

REGIONAL OVERVIEW

Forest Certification in the Asia-Pacific Region

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INTRODUCTION

The tropical forests of Southeast Asia and Oceania are prized for their biodiversity and economic values. The prevalence of islands in the region contributes to high levels of species endemism as well as increased vulnerability to extinctions. The global economic demand for tropical timber, meanwhile, has fuelled myriad environmental problems, including deforestation, forest degradation and the loss of biodiversity. As a result of growing international environmental concerns, the world's first forest certification took place in this region when SmartWood certified Perum Perhutani in Indonesia in 1990. Considerable efforts have been invested since that time to develop certification into a profitable enterprise capable of promoting improved forest practices. Many of the same problems that certification was designed to fix, however, have served to prevent its expansion.

SIMILARITIES AND DIFFERENCES

Ecology and Economy

A key geographic feature of the region is the Wallace line, which divides two major continental shelves with sharply distinct ecologies. On one side of the line are Peninsula Malaysia, the island of Borneo, Sumatra and central and western Indonesia. Across the line are the Moluccas, the entire island of New Guinea, and Solomon Islands. Within these two very broad areas there are also a vast number of critical and distinct ecological regions including hill forests, lowland forests and coastal swamp forests. Major commonalities between the four case study countries (Indonesia, Malaysia, Papua New Guinea, and Solomon Islands) include not only this tremendous biodiversity of their tropical forests, but also the rich cultural diversity of their human populations. The region's island geography has played a major role in shaping this diversity. Solomon Islands and Papua New Guinea (PNG) encompass hundreds of islands, while the Indonesian archipelago numbers of 17,000. Malaysia is the one case study country with a land base connected to the Asian mainland, although it also includes two states located on the Island of Borneo.

Indonesia's population (at 206 million in 2000) is almost ten times Malaysia's (22 million), and much greater than either PNG (5 million) or Solomon Islands (0.4 million). Indonesia also has the largest forest area (105 million hectares) in comparison to PNG (31 million), Malaysia (12 million) or Solomon Islands (3 million).

Significant variation exists between the case study countries in terms of economic conditions, population density, forest area, annual deforestation rates and the importance of the timber industry. Malaysia's annual GDP per capita at US\$4,469 is roughly four times that of the other three case study countries, which range from US\$1,096 for Indonesia to US\$797 for Solomon Islands. The forest industry remains an important contributor to these GDP figures. Official statistics suggest that Indonesia and Solomon Islands continue to earn more than 10 percent of their GDP from forest production. The same would likely be true of Papua New Guinea with

improved forest industry statistics. In addition to making an important contribution to domestic GDP, forest product exports also earn foreign exchange amounting, in the case of Solomon Islands, to more than 10 percent of total exports (Brown and Durst 2003: 45).

China, Japan and South Korea are the largest importers of Asia-Pacific timber, although there are also niche markets for processed timber products in Europe and North America. While East Asia continues to dominate international trade in the region, the pattern of control of the forest resource has changed over the last three decades. Initially foreign companies owned most timber harvesting operations, and timber was exported as raw logs. This is no longer the case in Indonesia and Malaysia, due in part to active government policies promoting domestic forest industries and the development of value-added wood processing. Foreign logging companies still dominate in PNG and Solomon Islands, however, and exports consist of relatively unprocessed logs.

Deforestation and Forest Tenure

Deforestation in the Asia-Pacific has proceeded in a manner similar to other regions worldwide. Forest degradation begins with selective high grading of the most easily accessible areas. Once the most valuable timber species have been removed, logging becomes less selective and extends into more remote and often less fertile regions. The establishment of logging roads, together with the degradation of the forest resource, proceeds hand in hand with growth in the local human population and agricultural expansion. The end result is often deforestation, i.e. the complete loss of forest cover and conversion to other land uses. In this way, virtually all of the lowland dipterocarp forests in Malaysia and Indonesia have been logged out or are heavily disturbed.

It is estimated that roughly 30 to 40 million people are directly dependent on the forest resource in the region. These include large rural populations, many of whom depend on the forests for their subsistence needs. The official distribution of forest tenure, however, varies considerably between countries. The majority of forestlands in both Indonesia and Malaysia are government owned. In Papua New Guinea and Solomon Islands, in contrast, communal ownership dominates. Despite the differences in legal tenure arrangements, the lack of rural community capacity to capture economic benefit from the global timber trade is a problem shared by all four countries.

