

WTO Threat to Forests - Lessons from Japan

Friends of the Earth Japan

Executive Summary

This report shows that tariff reductions initiated in the 1960s in Japan have led to massive imports of timber during the past 30 years. These imports have caused irreversible environmental destruction to old-growth forests overseas and have also, ironically, caused a serious decline in the health of Japan's own forests and forest communities. Studies show that the timber trade is currently the single greatest cause of forest degradation around the world and that it impacts biodiversity, climate, water, and peoples dependent on forests. Eliminating tariffs and non-tariff measures under accelerated trade liberalization (ATL), which is under negotiation within the World Trade Organization, will further accelerate Japanese imports and global trade of wood products causing even greater environmental degradation both in Japan and abroad. We are calling for a halt to these ATL negotiations, and assurances that trade rules will fully take into account environmental limits and sustainability criteria. We also want a thorough and independent review of both the implementation, and the environmental and social impacts of *existing* WTO rules and agreements. Major conclusions of this report include:

- **Tariff Reductions in Japan have Led to Massive Imports of Timber**

Forty-five years ago domestic timber supplied over 90% of Japan's total demand in wood products. Today, the figure is less than 20%. Japan's is now by far the world's largest importer of timber and has an infamous reputation as a rapacious consumer and destroyer of old-growth forests worldwide. This drastic shift can be partially attributed to voluntary tariff reductions which were completed in 1964 and opened the Japanese market to the world. Further tariff reduction will lead to increased imports of timber.

- **Japan Needs to Increase Self-Sufficiency to Reduce Timber Imports**

For the sake of the world's forests, including Japan's forests and forest communities, Japan needs to increase its own wood self-sufficiency. Approximately 90,000 workers depend on the health of Japan's forest industry. Mostly plantations, many of Japan's forests are ready for harvest but the domestic industry cannot compete with the cheap imports from the U.S., Canada, Indonesia, Russia, Malaysia, and others. Due to decreased production, the Japanese timber industry lacks the funds to properly maintain these plantation forests which require regular thinning. A study completed by the Council of Economic Quality (CEQ) and the United States Trade Representative office show that eliminating tariffs will cause a further 5% reduction in timber production in Japan. Therefore, further tariff reductions will make it more difficult for Japan to increase self-sufficiency in wood products.

- **Global Reduction of Timber Consumption is Needed**

A recent Jaako Poyry study commissioned by the American Forest and Paper Association shows that tariff liberalization in wood products will lead to a 3-4% increase in consumption worldwide. Reduction of timber consumption is essential if we hope to save the world's remaining frontier forests.

- **Non-tariff measures, such as log export bans, are essential conservation tools**

Log export bans can protect forests by reducing logging and by limiting illegal logging and export of timber. These bans can also be economically beneficial by increasing production of value-added products which provide more income per tree. The WTO may eliminate 'non-tariff' barriers such as log export bans; this will severely hamper efforts to protect forests.

- **Conduct an Independent Review of Impacts of Existing WTO Rules and Agreements**

A premature agreement liberalizing trade in forest products would have significant negative impacts on forests in Japan and around the world, particularly if China - with its massive market - joins the World Trade Organization (WTO). Instead, there should be a thorough and independent review of both the implementation and the environmental and social impacts of existing WTO rules and agreements.

This report will also be available in electronic form at <http://www.foejapan.org> and <http://www.kiwi-us.com/~scc/wto/>

