Meeting voluntary agreements will still add costs to our industries, but the timing and manner of emission reduction can be done in ways that industry finds most effective to control costs.

**Value in the pulp and paper industry**

Given this audience of foresters discussing environmental issues, I'd like to make a final observation on value creation. At core, all environmental issues are about differing priorities and values and, taking account of these, how we might maximise benefit from resource use in a sustainable way.

The concept of 'value' is integral to this type of assessment, and it is important to recognise where value is created in the 'value chain', and at what rate. This knowledge is important input to the processes we use in managing our financial, physical and natural resources.

The sale of high value ($/tonne) lumber and round logs creates high value for New Zealand, but that value comes through the growth of trees over decades. Conversion of residual forest wood to pulp and paper products adds similar levels of value over a matter of hours, substantially adding to the overall value of our forest resource.

That is, the rate of value-adding contribution from the pulp and paper industry is the highest within the forests and forest products sector. This rate of value creation can only be achieved through major capital investment by the pulp and paper industry.

This capital intensity makes our industry very cost sensitive and financially vulnerable to factors such as the cost of resources, processing and technology efficiencies, and the country's overall international competitiveness. Our overall approach to environmental management impacts all these factors affecting our business success. This only strengthens our industry's long-term interest in the way we, as a community, choose to manage our natural resources and, within our industry, reinforces our commitment to continuous environmental performance improvement.

**Conclusion**

The pulp and paper industry is one of New Zealand's major industries. Almost all New Zealanders benefit directly or indirectly from its presence. We all have a vested interest in achieving a sustainable forest industry. Our children should benefit from our actions as we have benefited from the foresight shown by our forebears.

The New Zealand Resource Management Act provides an appropriate regulatory framework to develop a sustainable forests and forest products sector. The Act is founded on the premise that the best way to manage natural and physical resources is for resource users and the community to agree on the terms of resource use.

We hope that communities and interest groups will constructively contribute to the terms upon which forest resources are developed and used. It is very much in our interests to ensure they understand the benefits of having a profitable, sustainable forest and forest products sector in the New Zealand economy. The industry should continue to make every effort to maintain an open dialogue and ensure we all work from a common understanding of the issues for New Zealand.

Given our success in responding to the issues of the last decade, and our record of continuing environmental performance improvement, I am confident that the New Zealand pulp and paper industry can contribute to the development of a truly sustainable forest industry.

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**The New Zealand Government’s response to international environmental issues**

Don Wijewardana*

**Background**

Not so long ago forestry environmental issues were seen as somewhat distant and largely confined to tropical countries. That view has changed since the UN Conference on Environment and Development (UNCED) in 1992. Environmental issues have become an integral part of forest management and trade at an international level. A number of factors are responsible for this transformation:

- Two years of hard negotiations leading up to the UNCED Earth Summit, involving almost all developed and developing countries, which produced a generally acceptable and comprehensive package covering all major environmental issues.
- Endorsement of the UNCED outcomes by the vast majority of countries. The enthusiasm and commitment to the new deal was evident by the largest ever gathering of Heads of State at the Earth Summit in Rio.
- The recognition that environment and development are not separate but two sides of the same issue, which led to a readiness to accept the need for sustainable management of resources.
- The Commission on Sustainable Development (CSD) was established as a follow-up mechanism to UNCED. Its mandate covered overseeing the progress on all fronts, not only forestry issues. However, the 500 page UNCED Outcomes document (parts of which are compulsory reading for all foresters) could have gathered dust in book shelves a little longer if not for a number of developments:
  - the efforts of bodies such as the International Tropical Timber Organisation (ITTO) which were already working with countries to implement measures for sustainable management of forests;
  - the feeling of frustration that two years after the UNCED no significant progress had been made in promoting sustainable management or even reducing the rate of deforestation;
  - the concern created among major forestry export countries by the actions of some European nations, notably Austria, legislating for an eco-labelling scheme on tropical timber entering their markets.

These factors, along with a genuine desire by countries to live up to the expectations of UNCED, led, early last year, to the establishment of the International Panel on Forestry (IPF). It focused entirely on forestry with a short deadline to report back on a whole range of forestry issues.