The Development of Forest Certification

The environmental, social and economic importance of forestry, as well as the considerable challenges facing its sustainable implementation, have combined to make the Asia-Pacific region an early pioneer in the development of forest certification. As already mentioned, the world's first internationally recognized forest certification took place in Indonesia in 1990. This early certification, implemented by the SmartWood Program of the Rainforest Alliance, later became recognized under the newly formed Forest Stewardship Council (FSC).

While the FSC was involved in the region's first certifications, both Indonesia and Malaysia have since developed their own national certification systems. In 1993, the same year as the Forest Stewardship Council's founding meeting in Toronto, Indonesian industry and government interests began the process of developing the national Lembaga Ekolabel Indonesia (LEI) system. A few years later, the Malaysian government established its own process, leading to the eventual formation of the Malaysian Timber Certification Council scheme (MTCC). Both schemes are now fully developed, with their own forest certification standards, certifier accreditation, and review procedures. In the last two years both LEI and MTCC have redrafted standards and adopted procedures in an attempt to make their schemes more compatible with FSC's.

In Papua New Guinea and Solomon Islands, a different approach to certification has emerged. This system, known as Eco-forestry certification, was developed through the collaboration of Greenpeace New Zealand and a number of forest product buyers from New Zealand known collectively as the International Tropical Timber Group (ITTG). Eco-forestry certification represents a simplified, less costly form of certification designed specifically to help community forestry operations develop the skills and capital necessary to proceed to full certification. Despite the active development of these various certification systems in the Asia-Pacific case study countries, forest certification has proceeded very slowly in the region (see Table 1). Only one of the operations has been certified for longer than five years (the term of a single certification period) and all community-based operations that have been certified have subsequently not been re-certified.

Table 1 FSC certificates issued (as of June 2004)

	Community	Natural Forest	Plantation	Total
Indonesia	1*	1	1*	3
Malaysia	0	2	2	4
PNG	2*	0	0	2
Solomon Islands	2*	0	1	3
Totals	5 (-5*)	3	4(-1*)	12

*Either currently suspended or no longer certified.

Challenges to Forest Certification

Political instability is a major problem in the region. In Indonesia, regional and ethnic clashes have accelerated since the 1998 overthrow of the Suharto regime. In the midst of political change, various islands and ethnic groups have been battling for independence and/or greater autonomy. Meanwhile, Papua New Guinea and Solomon Islands have undergone frequent changes in political leadership and also suffer from continued ethnic clashes. Malaysia, in contrast, has been relatively stable, with one political party maintaining control over the country since its independence in 1957.

All of the following case studies mention the absence of a market for certified products as a major constraint in the implementation of forest certification. The majority of exports in the region are sold within East Asian markets, where demand for “green” timber is minimal. China is currently the largest buyer of wood products in the Asia-Pacific, and Chinese demand for certified products is virtually non-existent. Without an adequate market for certified products, timber producers have little economic incentive to pay the costs of certification.

The lack of local community capacity to own and manage forestry operations represents another key factor shaping certification in the region and the case studies illustrate how this dynamic creates both opportunities and constraints for sustainable forest management. Opportunity lies in the potentially symbiotic relationship between development assistance donors and local communities. In such cases, donors provide communities with resources and capacity building in return for community adherence to sustainable forestry standards. Constraints to sustainable management, however, include continued dependence on foreign donor support and the relatively short-term nature of some donor-driven projects.

Forest tenure disputes, and/or disputes over resource distribution, profoundly influence the expansion of forest certification. Certification generally requires proof of clear tenure and use rights and long-term commitment to one particular forest management path. Logging in the region, however, is often conducted through short-term contracts between governments, local elites and foreign logging companies. Disputes are common between these logging contractors and local and/or indigenous rural populations.

