

**Washington DC, December 1-2, 2005**  
**USAID & The Forests Dialogue**



**Building Partnerships to  
Reduce Forest Conflict in  
Asia**

**Global Company Perspective**  
**James Griffiths, WBCSD**  
**Sustainable Forest Products Industry**  
**working group**



World Business Council for  
Sustainable Development



# 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**





# WBCSD & forestry/forest products

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

- **International forestry/forest product companies:**
  - **Aracruz, Grupo Portucel Soporcel, International Paper, MeadWestvaco, Metsäliitto, Mondi International, Nippon Paper, Norske Skog, Oji Paper, SAPPI, Siam Pulp & Paper, Stora Enso, UPM, Weyerhaeuser**
- **Major customers/service/ suppliers:**
  - **Caterpillar, Global Forest Partners, Kimberly-Clark, P & G, Swiss Re, Time Inc**
- **Observer:**





# 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**

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# 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
  - Latvian pilot project developing best practice wood tracking & verification (2004)
  - Refining thinking on the term of illegal logging – sourcing, harvesting & trade
    - Joint statement for the 1<sup>st</sup> 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**





# TFD – also informing Governments

## 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**





## Forest Law Enforcement & Governance (FLEG)

**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

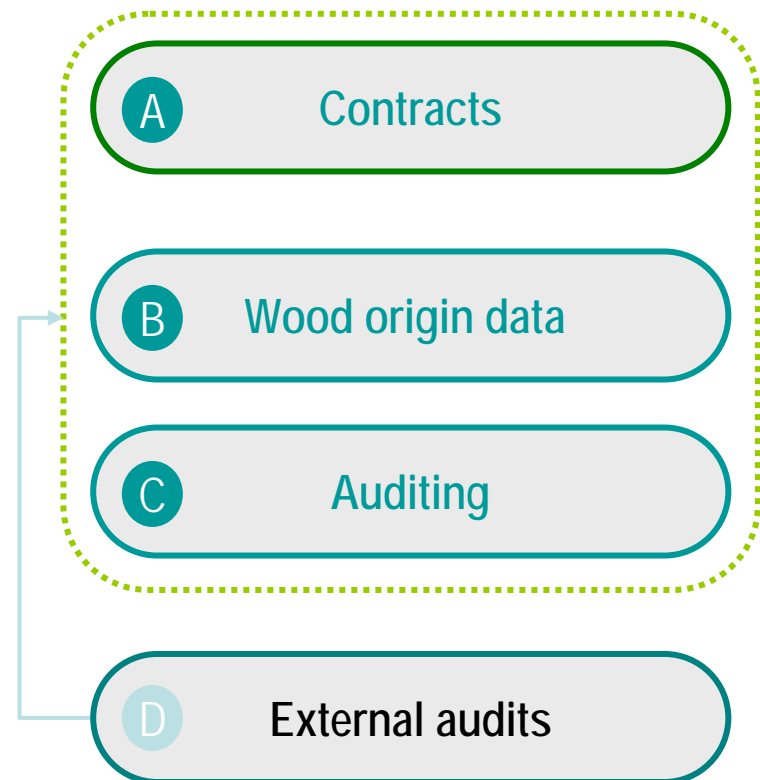
- Actively recognize, analyze & manage the risks related to legality and sustainability – due diligence & investment screens
- Assurance of the origin & legality of wood is an essential part of procurement principles and practices
- Focus on long term partnerships and investments
- Have active local 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 3<sup>rd</sup> 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 its 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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