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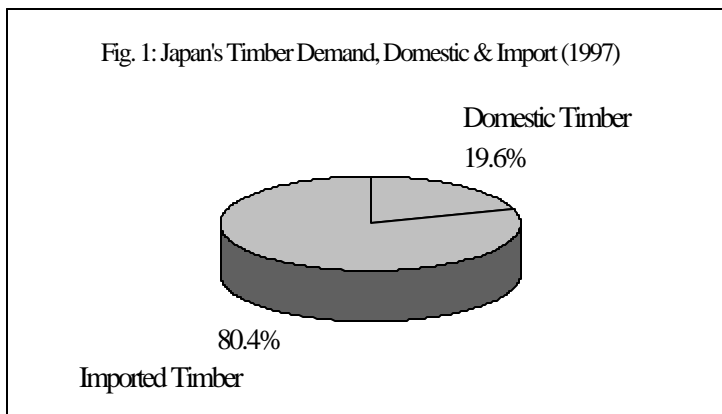
Overview: Japan, Forests, and the WTO

Forest ecosystems and forest communities of the world are already under serious threat. Environmentally unsustainable industrial logging and the timber trade have been identified as important causes of the problems. In negotiations towards unrestricted global trade, forest products are now being targeted for further liberalization of tariff and non-tariff measures, especially in the World Trade Organization (WTO) and the Asia Pacific Economic Cooperation (APEC) forum negotiations. This briefing describes lessons gained through Japan's experience with the timber trade over the past thirty years, and presents issues that must be resolved.

Imagine one of the world's most extensively forested countries with a large domestic demand for timber. Vast forest plantations are ready for harvest, but the forest health is declining and the forest sector is on the verge of collapse. Ironically, this country is the largest timber importer in the world. The flood of imported timber continues to come pouring in, as exporting countries log their old-growth forests causing forest destruction and conflict.

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This is the situation with Japan today. Forests cover almost 70% of Japan and there are over 10 million ha of plantation forests, which are primarily intended for wood production. Cheap imports supply more than 80% of Japan's total timber demand, making Japan the world's largest importer of wood products. The domestic timber industry cannot compete. Domestic forests of Japan are now inadequately managed and under-utilized, and Japan has been criticized as a destroyer of forests due to its role in international timber trade.



Japan originally had a wood-based culture and forests have played an important part in Japan's culture and history. In a land created by volcanoes and earthquakes, Japanese built wooden structures which could be easily reconstructed, in contrast to the more solid stone structures of other regions such as Europe. Until 100 years ago 2000 tree species were used commonly in Japan with a high level of workmanship.¹ However, the demands placed on Japan's forests during two thousand years of history, rapid industrialization this century, the Second World War and post-war reconstruction, and economic growth have left major impacts on the forests and forest communities of Japan and indeed the entire world.

Why and how did this happen, and what are the consequences? While a complex interaction of many factors led to the current situation, tariff reductions have had a most influential role. Current negotiations in the World Trade Organization threaten to exacerbate these problems.

Import Addiction

Japan imported 88.4 million cubic meters of roundwood, sawnwood, wood chips, particleboard and pulp in 1997, compared to 21.5 million cu m of domestic timber. (See Figure 1 above) Japan's domestic demand for timber in 1997 was 44% for lumber, 40% for pulp and woodchips, and 14% for plywood.²

Tariff Reductions Opened the Door

Japan's dependence on imports is a relatively new development and is largely due to a series of voluntary tariff reductions on

¹ The Forests of Japan, Jo Sasse, Japan Forest Technical Association, 1995.