The Austrian legislation was ill-conceived: pressure from tropical timber
exporters resulted in its withdrawal shortly after becoming law. But the measure was seen by many forestry exporting nations as the forerunner to similar trade restrictions in the main consumer markets. It was largely this fear that pressured countries to not only develop policies for sustainable management of forests in earnest, but also to evolve internationally agreed criteria and indicators for its measurement.

**Current international sustainable management initiatives**

The Austrian action helped drive home to countries relying heavily on temperate forests that sustainable management was for ALL forests and was here to stay. The failure to move temperate forest management to a sustainable basis would result in them facing the same problems of market access experienced by tropical timber exporters. It was this realisation that led to an almost panic-stricken rush by some countries to develop new alliances, largely on the basis of North/South linkages, such as the Indo-British initiative and Canada/Malaysia Working Group on Forests. Others took a longer-term approach. These countries worked on criteria and indicators of sustainable management such as the Montreal, Helsinki and Amazonian Treaty Processes. Two other positive outcomes of the situation were the initiative by environmental NGOs to establish the Forest Stewardship Council to create a certification mechanism for sustainably-managed timber and the industry proposal for an ISO standard on sustainable management.

So, at present we have two main streams of initiatives on sustainable management of forests: one multilateral, country level and initiated by Governments and the other, also multilateral, non-government actions at a range of levels by the industry and other environmental organisations.

There are at least six major government-to-government-level initiatives, a range of ad hoc multilateral activities and at least three major moves by the industry and environmental NGOs.

The major government level negotiations are organised under the UN system mainly via the Commission on Sustainable Development (CSD) and its off-spring, the Intergovernmental Panel on Forestry (IPF). The United Nations Food and Agricultural Organisation (FAO) held a forestry ministerial forum in 1995 and, as the task manager of forests for the CSD, is pursuing aspects of the work programme under the IPF especially relating to future fibre supply. The other major international body is the ITTO which pioneered the development of criteria and indicators of sustainable management for tropical forests. The agreement establishing the ITTO was renegotiated in 1994. As the first international agreement on forests reached since the UNCED, the ITTO has maintained the spirit generated by the Earth Summit by obtaining the commitment of tropical timber consumers to sustainable management of their own forests.

One of the most important international initiatives that the New Zealand Government has subscribed to is the Montreal Process for establishing criteria and indicators of sustainable management of temperate and boreal forests. Its major significance is as a basis for defining sustainable management at a national level.

These are issues of fundamental importance to New Zealand. The sheer number of activities in the international context creates difficulties in deciding, beforehand, the important fora on which to focus our limited resources. Often, there is no way of telling where discussions may lead at any particular meeting. And once a statement is included in a report from such a forum, it can gain immediate international currency, thanks to modern communication systems. It may be the view of one country drawn from its own experience and may not apply generally. But once that view is established it is almost impossible to undo. New Zealand is particularly vulnerable to this with its somewhat unique forest management systems: deriving wood production from plantations and other values from natural forests. Most other countries do not appreciate or understand our situation unless we are present at these fora to make our position clear.

The Ministry of Forestry and the Ministry of Foreign Affairs and Trade, in particular, are involved in many of these fora directly or through New Zealand representatives in different countries. Representation allows us to contribute to the
promotion of international sustainable development of forests and to ensure policies detrimental to New Zealand's interest are not adopted.

As you will notice, there is unprecedented activity in the international forestry arena. We must heed some key themes and outcomes which have the potential to completely change the face of international forestry. These include:

- a better understanding of what is meant by sustainable management;
- reinforcement of the concept that all types of forests need to be managed in a sustainable manner;
- the need for freer access for value-added forest products to importing countries;
- the likelihood of a legally binding international instrument on forests in the future.

The role of the Government
Since 1984 the Government has been consciously reducing its role in the economy. One important aspect of this has been to divest itself of commercial activities which really belong in the private sector. The new role assumed by the Government has been to create the appropriate environment for the industry to operate efficiently.