Land ownership patterns vary considerably among the four case study countries. Most forestlands in Indonesia and Malaysia are government owned, while the majority of forestlands in Papua New Guinea and Solomon Islands are communally held. Regardless of official tenure arrangements, however, the growth of international commercial wood products trade represents a major economic shift away from traditional forest uses. Forest certification is often controversial under such circumstances, depending on whether it is seen as supportive of large-scale industrial logging or community-based resource uses.

Illegal logging and inadequately enforced forest laws compound social tensions in the region. In Indonesia, the problem is heightened by “turf wars” between national, regional and local governments, which have frequently led to conflicting environmental forest policies (Rhee 2003). In Papua New Guinea and Solomon Islands, relatively weak and constantly changing governments put serious limitations on enforcement capacity. In Malaysia, the problem of illegal logging is perhaps less severe than in the other case study countries (particularly on Peninsular Malaysia). However, international pressures have been brought to bear on the Malaysian government to ensure that logs imported for processing in-country – especially Ramin – have been harvested legally.

Competing Certification Systems

Forest certification itself comes with its own potential for generating conflict. From the international to the local level, forest certification is of concern to an extremely broad range of interests, including international lending institutions, international environmental groups, various levels of international, national, and local government, large and small-scale forestry operations, forest workers, and rural and indigenous communities, as well as a range of international, national and state environmental and social interests. Relations between many of these groups have long been dominated by conflict and distrust. Hence, certification systems perceived as being controlled by any single interest will be viewed as unacceptable by competing groups (McDermott 2003).

In terms of the political economy of competing certification systems, the case studies highlight two distinct political strategies: the creation of national systems (in Indonesia and Malaysia) on the one hand, and the development of markets for community-based operations (in Papua New Guinea and Solomon Islands) on the other. In their respective case studies, Muhtaman and Prasetyo (Indonesia) and Shahwahid (Malaysia) explain how national certification systems developed in an effort to maintain sovereignty over forestry decisions. However, these national certification systems have been unable to garner a high level of support from diverse interests, including international environmental groups, local NGOs, indigenous peoples and rural communities. The authors go on to explain the very different strategies pursued by Indonesia and Malaysia to make their schemes more nationally and internationally legitimate.

In Papua New Guinea and Solomon Islands, where the majority of forestlands are communally owned, NGOs and local communities have been the drivers of forest certification. Bun and Bwang (PNG) and Wairiu (Solomon Islands) discuss the development of Eco-forestry certification as an alternative approach for community operations currently unable to afford certification under the FSC. Eco-forestry certification was created through negotiations between New Zealand buyers (ITTG), international NGOs, and community forestry operators. Through the Eco-forestry certification system, community forestry operators receive financial and technical support as well as premiums for their forest products in exchange for adherence to a simplified set of forest management standards. The case studies highlight, however, a key difference between the national systems and Eco-forestry certification, rooted in the balance of decision-making power in the different schemes. As reflected in the case studies, while many NGOs support the Eco-forestry certification scheme, they are adamantly opposed to the national certification systems in their current forms.

Indonesia's LEI, Malaysia's MTCC, and Solomon Island's Eco-forestry certification all include elements of a "step-wise" approach to certification. Step-wise approaches allow for the graduated achievement of full forest certification. In Indonesia and Malaysia, managers are awarded "grades" for their performance. Under Eco-forestry certification, community forest operations obtain market approval by meeting a simplified set of standards as a first step in the longer-term goal of achieving FSC-

accredited certification. While step-wise approaches to certification are appealing in theory, the practical difficulty is to ensure that companies do, in fact, progress through the system and achieve the highest level of certification. If there is no systematic progression, the first step will become the de facto standard.

IMPORTANT QUESTIONS FACING THE REGION

These case studies from the Asia-Pacific region raise many important issues concerning the utility and feasibility of forest certification. Among the most important are working out who has the greater power to influence the direction of certification in the region – producers like Indonesia and Malaysia or consumers like China and Japan? Another key issue is determining who will pay for certification when market demand and/or community capacity are lacking and in a context of systemic social problems related to land tenure, inequality, political instability, corruption and illegal logging. Further, proponents of certification in the region are beginning to pose the question of how demanding certification standards should be and whether a step-wise approach to certification can be crafted to ensure more widespread adoption of the approach. Finally, an important issue raised by the case studies focuses on the role that governments have and could play in decision-making in relation to certification.

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