



The Forests Dialogue

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THE FORESTS DIALOGUE

Dialogue on Intensively Managed Planted Forests in China

3-6 April 2006 - Zhanjiang and Beihai, P.R. China

Co-Chairs' Summary Report

Gerhard Dieterle, James Griffiths, Stewart Maginnis

From 3 April to 6 April, The Forests Dialogue (TFD) convened 34 international leaders from the forest products industry, NGO community, academia and government in Zhanjiang (Guangdong Province) and Beihai (Guangxi Province), China for site visits and dialogue on the future of intensively managed planted forests (IMPFs).

This dialogue and site visit was a continuation of a June 2005 TFD scoping dialogue held in Gland, Switzerland that explored management strategies and opportunities for increasing consensus and cooperation among IMPF stakeholders. For a summary of the Gland dialogue please go to www.theforestsdialogue.org/ifm.html.

One of the recommendations coming out of the Gland dialogue was to develop a series of site visit/dialogues for a group of leaders to further explore the key issues on the ground and in more depth in IMPF regions. The basic premise of this series of dialogues is to develop strategies to promote continued innovation in IMPF technology to optimize the social and environmental benefits of IMPFs while maintaining their competitive advantage and profitability. The Beihai, China dialogue was the first in this series.

The objectives were to:

- ➔ Continue the discussion on how best management practices for IMPFs can act as a basis to minimize conflict and support sustainable development outcomes
- ➔ Raise awareness among participants about the unique issues presented by current and future development and management of IMPFs in China
- ➔ Review and solicit input to the draft FAO coordinated *Planted Forest Code* and other best management practices in the context of their implementation in China

IMPFs and China: Background and Trends

The demand for timber and wood products in China has skyrocketed over the past five years. Woodchip imports have risen exponentially – from approximately 10,000 bone-dry tons in 2001 to 900,000 bone-dry tons in 2005. Domestic timber supply is insufficient, with China experiencing a 70 million m³ overall shortage of forest products in 2005. That figure is projected to double by 2015. In the southern provinces of Hainan, Guangdong, and Guangxi, demand for hardwood is anticipated to outweigh supply by up to 5 million m³ by 2010.

In response to the rising demand, the Chinese government has promoted the development of domestic wood production and fast-growing tree plantations. Of China's 24 million hectares of commercial forest plantations, overall productivity is low and only 5 million hectares are classified as fast-growing and high-yield. Efforts have focused on improving yield in the southern provinces where optimal climate conditions and 100+ years of eucalyptus cultivation have laid the foundation for IMPF development. The region has cultivated high-yield eucalyptus for 20 years.

It is estimated that between 660,000 - 1,140,000 hectares of IMPFs will be needed to sustain the projected increase in fiber demand. This is a real challenge as the land available for plantation development is relatively scarce. Over 75% of suitable land in the region is held by farmer households and communities, while the remaining land is managed by state forestry farms. Many farmers believe that growing pulpwood provides less benefits than production of other high-value tropical crops, sugarcane, food, or fruit.

Nonetheless, most of the attention for plantation expansion is on farmer and community land. Recruiting farmers and communities to develop high-yield IMPFs has been a slow and difficult process. Transfer of land-use rights is very complex, and in the case of collective land, requires a vote. Attempts by company representatives and government officials to lease farmers' land have had limited success. Efforts have been further complicated due to logistical challenges of scale and quality control, cost, lack of technical expertise among farmers, questions of transparency, and lack of clarity regarding accessible dispute resolution mechanisms. The absence of – and inability to enforce – clearly-defined property rights has been key among these challenges. These factors are backdropped by a dynamic national political context in which China faces rising rural public dissent over land appropriation currently occurring under the guise of economic development. For more facts and figures on IMPF development in China go to www.theforestsdialogue.org/impf%20china.html.

The Program

It is within this context of challenges and opportunities that the participants of this dialogue devoted two days to visiting IMPF sites and spent 2 days in dialogue. The first field day consisted of an introduction to the operation and management of state-owned forestry plantations with a tour to eucalypt plantations operated by the state-run Leizhou Forestry Bureau in Guangdong Province. The second day provided a perspective on industrial operations with visits to IMPFs operated by Stora Enso Guangxi, the state, and local communities.

The dialogue that followed included presentations, analysis and perspective by representatives from the range of stakeholders that participated. Discussion focused on the limits and opportunities for transformation in IMPF development in China. An additional session was devoted to exploring IMPF best management practices in general and specifically the Planted Forest Code currently being coordinated by the FAO. The agenda and presentations can be found at www.theforestsdialogue.org/impf%20china.html.

