

Breaking Walls, Building Bridges: Managing Conflict in the Tropical Timber Industry

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Key Messages

- Clashing interests and values over the use of forest land, the rapid rise in consumption of timber products and weak governance of forest resources drives the emergence and escalation of conflicts between the timber industry and local communities living in and around forests.
- Conflict is costly, time-consuming and detrimental to both timber companies and local communities, inhibiting companies' operations and communities' livelihoods.
- Practical steps that timber companies can take to manage their conflicts constructively include close engagement with local communities and when needed, mobilizing qualified mediators.
- By demonstrating corporate social responsibility beyond existing minimum legal requirements, or working towards certification, companies would support the development of responsible forestry.

Scope



This brief examines the cause and effect of conflicts between the tropical timber industry and local communities over forestland in Asia and the Pacific, going on to outline the practical steps that timber companies and local communities can adopt to manage conflict. The main focus regarding the timber industry is confined to medium and large companies¹. Local communities may include indigenous groups, migrants, ethnic minorities, and other groups of people who have maintained an economic, social and cultural relationship with the land². In this context the projected audiences of the report are not only industry and local communities, and their representatives, but also governments, based on the central role they play in forest governance.

¹ Primary activities involve commercial logging and/or further processing of raw materials into value-added timber products for the export markets.

² RECOFTC 2008. *RECOFTC Strategic Plan 2008 – 2013*. RECOFTC - The Center for People and Forests, Bangkok, Thailand.

Changing landscapes

The tropical timber industry has undergone substantial growth, and is expected to grow further as demand for timber and timber products continue to increase. For example, the consumption of sawn wood from tropical hardwood in Asia and the Pacific is expected to increase by as much as 50% between 2010 and 2020³. Demand for tropical timber has led to a high rate of deforestation: 125 million hectares of forest was lost between 1995 and 2005⁴, more than the total area of Thailand and Myanmar combined. Drivers for forest loss include not only unsustainable forest management practices, but also the conversion of forestland into agricultural land and other land uses such as oil palm plantations.

Clearly, pressure on forests is increasing. Coupled with different and often conflicting interests and values: material versus immaterial value; production versus preservation, forests have often become a battleground for various actors, including timber industry. In Asia and the Pacific, forests are the primary sources of livelihoods for millions of people living in and around them. Increasingly they are also a substantial source of income for many states, including through revenue from the operations of private forest companies. This has, unfortunately, led to a growth of conflict between traditional use and industrial expansion, with there being a substantial effect on local communities. This has resulted in feelings of anxiety, (violent) protests, loss of livelihoods and often the loss of lives.

The context within which conflict over forest is played out has changed dramatically. Previously, when faced with opposition from local communities to their logging operations, timber concessionaires could rely on government support, which often had, and still have, an important stake in the companies. However, due to growing environmentally and socially aware markets on a global level, as well as on a regional level, and with more recent gains for democracy in the region, companies have to ensure their operations are socially and environmentally acceptable. Today, the timber industry is under immense scrutiny, an example of this is the Forest Law Enforcement, Governance and Trade (FLEGT) action plan of the European Union⁵ which makes explicit the importance of measures to address local and indigenous peoples' rights to the forests. Companies that will survive and thrive are those that adopt strong and robust social safeguards, including promoting socially responsible logging operations, failure to do so will, through such mechanisms as the US Lacey Act⁶ and EU FLEGT, see their market options becoming increasingly restricted. Success for the companies depends on creative and innovative ways to manage and transform social conflict with local communities.



What does this mean for the timber industry, and how can companies deal with conflicts with local communities living in and around forests?

³ ITTO 2009. *Annual Review and Assessment of the World Timber Situation*. International Tropical Timber Organization, Yokohama, Japan.

⁴ ITTO 2009. *Annual Review and Assessment of the World Timber Situation*. International Tropical Timber Organization, Yokohama, Japan.

⁵ FLEGT is an initiative of the EU, established in 2003, which aims to improve governance and reduce illegal logging by strengthening sustainable and legal forest management, improving governance and promoting trade in legally produced timber. More information is available at <http://www.euflegt.efi.int/portal/>

⁶ The US Lacey Act makes it unlawful, beginning December 15, 2008, to import certain plants and plant products without an import declaration. More information is available at http://www.aphis.usda.gov/plant_health/lacey_act/index.shtml

Clashing values and interests



At the heart of conflict between timber companies and local communities is a clash of interests and values over the forestland, with significant importance attributed to the role governments play in the management of these interests and values. Local communities derive their culture, history, security, and spirituality from the land in which forests grow. These define who they are, shape their worldview and provide structure to their ways of life. Local communities also depend on forests as their primary source of livelihood and an economic asset for future development. Therefore, sustainability of natural resources is vital for local communities to survive. By comparison, timber companies, and governments, predominantly view forests in financial terms, as a means to maximize profit, for the former, or generating revenue, for the latter, through extraction of timber and timber products.

