EMS)
• Responsible Purchasing policies
• Tracking/Tracing Systems
• Forest certification
• Chain-of-custody for certified sources
• Codes of Conduct
• Company Sustainability Reporting
• Independent 3rd party Auditing and Certification
Business case for action - recognizes

“Frontline” role of governments:

- Framework conditions

- Forest law enforcement & governance

But also the roles & needs of other stakeholders

- Societal circumstances, concerns and expectations

- Customer & consumer assurance
Business case for action - recognizes

Need for a targeted approach

- Forest conflict – like illegal logging – has global impacts but local and clearly defined roots and causes

Value of coordinated and cooperative approaches

- Investing in FLEG capacity building & SFM for economic growth a greater focus of ODA assistance/multilateral programs, NGO & business initiatives

Scope and limits of company level effectiveness

- Company operations & supply chain management where companies can have greatest direct control and impact
Business case for action - recognizes

Need for appropriate responses that **do not**:

- **Penalize** legitimate operators & local forest owning & dependent communities

- **Raise** the cost of legal forest products and thereby make illegal logging & trade even more profitable

- **Undermine** the competitiveness of forest products relative to non wood alternatives
  - Steel, cement, plastic
  - Non renewable, higher energy intensity and not as recyclable
Final points

• Law enforcement is a government function.

• Don’t impose regulations on legitimate business that will hamper it’s competitiveness.

• Work together with different stakeholders to find the most cost efficient and effective tools relevant to the specific situation.
Thank you!
Questions?

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