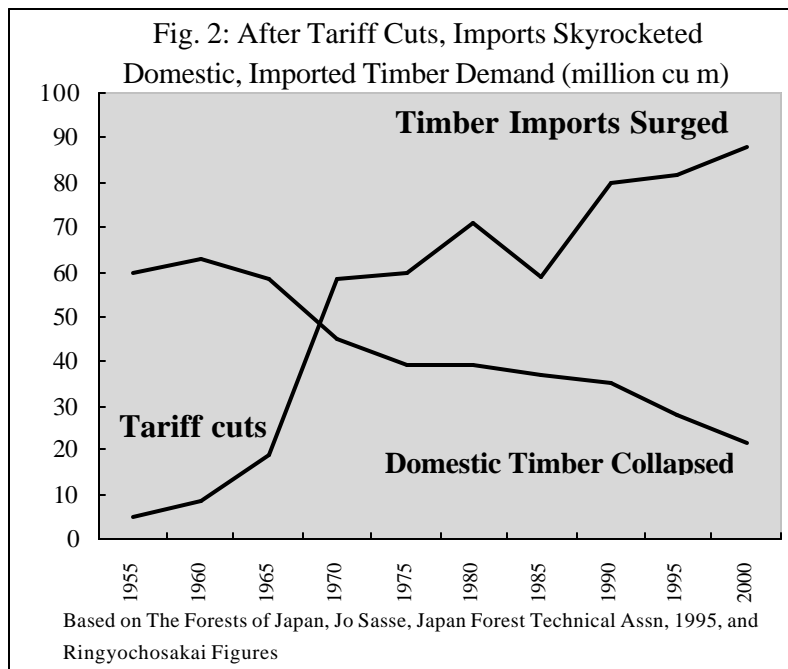
² Shinrin Ringyo Databook, Ringyo Chosakai, 1999.

timber (primarily unprocessed timber) which were completed in 1964 and opened Japan's timber market. Initially these tariff reductions were to be temporary measure to cover Japan's domestic timber supply shortages. However, the low tariffs eventually became permanent and Japan has never since been able to raise tariffs or increase domestic production. At present Japan's effective tariff rate for forest products is 1.7%, already lower than that of the strongest proponents of a "global free logging agreement": United States (2.3%), Canada (3.88%), Indonesia (9.7%), New Zealand (6.06%), Malaysia (12.6%).

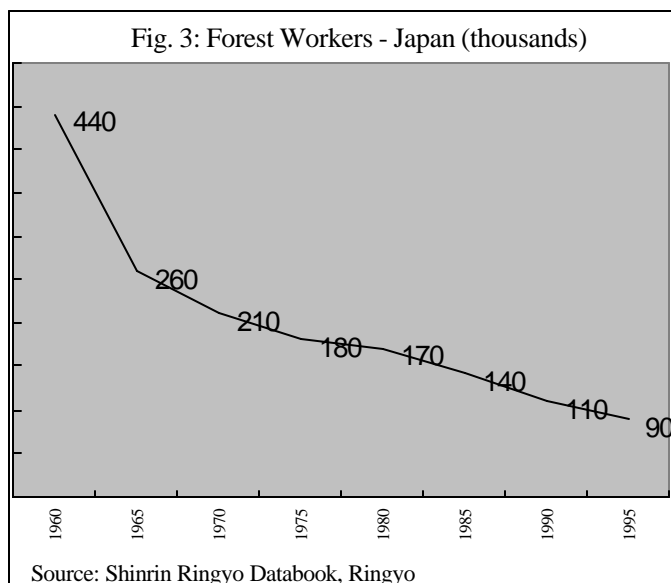
Figure 2 shows the demand for imported versus domestic timber, and illustrates the dramatic decline of Japan's wood self sufficiency from over 90% in 1955 to less than 20% today.

Meanwhile, as a result of the cheap imports, Japan's forest-based industries and communities are in decline. The labor force in the forestry sector has dropped from 440,000 jobs in 1960 to only 90,000 jobs in 1995; with negative implications for those communities that depend economically on forests. (See Figure 3.)

Forest communities in Japan have been unable to attract younger workers. The lack of economic viability has meant that Japan's extensive plantations are poorly cared for, leading to erosion and yearly landslides during the typhoon season and a generally poor ecological condition of the forests.



Forty percent of Japan's forests are plantations, which require continual brush-clearing, felling and thinning to reduce the 4000 trees planted per hectare down to around 700 trees per hectare in preparation for harvest. In addition, Japan is also unique in that many of its forests are on steep slopes, making mechanization difficult. Accordingly, forest management in Japan requires more intensive investment and labor than in many timber exporting countries such as the main promoters of timber trade liberalization that rely heavily on old-growth forests for their source of timber.