Observations and Discussions

The following sections are intended to summarize the major questions asked, observations made and key themes that emerged from this four day site visit and IMPF dialogue. It is important to note that these are preliminary observations from the first of at least four site visit/dialogues in key IMPF regions. No definitive conclusions are drawn, just guides as to where the discussions are heading and the themes for the next visits.

Learnings from the Site Visits

The site visits offered participants the chance to learn first hand from forest managers about the opportunities and challenges of IMPF operations in China. During the visits participants began exploring a number of questions that aimed at clarifying what is needed in order for IMPFs to develop sustainably not only in China but around the world.

Fundamental questions included:

- ➔ What are the implications of IMPFs on natural forests and landscape-level biodiversity?
- ➔ Who has authority to make decisions about crop choice and transitions in land use?
- ➔ To what extent do the government and state forestry system determine farmer land-use choice?
- ➔ How does the absence of clearly-defined land tenure inform interactions between foreign companies, the government, and farmers?
- ➔ How do regulations governing agriculture compare to those that regulate forestry practices?
- ➔ How does migration from other provinces shape the nature of employment and labor rights?



Wenfeng Pan, Jinchi Zhang, and
Co-Chair James Griffiths

- ➔ How might the introduction of mechanized harvesting impact labor and employment opportunities for farmers?
- ➔ Given the challenges of operating in a context of unclear land tenure and communication, what is the incentive for foreign companies to operate in China?
- ➔ What role might companies play in this context and what are the appropriate limits to corporate role/leadership/responsibility?

The field visits highlighted the role that absence of land tenure plays in denying choice to farmers and foreign operators alike. The lack of clear distribution of use rights prevents both from attaining full security over land holdings. Regulations and taxes that discriminate against forestry in favor of agriculture further prevent equitable land use treatment. Complicating the above was that the limited understanding on the part of the government regarding the needs of business created serious bottlenecks in the process of project approval.

While steps have been taken to incorporate best environmental practices and principles of human resources and corporate social responsibility into business contracts, several companies noted that working in China can make compliance difficult. For example, the mobile nature of a migratory workforce and the lack of modern plantation management expertise make it difficult for companies to provide consistent employment and safety training to workers, as well as the social conditions and rights of workers. This challenge also has important implications for establishing systems (i.e. forest certification) in contexts where the foundations required to support these systems are not in place.



Emerging Themes from the Discussion

Participants acknowledged the need to maintain a differentiated understanding of context and available choice in efforts to balance social and environmental concerns with profitability and competitiveness in IMPF management. While adaptive management is needed to account for unique situational and cultural contexts, participants generally agreed that the following themes remain relevant to IMPF best practices globally and warrant significant further elaboration and discussion:

Private Sector as a Vehicle for Development

Large companies have the leverage to make change, from capacity-building (i.e. providing China's agricultural farmers with training to become tree farmers) to working with governments to influence policies on the ground (i.e. clarifying tenure rights). The challenge will be for companies to determine the most practical and effective strategy to create conditions that favor forests and forestry as a profitable engine of sustainable development. Related to this idea is the substantial contribution that companies can make to poverty reduction in remote rural areas.

Company Partnerships with the Community

Partnerships are essential for industry and NGOs (as well as government) to achieve progress on the innovations in IMPF technology. A community-company coalition could help to engage governmental leadership on issues of common cause, such as regulation, transportation, tenure and property rights, ecosystem integrity, timber security, and remuneration for other services. Effective and appropriate regulatory and governance frameworks can also be useful in promoting transparency in partnerships between communities and companies. Companies can help owners understand the law through education programs and ensure appropriate conduct on the part of intermediary agents working between foreign operators and local communities.

Mechanization

Appropriate technology and mechanization can greatly impact productivity and empower workers. While companies can play a proactive role in promoting development through the



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introduction of efficient harvesting techniques, it will remain important to measure the associated social and environmental risks and benefits when determining the proper degree of mechanization.

Land Tenure and Land-Use Rights

Clear tenure and property rights are critical for communities and smallholders as well as for industry. Observing best practice acquisition of land-use rights benefits everyone by increasing security over land tenure.

Biodiversity and Environmental Issues

Responsible IMPF management addresses critical forest habitats, multifunctional forest landscapes, and best environmental practices. Given that most companies in China are likely to operate on a combination of land sources (core, contract, and 'free agent'), managing for genetic risks will be important, as will monitoring and gaining accurate baseline data. IMPF intervention on restoration activities can also play an important role in landscape and temporal biodiversity. Building a diverse forest landscape mosaic extends beyond forest types to include diversity of clonal variation, ownership type, and income opportunities.