In some cases, the licenses to operate are short-term; less than 25 years, adding greater pressure to maintain strong profitability and maximize financial returns. Different degrees of economic interests underscore different values. It creates tension and sets the tone in the ensuing relationship between timber companies and local communities. However, sustainability is in the ultimate interest of both the timber companies and the local communities, though they are likely to have quite contrasting interpretations of what sustainability actually is.

Another source of tension is found in the different approaches to decision-making⁷. On the one hand, local communities often rely on traditional practices usually based on participatory and consultative approaches to manage and resolve conflicts. On the other hand, timber companies rely on a legal framework to commence operations, rarely stopping to meaningfully engage local communities prior to or during logging operations. When disputes or conflicts with local communities arise, companies often turn to legal procedures for resolution, which are not necessarily acceptable to local communities. In some cases the government also steps in, in support of the concessions they granted to the companies. Moreover, increasing occurrence and intensity of forestland conflicts, as well as the government's inability to clear legal backlogs show that formal procedures alone are inadequate to satisfactorily manage conflicts. As a result, both parties are negatively impacted: local communities lose their livelihoods and identities, and timber companies are unable to meet their obligations to buyers and shareholders.

⁷ FAO 2005. *Negotiation and Mediation Techniques for Natural Resource Management*. Food and Agriculture Organization of the United Nations, Rome, Italy.

Consequences of conflict - Smaller pie

Conflict is costly, time-consuming and detrimental to all parties. Companies involved in tropical logging operations face high entry and exit barriers. Substantial upfront capital investment is often required to build infrastructure such as logging roads, and also to conduct a variety of labor intensive preparatory activities such as boundary markings and forest inventory. This holds true for forest plantation investments where there are significant initial expenditures, followed by long gestation periods. Moreover, revenues are only generated at the end of a rotation period which can range from eight to 20 or more years, depending on the species and management objectives.

How will poorly managed conflicts affect the financial returns of a company? Frustrations around negotiations and failed mediations may manifest as violent and retaliatory actions. Cases of blockades, machinery sabotages, fuel and timber thefts, and physical injuries may become more widespread⁸. Forestry operations may be disrupted, which will lead to losses in productivity as both machines and workers sit idle. Where workers are paid based on a volume basis, the loss of income may result in more violence, setting off a vicious downward spiral. Most evidently, operational costs will increase and profit margins will shrink.

Poorly managed conflicts tarnish a company's reputation and brand name, affecting profitability and market shares. Conflicts also raise the risk profile of the company, which can have negative repercussions including the ability to secure financial loans. From a financial perspective, high risks and high capital costs vis-à-vis shifting market prices for timber products will compound the company's liquidity, and further limit its ability to service financial loans. Overall, it does not contribute towards a more secure, long-term investment. Moreover, financial institutions committed to the Equator Principles⁹ may refuse to provide loans to companies that do not adhere to their environmental and social policies. Another side effect is high staff turnover. Conflicts diminish employee morale and affect productivity.

However, timber companies are not the only losers in conflicts over forestland: local communities are also adversely affected, and often suffer most from these conflicts. During the process of negotiating for an agreement with the company, local communities have to bear direct financial costs, for example, related to transportation and accommodation. Time spent in negotiations is also time away from work. More often than not, local communities have to rely on scarce personal or communal resources to tide them over. Furthermore, there are rarely alternative means to compensate their loss of income, a loss more pronounced in the long run if there are no equitable outcomes from the negotiations. Local communities often have the most to lose, but the least power to win¹⁰.

Compounding the financial costs is the loss of local communities' source of livelihoods. Logging operations frequently continue during the negotiation process. Access to forestland may continue to be curtailed while remaining forest resources dwindle. Unless there are other job opportunities, they cannot regain the loss in income and livelihood opportunities.

Local communities also bear perceptible mental and emotional costs associated with conflicts, among others, fear of violence, anxiety over future security, and distrust of local authorities. In some cases, there is a loss of identity and historical bearing as spiritual markers are destroyed due to company operations. Once trust is lost and relationships are broken, the road to restoration is long and difficult.

Governments also face important drawbacks from conflicts: loss of legitimacy and trust of communities and civil society, disruption of economic development, loss of foreign direct investment, damage to infrastructure, which all negatively affect the capacity of government to facilitate socio-economic development.

⁸ Wilson, E. 2009. *Company-Led Approaches to Conflict Resolution in the Forest Sector*. The Forest Dialogue, Connecticut, USA.