Position of the Government of Japan

Japan's June 1999 statement to the WTO called for forests (and fisheries) to be negotiated as separate issues, rather than being included in comprehensive tariff negotiations on the grounds that the multifaceted public benefits of forests, including global environmental issues (land conservation, water reservoirs, recreational use, the mitigation of global warming) need to be recognised and addressed. Specifically the statement maintains that negotiations on forestry products "should deal with all environmental issues, sustainable forest management and market access together, while at the same time considering differences in natural and social conditions in individual countries."

Many Japanese NGOs support in principle this position taken by the Government regarding forests and also support the Japanese government resistance to further tariff reductions in wood products. However, NGOs oppose demands to eliminate export bans. See website for NGO letter.

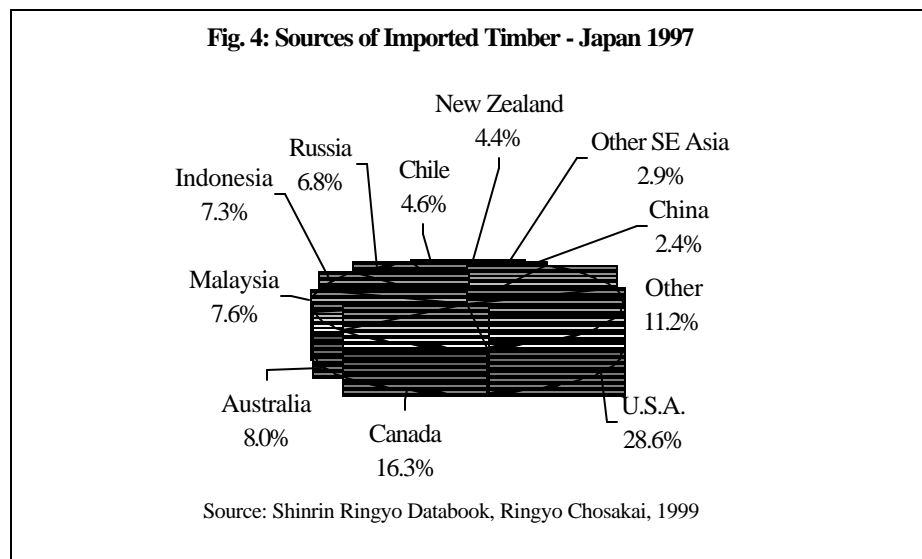
Overseas Impact of Japan's Timber Trade

In 1997 Japan's primary sources of the 88.4 million cu m of imported timber (raw logs, sawnwood, woodchips and pulp) were the United States (28.6% market share of wood imports), Canada (16.3%), Australia (8.0%), Malaysia (7.6%), Indonesia (7.3%), Russia (6.8%), Chile (4.6%), New Zealand (4.4%), other countries in SE Asia (2.9%) and China (2.4%) and numerous other countries (11.2%). A considerable proportion of the wood exported to Japan from a number of countries is from old growth, natural, pristine, or unsustainably managed forests, which results in environmental degradation. In almost every country providing wood products to Japan, logging companies and governments have been roundly criticized domestically and internationally for overcutting and for unsustainable forestry policies and practices. The timber trade has been identified as the most important cause of forest degradation around the world.³

AUSTRALIA: Logging of Australian native forests for woodchips to feed Japan's paper consumption is unsustainable, has created heated social conflict, employs few people and destroys habitat for rare and threatened species. Logging of Australia's native forests is done primarily to export over 6 million tonnes of woodchips to Japan each year. Forests now occupy just 5 % of the Australian continent and have shrunk by 55% when compared to their original area. Threats to biodiversity include imminent regional extinction of the koala. Indigenous people such as the Koori, with strong spiritual attachment to their traditional land, are affected. Opinion polls consistently show that the Australian public does not support woodchipping of native forests, but woodchip exports to Japan continue.