The Government has adopted four Key Strategic Result Areas (SRAs) for the public sector relating to its international and environmental policies.

1. Maintaining and accelerating economic growth including price stability, sound fiscal management, low rate tax policies, control over public expenditure, efficient and flexible labour market.
2. Reinforcing a successful enterprise economy by maintaining an open trading environment.
3. Enhancing New Zealand's position as a successful open and secure trading nation through pursuing and enhancing the open international trading system, addressing new forms of protectionism, and asserting New Zealand's role in the wider Asia Pacific region.
4. Protecting and enhancing the environment by developing standards and policy mechanisms for achieving environmental quality, and developing and maintaining policy and legislative frameworks for the management of the environmental effects within the ambit of the Resource Management Act.

In relation to the environment the Government's SRAs are supplemented by the Environment 2010 Strategy which recognises that the market economy is very efficient and flexible in allocating resources to meet individual preferences but it will not necessarily deliver on other values and objectives of society such as meeting basic human needs, environmental quality and the needs of future generations. In modifying the market to obtain these other outcomes the Government will intervene in a manner consistent with the needs of a growing market economy. In other words the Government's objectives on the environment encompass a supportive climate for the industry, but in addition it involves policies for delivering non-market values.

Cooperation between Government and Industry
It is the industry's role to find markets overseas for its products or services. New Zealand's international role can have an influence on industry operations. For example:

- a large number of international environmental agreements are multilateral arrangements between countries and they bestow benefits as well as create obligations on the industry;
- bilateral discussions between countries that facilitate market access for exporters;
- the existence of a network of government representatives overseas who can provide information and assistance in different markets.

The Government has been working in close partnership with industry and other non-governmental organisations on major environmental issues. The industry and environmental NGOs formed a part of the New Zealand delegation to the UNCED in 1992 and its preparatory meetings. The cooperation has covered the CSD, ITTO and Montreal Process meetings. Sometimes we have been the envy of other delegations.

Resource limitations often preclude participation by all stakeholders in international fora. To a large extent this has been overcome through regular briefing and debriefing meetings with industry, environment NGOs, other government and non-government agencies. The Government agreed to host the Montreal Process meeting in Auckland last year because, apart from furthering the objectives of the Process, it was an opportunity for us to learn from the overseas visitors about international developments. It was also an occasion for them to be exposed to forestry in New Zealand and obtain their views on our policies and practices.

Government's participatory approach to environmental issues has been reinforced by the industry and environment NGOs working together on major issues. This has been particularly helpful in achieving outcomes beneficial to all parties. The industry has also taken international initiatives such as convening the "Informal International Study Group on Sustainable Forestry".

I am not, by any means, implying that we have reached the ultimate in cooperation among all stakeholders on environmental issues. But we do have the mechanisms and we all need to take responsibility to work towards making them work successfully. Each group has different viewpoints and experiences which can assist in evolving considered and durable, and nationally more beneficial, outcomes.

Conclusions
There is no doubt that the future belongs to sustainable development, which takes account of economic as well as environmental needs. In the forestry area, just as much as in any other sector, the winners will be those who include such values in their commercial decisions which will eventually lead to internalising environmental costs.

The Government's international environmental objectives encompass industry's aims to enhance its market opportunities. But the Government's goals include ensuring delivery on non-market values such as those relating to the environment.

Working together by all stakeholders is essential to achieve solutions with greater national benefit.

I have been fortunate in being closely involved in the international sustainable forest management debate from the time negotiations on UNCED commenced in 1990. I have seen the rapid development in thinking even in that most slow-moving machinery of the UN process. Here are a few ideas that have been evolving which I would like to leave you to mull over.

- What New Zealand has achieved in terms of sustainable development of forests has made us the envy of all nations. But few countries can apply similar solutions, largely because of land and other resource limitations. The solutions they consider are often quite different from ours and New Zealand's approach may not even feature in their thinking. So it is always a hard road for us. At the same time, in pursuing our interests, we need to be sensitive to others' views.
- We have developed the dichotomy between planted and natural forests which, so far, has worked well. But globally forestry is increasingly being
considered in a holistic way. The indigenous provisions of the Forests Amendment Act introduced in 1993 has, to a large extent, helped to bridge the gap between the two management regimes. In the new environment, for our planted forests too, we need to recognise not only the value of the wood but also the value of the forest. Forestry is now seen as part of an integrated land-management system.