Role of Corporate Social Responsibility

Participants recognized that many critical determining factors lie immediately outside of companies' influence. While there was agreement that it was in industries' best interest to minimize reputational risk, discussions centered on the extent and implementation of building beyond basic corporate social responsibility (CSR). Some participants proposed CSR models that included a protocol to engage rural households on forestry and strengthen the capacity of smallholders and communities. Debate arose on the role of industry in assuming this responsibility. Some viewed this as the sole responsibility of government and felt that industry should not replace government in this capacity. Others felt that additional bodies – civil society, industry, etc. – had a role to play as well. Discussion also extended to the role of companies in making IMPFs a more equitably accessible technology. Examples were offered of instances in New Zealand where business had been successful in offering a base technology that could then be developed by farmers and industry alike.

Scale-Neutrality and the Issue of Choice

The theory that IMPFs are a neutral technology was challenged, and the suggestion was made that IMPFs are developed at economies of scale that small farmers cannot access. It was posited that this scale inequality might encourage governments to expropriate farmer land in favor of the national interest, thereby denying farmers choice regarding the use and tenure of their land. The need for free, prior and informed consent was highlighted as critical for decisions impacting smallholder and community land. Participants discussed conditions that would level the playing field, promote local choice, and deliver socially sustainable benefits. It was acknowledged that the desire for choice is shared by industry as well as farmers, and that both have common cause to maximize profits, security, and access to markets.

Advice for the *Planted Forest Code*

Suggestions for strengthening the Code included greater attention to social issues and livelihoods, biofuels, carbon financing, and the market value of environmental services. There was a request for clearer demonstration of the scientific reasoning behind the Code's recommendations. It was suggested that the Code must, at minimum, meet existing standards and laws. Feedback on the conservation content of the Code recommended that forest-based carbon-offset permits be required to contribute to sustainable community development.

Participants felt that the strength of the Code lay in its potential to identify best practices and 'raise the floor' on a sector-wide level. There was agreement on the need to ensure that the standard-setting process levelled the overall playing field rather than disproportionately penalized operators already committed to improving standards. More clarity was requested regarding the Code's purpose and intended outcome, with recognition of potential differences that could arise in application in national vs. local contexts. Strong preference was expressed for a stepwise approach and voluntary (rather than regulatory) standards. Participants offered to provide information on the framework conditions of forests globally to help ensure that the Code adequately represents needs specific to each.



Co-Chairs Stewart Maginnis and Gerhard Dieterle

Way Forward for All

In considering the expansion of IMPFs on a global scale, participants identified the following opportunities for collaboration:

Development of a Global Common Vision

Continued partnership-building and dialogue between industry, civil society, communities, and governments is key. Within this context, tools such as the Planted Forest Code (or other best practices guidelines) may be used to guide IMPF development strategies, build partnerships and encourage government towards more progressive and enabling frameworks for planted forests. Identification and replication of best practices may allow newly-developing countries to 'leapfrog' ahead in technology.

Introduction of a Common Standard for Reporting

Creation of a common IMPF standard has the potential to facilitate independent analysis of company performance and practices, create transparency, and help level the playing field. It will enable actors to distinguish between management practices and engage in information-sharing in a more professional way. It can also help to strengthen partnerships between NGOs and business and identify genuine common cause between communities, industry, and civil society.

Scaling Up

The promotion of equitable, sustainable, and competitive IMPF management can be strengthened by soliciting the participation of other sectors such as the banking and finance community. Their involvement could help to influence governments and localize approaches in terms of learning and sharing. The leverage of the private sector can also introduce innovative markets for other services as well (i.e. biodiversity or carbon) and further demonstrate the viability of sustainable practices.



Luiz Cornacchioni and Rosane Monteiro Borges

Next Steps for TFD

It was agreed to continue the site visits and associated dialogues as a means to progress towards the longer-term goals outlined above. Future dialogues were tentatively suggested for the U.S. Southeast (late 2006), Indonesia (early 2007) and Brazil (mid-late 2007). TFD will also continue to leverage its network to support the Planted Forest Code review process.

It was acknowledged that more active engagement with government and communities will be critical to linking global IMPF issues to the local context. Structuring the dialogue to engage more deeply with these constituencies will be essential to attaining a differentiated understanding of the context-specific and stakeholder-specific conditions unique to each site. It was suggested that representatives from the bank, consumer, and academic sectors would also add value to the dialogue.



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Jenny Liu and Risto Vuokko

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