CHILE: Chile is home to one of the world's last two large tracts of temperate rainforest. The growth of the wood chip industry and conversion of forests into exotic-species tree plantations, constitute the main causes of Chilean native deforestation. Ecological impacts of the deforestation includes the loss of Chile's globally unique biodiversity. Almost 95% of native forest wood chips go to Japan's pulp industry.

RUSSIA: Russia exports more than 6 million cu.m of timber to Japan annually, about 90% of which are raw logs. About half of this timber comes from the rich Ussuri taiga forests, a unique temperate forest in the southern Russian Far East that is home to the world's largest cat - the Siberian Tiger. Currently there is a high demand in Japan for ash, a hardwood used in housing construction. Ash timber resources are limited and are now being heavily overlogged to supply the Japanese market. Much of the logging for ash is taking place illegally in protected forests, as the supply of commercially available ash is not sufficient.



The regional governments in Russia would like to establish a log export ban on ash but have met resistance from federal officials in Moscow, who maintain that such a non-tariff measure might conflict with IMF structural adjustment policies and run counter to current WTO discussions about eliminating non-tariff barriers.

INDONESIA: Japan is a major market for Indonesian timber products such as plywood. Recent research reveals that the majority of timber felled in Indonesia comes from illegal logging rather than legal production. Environmental Investigation Agency report, entitled "The Final Cut" is available at: <http://eia-international.org>

MALAYSIA: One of the highest profile international environmental struggles of the 1990s aimed to protect tropical forests which hold great biological diversity and are home to many indigenous tribes which continued their traditional lifestyles until recently. The Penan tribes living have lived in Sarawak, Malaysia on the island of Borneo for thousand of years. But logging

³ *Bad Harvest? The Timber Trade and the Degradation of the World's Forests*, Nigel Dudley et al, Earthscan, 1995.

of their traditional forests has all but destroyed their traditional ways of life. Much of the timber was exported to Japan to manufacture plywood for disposable construction materials.

NORTH AMERICA: Japan is the largest offshore market for timber exports from the U.S. and Canada. To this day the overlogging of old growth forests is providing much of that timber leading to irreversible environmental impacts, violation of the rights of indigenous peoples, and heated conflicts between sectors of society. Canada earned the reputation as “Brazil of the North” for its vast clearcuts, and in both the U.S. and Canada there has been intense debate about environmentally unsustainable logging of the remaining natural forests.

A few Internet sites showing problems connected with timber exports to Japan

Australian woodchip exports: <http://www.green.net.au/boycott/bwchome.htm>
Boreal forest logging: <http://www.snf.se/TRN/>
Forests and corporations: <http://www.endgame.org/>
Timber trade issues: <http://www.americanlands.org>.
Coastal rainforests: <http://www.coastalrainforest.org/background.html>
BC forest issues: <http://www.wildernesscommittee.org/>
Penan tribe, Sarawak: <http://opus.vcn.bc.ca/spc/network.html>
Lubicon Cree (woodchipping): <http://kafka.uvic.ca/~vipirg/SISIS/Lubicon/main.html>

Other useful websites:

Japan Ministry of Foreign Affairs position on forests/fisheries: www.mofa.go.jp/policy/economy/wto/min99/rinsui.html
Friends of the Earth Int'l, Trade Env. & Sustainability web site: www.foe.co.uk/foei/tes
Friend of the Earth Europe on the WTO www.foeeurope.org/trade/about.htm
Joint Japan NGO Website on WTO/Timber: <http://www.kiwi-us.com/~scc/wto/>

Log Export Bans: Essential Conservation Tool

The Japanese Government has raised concern by proposing that the WTO prohibit log export bans (such as those in the U.S., Canada, Indonesia, Thailand, etc.), stating the view that the export bans are in place for economic and not environmental reasons. On this point we strongly support export bans as essential conservation measures and believe countries should be free to use them; removing them would undermine protection efforts. These bans help protect old-growth forests by reducing logging, increase production in value-added wood products, and reduce illegal logging. Here we focus on the latter.