The industry treatment of planted forests as tree crops managed for commercial purposes has economic justification. But obtaining economic value should not completely exclude broader forest values considered important by the community. For instance, landscape issues are becoming very important as we extend the area of new planting. Clear cutting large areas of forest has impacts visually, on biological diversity and on water and soil conservation. We need to be aware of the growing demand to accommodate other values in forest growing, harvesting and processing decisions.

In many other countries such values are protected through legislation: but the New Zealand industry has been working in a reasonably responsible way in the deregulated environment and I believe all such needs can be met through a responsible attitude to forest management. Perhaps I am preaching to the converted, since a key principle in the recent accord for Commercial Plantation Forest Management between the New Zealand Forest Owners’ Association and a number of environmental NGOs is the recognition of the interdependence of ecological, economic and social sustainability in plantation forest management. If we consider that winners of the future are those who adopt such long-term sustainable management practices as part of their commercial decisions, I do not believe there is a need for outside intervention.

- Internalising the environmental costs of economic activity is an issue that features in many international negotiations on sustainable management. The principle of “polluter pays” involves accounting for all the environmental costs of production and use, and charging them to the producer and user in all cases. At present many international institutions as well as individual countries are working towards developing methodology. The New Zealand Government’s intention to move in a similar direction is spelt out in the Environment 2010 Strategy. The argument that unilateral application of such policies will affect the competitiveness of our industry is valid in the short term. During the coming years there will be intensive efforts throughout the world to internalise environmental costs and develop new environmental accounting policies. The adoption of such practices can help enhance our long-term competitiveness in international markets.

- In 1990 G7 countries proposed a legally binding Forestry Convention. At UNCED it was made very clear that most major developing countries were vehemently opposed to such a proposal. The best that could be achieved at that stage was a non-legally binding Statement of Forest Principles. But that situation is rapidly changing: some of the strongest opponents of a convention at UNCED are now the foremost supporters. I would not be surprised if consultations towards a legally-binding international instrument on forests begin immediately after the conclusion of the IPF in 1997. It may take a long time to reach agreement but the possibility cannot be ruled out. I am aware of the diversity of views on the issue in New Zealand. One major advantage of a forest convention that countries see is that the goal of sustainable management will be achieved sooner, as countries will be required to adopt such practices. The important thing is that in the forest management decisions we take today, we should not close future options.

These are some of the thoughts I want to leave with you. I want to reiterate that the Government works closely with industry and other NGOs. This relationship, I believe, is working reasonably well but we all need to work towards making it an effective forum to help us achieve win:win solutions to environmental problems. Environmental considerations are in effect marketing tools: the more we consider them as part of management the greater will be the long-term benefits.

Certification of Forests and Labelling of Forest Products Conference highlights

The International Conference on Certification and Labelling of Products from Sustainably Managed Forests was held at the request of the Intergovernmental Panel on Forests during May in Brisbane. It was attended by representatives of New Zealand Government departments and the forest industry.

The main conclusion of the conference was that certification of forests and labelling of forest products are potentially useful tools to promote sustainable forest management. Participants at the conference recognised that there is currently insufficient information to determine the extent of market demand for certified products. There is also insufficient information to determine the impact certification and labelling will have on achieving sustainable forest management. It is presently estimated that only two per cent of the forest products trade is certified as coming from sustainably-managed forests.

The debate between the Forest Stewardship Council and ISO 14000 environmental series certification systems continued. The outcome from the conference was that:

“Both performance standards and environmental management systems are complementary and important components for the assessment of sustainable forest management.”

Recommendations were made to the Intergovernmental Panel on Forests that considerable follow-up is required on the market implications, and the costs and benefits of certification and labelling. Until this occurs certification and labelling is unlikely to be used to a large extent, as a marketing tool to encourage sustainable forest management.