⁹ The Equator Principles consist of a voluntary set of standards used by international financial institutions to determine, assess, and manage environmental and social risks in a project. Amongst other considerations, these institutions expect loan recipients to have grievance mechanisms in place for affected communities to lodge complaints. More information is available at www.equator-principles.com

¹⁰ Yasmi, Y., Kelley, L. & Enters, T. 2010. *Issues Paper. Conflict over Forests and Land in Asia: Impacts, causes and management*, RECOFTC, Bangkok, Thailand.

Moving forward

Demonstrating corporate social responsibility beyond the scope of existing minimum requirements of legality helps bridge the divide between timber companies and local communities. Moreover, companies that are equipped to manage conflict over forests and land effectively will reap more benefits in the longer term¹¹. Since timber companies seldom operate in an environment devoid of conflicts, the logical step is learning to anticipate and manage them. For example, the timber industry is increasingly acknowledging the importance of High Conservation Values of forests, as well as the principle of safeguarding indigenous rights using such tools as free, prior and informed consent (FPIC), seeing this as an investment for minimizing disruption, for example, to sales.

What members from the industry of the Responsible Asia Forestry and Trade (RAFT) program supported Conflict Management Learning Network had to say:

By discussing and learning together with other stakeholders, I had the opportunity to move past stereotypes and also discovered all us have more in common than initially anticipated.

**Annie Ting,
Senior Manager,
Sarawak Timber Association**

Learning to manage conflict has given me the master key to unlock many doors. The ability to analyze conflict systematically is invaluable when the same issue is presented from many angles.

**Simon Peter Tomiyavau,
Manager Compliance,
Rimbunan Hijau (PNG) Group**

There is a need to acknowledge that conflicts exist and recognize the short, medium and long term impacts they have on both local communities and companies. While there is no quick fix to conflicts, there are measures that can be introduced to minimize the chance of conflicts occurring. Therefore, it pays to be aware of various options to manage and mitigate conflicts by talking to experts, and relevant institutions. Companies should also adopt a corporate culture that emphasizes the importance of conflict management and demonstrate commitment by designating funds for education and capacity building. Trained employees have more confidence to manage and mediate conflicts.

Negative effects of conflict can be also minimized by encouraging genuine stakeholder engagement and participation. Creating a safe space where information and expectations are shared, and where existing local practices and culture are respected is important because it helps to cultivate a sense of joint ownership, thereby building trust. This entails opening and maintaining reciprocal communication channels, establishing grievance mechanisms, as well as exploring mutual gains. FPIC is therefore a useful tool to facilitate genuine stakeholder engagement and participation.

Another way to build trust is through sharing benefits equitably with affected local communities. Creating viable options for local communities to diversify their sources of livelihoods may be one of many steps to address issues related to food security. One viable option is companies providing employment opportunities and/or seed fund for alternative livelihood activities. Other options include capacity building for local communities, whether directly related to livelihoods or conflict management.

Rather than leaving conflicts unattended, or trying to enforce a solution, dialogue and consensus will result in more sustainable solutions, responsibilities for which are shared across the different stakeholders. To that end, existing conflicts may benefit from an independent and impartial mediator who is able to assist local communities and companies develop mutually agreeable and voluntary solutions. A mediator does not impose a solution, but helps build consensus between conflicting parties through facilitation and negotiation. However, the usefulness of a consensus building approach may be limited where there are fundamental power imbalances between stakeholders, and when conflict is entrenched in structural issues that require broader economic, legal, political and social reforms. In these situations, and especially where resource allocation policies are contentious, the government is a key player, and needs to be actively engaged in the search for mutually beneficial solutions.