Trade in illegally logged timber is enormous and has a number of economic and environmental costs. Uncontrolled logging in the producer countries damages the environment, leads to lost revenue, and lowers the price of timber as illegal timber is dumped on the market. In consumer countries, under-priced timber can negatively impact the industries and markets where proper forest management is conducted, where environmental costs are counted, and where legal controls are in place.

For exporting countries one of the most practical options to prevent illegal logging – and its environmental and economic costs -- is to ban the export of raw logs of certain tree species. In addition, importing countries should have the ability to prevent the import of illegally logged timber. Governments must not commit to further trade liberalization until guarantees are in place that countries can take measures to prevent trade in illegally logged timber.

A number of countries supplying timber to Japan are known for rampant illegal logging. More research is needed to identify the scale of this trade, but estimates are that it is widespread in Russia (See *Plundering Russia's Far Eastern Taiga* at www.foejapan.org), Indonesia (*The Final Cut* at <http://eia-international.org>), the Philippines, Cambodia, China, Laos, and other countries in southeast Asia.

Indeed, when it comes to forests, just as trade rules should allow exporting countries to create and maintain export controls, importing countries must have the power to establish and maintain tariff and non-tariff measures to ensure the

Problems with Timber Trade Liberalization and the Need for Reform

A number of problems must be resolved before any further discussion of reduction of tariff and non-tariff trade measures. The WTO, with the mandate to promote trade liberalization, has an anti-environmental track record. A recent study by Earth Justice and other US non-governmental organizations concluded that, “Every environmental and public health measure challenged at the WTO has been found to violate the WTO agreements and not to satisfy the terms of the exceptions.”⁴

What is needed is a thorough and independent review of both the implementation and the environmental and social impacts of existing WTO rules and agreements. For the timber sector, we believe that governments, including Japan, should conduct thorough reviews of the effects of both existing and planned WTO rules and agreements on forests and communities. Any such review needs to address the following issues:

Because natural ecosystems of the planet cannot infinitely supply unrestrained demand for natural resources, special trade rules are needed for forests and agriculture.

TARIFF MEASURES

* Increased timber consumption will hurt forests and communities. Further lowering of timber tariffs will increase consumption of timber products, resulting in accelerated commercial logging and putting added pressure on the world’s forests. There will be negative impacts on biodiversity, communities that rely on healthy forests, and the local and global environments. At present, while there is no consensus on reliable estimates for the amount of increased consumption, a Jaako Poyry study commissioned by the American Forest and Paper Association estimates that global consumption would increase by between 3% and 4%.

NON TARIFF MEASURES

The proponents of forest products liberalization are also targeting “non-tariff measures” for elimination. The elimination of existing non-tariff measures, or a ‘chilling effect’ on possible future measures, could:

Constrain or prohibit the use of eco-labelling, and certification standards used to promote sustainable forestry. For example, the international Forest Stewardship Council (FSC) certification program, which promotes sustainable production practices, would be threatened. An FSC program is just now starting in Japan.

Prohibit sanitary regulations meant to prevent the import of pests and diseases which would threaten forests.

Prohibit ‘green procurement’ measures designed to reduce consumption or promote the use of environmentally sound products. Public awareness of the need to protect the global environment is growing in Japan, and new initiatives such as the Green Purchasing Network are gaining strength. Prohibiting these efforts would lead Japan further away from sustainability. Another concern is that measures to reduce the use of tropical timber logged unsustainably, established by local governments in Japan after years of citizen advocacy and much debate, could also be threatened.