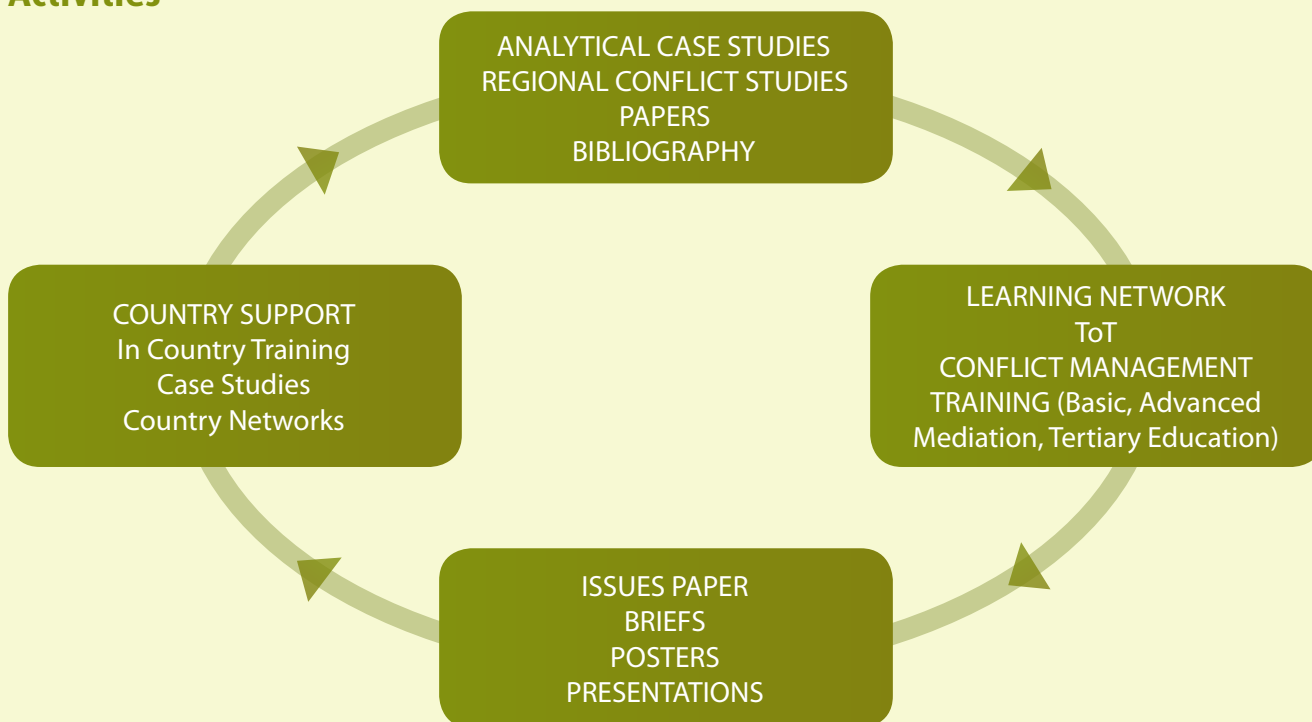
¹¹ Wilson, E. 2009. *Company-led approaches to conflict resolution in the forest sector*. The Forest Dialogue, Connecticut, USA.

Conflict Management under RAFT: Facts and Figures

Objectives

- Promoting social justice through capacity building of various stakeholders
 - Training programs promoting collaborative management and conflict resolution that will help producers attain Forest Stewardship Council (FSC) certification
 - Promoting HCVF as an integral element of FSC Certification process.
- Constantly improving and updating capacity building for conflict management, including site specific and context appropriate materials

Activities



Capacity Building Through RAFT 2007-2011	Phased Training Program	Training of Trainers	Advanced Mediation Training	Training for Tertiary Education
Total #	66	11	12	15
Female Participants	19	5	6	5
# Countries	8 (+1)	3 (2)	7	7
Participants: (Industry / CSO&NGO / Government / others)	12 / 30 / 22 / 2	2 / 6 / 3	2 / 9 / 1	15

Capacity building for conflict management through RAFT 2007 – 2011.

Indicators of Impact

RAFT has supported the independent third party certification of 1.5 million hectares of tropical forest over five years, with more than 4 million additional hectares on the way to getting certified. When the program started in 2006, RAFT partners were working with a total of 5 timber concessions. Today that number has grown to 59. Conflict management as part of the social safeguards within FSC is a critically important criterion for certification.

Responsible Asia Forestry and Trade (RAFT) and RECOFTC – The Center for People and Forests

The Responsible Asia Forestry and Trade (RAFT¹²) program, funded by USAID's Regional Development Mission for Asia, influences the development and implementation of the public policies and corporate practices needed to improve forest management and bring transparency to the timber trade in Asia, thereby reducing carbon emissions from deforestation and forest degradation. The capacity building for conflict management has been part and parcel of the RAFT program, bringing together different key players at regional and national levels from industries, governments, civil society and NGO's. Conflict management has been given prominence in its planning and implementation and different stakeholders of RAFT were actively involved in the planning and development of regional and national level capacity.



RECOFTC¹³ is the only international not-for-profit organization in the region that specializes in capacity building for community forestry and devolved forest management. With over 20 years of experience, it works to mitigate and prevent the destructive impacts of conflict through a better understanding of conflict dynamics. Through the RAFT program, RECOFTC, as an implementing partner, developed a holistic approach to natural resource conflict mitigation, management and transformation. Training approaches combine traditional classroom learning with field-based action research, supported by mentors and learning networks.

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¹² RAFT is a 5-year program funded by the United States Agency for International Development's Regional Development Mission for Asia (USAID RDMA). It is managed by the Nature Conservancy and implemented with a catalytic group of NGO partners.

¹³ RECOFTC's mission is to see more communities actively manage more forests in the Asia-Pacific region. It has trained more than 8500 people from 26 countries in devolved forest management.