Threaten domestic measures to support forestry. Due to circumstances described above, Japan’s forests and forest sector require public support. Assistance programs that may be threatened include funds to bolster forest management, wood processing, distribution and marketing; subsidies to prefectural and municipal governments and organizations for silvicultural work and road construction programs; loans for individuals and corporations involved in forest management, wood processing and distribution; tax reductions to increase income from forestry activities; and compensation available for communities suffering from loss of workers and residents. Even WITH these support programs, Japan’s forests and forest industry are in serious decline. WTO-induced prohibitions could virtually sound the death knell for forestry in Japan.

Limit the ability of governments to deal with the enormous trade in illegally logged timber shipped to Japan and other countries (see box, Log Export Bans)

Conflict with or restrict Japan and other countries’ efforts to fulfil their commitments under existing multilateral environmental agreements (MEAs) such as the UN Convention on Biodiversity, Agenda 21, and the Rio Declaration. If WTO rules are found to be in conflict with these MEA’s, which will have priority: environment or trade? Before any new trade agreements,

⁴ *Our Forests at Risk: the World Trade Organization’s Threat to Forest Protection*, Earthjustice Legal Defense Fund, 1999, <http://www.earthjustice.org>

we must have absolute guarantees that trade rules will give MEA's precedence.

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Or Best Western Executive Inn Tel (206) 448-9444, Fax (206) 441-7929

Visit the joint website of Japan NGOs on WTO/timber: <http://www.kiwi-us.com/~scc/wto/>

Other concerned organizations in Japan

- APEC Monitor NGO Network, Kokubunji Bldg 6F, 1-7-14 Kokubunji, Kitaku, Osaka 531 Japan
Tel/Fax 81-6-354-6620, Email: QZK10323@nifty.ne.jp, Web: www1.mesh.ne.jp/~apec-ngo/
- Japan Tropical Forest Action Network, Megumi Bldg, 6-5 Uguisudanicho, Shibuya-ku, Tokyo 150-0032
Tel 81-3-3770-6308, Fax 03-3770-0727, Email: jatan@jca.apc.org, Web: www.jca.apc.org/jatan/
- Peoples' Forum 2001, Japan, Maruko bld 3F, Higashiueno 1-20-6, Taito-ku, Tokyo 110-0015 Japan
Tel 81-3-3834-2436, Fax 81-3-3834-2406, Email: pf2001jp@jca.apc.org, www.jca.apc.org/pf2001jp/
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Who is pushing for timber trade liberalization?

With respect to Japan, countries with the most to gain from further forest product liberalization are Canada and the US, the world's largest timber exporters and biggest exporters to Japan, and Indonesia which faces high import tariffs for its plywood. These same countries are also eyeing the massive but high-tariff market of China, which seeks to join the WTO. (Incidentally, any negotiated tariff reductions would apply to the Chinese market if it joins, and it is conceivable that China could use the WTO in the future to demand access to the world's forests to supply its likely enormous timber supply shortages.)

At present, U.S. industry appears to be the most aggressive promoter of forest products liberalization. Industry Sector Advisory Committees (ISACs) for Trade Policy Matters which include industry experts but not representatives of civil society advise the highest positions in the U.S. government including the United States Trade Representative Charlene Barchefsky. Company executives from U.S. giants such as Weyerhaeuser, Boise Cascade, International Paper and Georgia Pacific are advising Barchefsky either directly or through the ISACs. Environmentalists successfully sued the USTR and now have some representation on the ISACs. The strongest industry lobby group on timber appears to be the American Forest and Paper Association (<http://www.afandpa.org/>). Representatives from this association chair the ISAC on the timber sector.

While industry and government representatives speak about market share and trade figures for their timber exports, there is no sign that they are aware of the ecological limits of nature, and the ecological impacts of overlogging of forests and global overconsumption of timber. (See for example the Testimony of Lyn Withey (International Paper Company on behalf of the American Forest & Paper Association, and also Chair the ISAC on Wood Products) before the Subcommittee on Trade Senate Finance Committee, 7 Oct 1999, <http://www.senate.gov/~finance/10-7with.htm>)