Export Restrictions on Renewable Natural Resources and Sustainability: Some Observations from Case Studies
Structure of presentation

• Recent trends in trade in natural resources: Resources scarcity and competition
• A new generation of export restrictions
• Resources conservation and support for nascent industries as dual objectives: The case of Vietnamese timber export restrictions
• Observations and conclusions

→ Information is based on various ICTSD case studies
Recent Trends in Trade in Natural Resources: Resources Scarcity and Competition
Demand projections

Population growth by 2050:
- Population: from 7 to 9.2 bio.
- Low-income regions: from 5.4 to 7.9 bio
- Middle class: from 2 to 5 bio

Demand growth by 2030:
- Primary energy demand: increase by 33%
- Steel demand: increase by 80%
  → Iron ore exhausted in 75 years (at 2010 levels)
  → Cooking coal exhausted in 50 years (at 2012 levels)

Trading trends

- Net exporters of natural resources become net importers
- Changing supply chains
  → Increasing price volatility

Annual price volatility in %

Source: ‘Resources Revolution’
A new generation of export restrictions
Policy trends: The use of export restrictions

• General increase of quantitative restrictions and export duties
• Beyond revenue generation
• To influence global trade flows and prices
• As a regulatory tool to support sustainable development objectives: environmental, social, economic

→ partially as a consequence of increased awareness on environmental externalities

WTO Members applying export duties (2003-2009)

Selected regulatory purposes

• Support domestic industry
• Resources conservation
• Enforcement measure to address env. externalities
• Counter sudden short supply
• Overcome general short supply; share the global burden and ensure ‘equitable shares’

→ Often multiple objectives are pursued at the same time
The current debate on overcoming supply shortages

Shortages of **renewable v finite**

1. Finite resources: in most instances about prediction of exhaustion, i.e. the nature of the resources *per se*
   - Challenges: 1. regulate resources to reflect environmental costs and 2. reduce risks of ‘resources curse’
   - ER can never overcome the threat of exhaustion

2. Renewable resources: about unequal distribution not insufficient production; where there is real production shortage, it tends to be of limited duration
   - Challenges: 1. balance negative externalities of the restrictions while addressing domestic shortages, 2. sharing the environmental burden appropriately
   - ER can overcome threat of shortage, but challenge is to balance the burden appropriately
Resources Conservation and Support for Nascent Industries as Dual Objectives: The Case of Vietnamese Timber Export Restrictions
Vietnam’s Furniture industry

- 2nd largest exporter in the region, 4th largest in the world
- Export revenue US$ 3.4 billion (country’s 5th export earner) in 2012
- 3,400 wood processing enterprises (~16% receiving FDI) in 2009
- Main export markets: US, EU, Japan, China

→ Regional processing centre
Vietnamese timber exports by product

Source: ‘Overview of Forest Governance and Trade. EU FLEGT Facility’, Quyen and Nghi (2011)
Vietnam’s Forest protection policies

1992/3 First forest conservation policies
  – Logging quotas in natural forests are reduced
  – Logging banned in “special use” forests (protected areas and reserves)
  – Ban on exports of raw and sawn timber
2006: Logging is restricted to productions forests (natural and plantation forests)

2006 Forestry Development Strategy:
  – Increase forest cover up to 47% by 2020
  – At least 30% of production forests certified according to sustainable standards
  – Establish markets for ecosystem services

2007: WTO accession, tariffication of export restrictions
2008: Decision to join REDD+
The state of Vietnam’s forests

- 1943: 14.3 million ha
- 1995: 8.3 ha
- 2009: 13.2 million ha

→ From net-deforestation to net-reforestation
→ From natural forests towards plantations for source of timber
→ From domestic to foreign forests for source of timber
→ From raw wood toward value-added processed wood exports
Illegal logging in neighbouring countries

- Approximately 70-80% of timber is imported (from more than 100 countries)
- Half of imports to Vietnam illegal by 2006
- Illegal logging in Cambodia and Laos has increased
- EU and US have taken measures against imports from Vietnam
- The EU’s FLEGT action plan: Vietnam has entered negotiations on voluntary partnership agreement

Also note: REDD+ conditionalities
Observations and conclusions
Initial observations

• Long-term ERs to support resources conservation or environmental protection can be useful where the aim is to ban certain trade.
  → In these cases ERs must be supported by stringent import restrictions and monitoring. Positive example: CITES.
  → In other cases these type of ERs will usually lead to market distortions, thereby ‘exporting’ the environmental externalities to other countries. Negative examples: Vietnam timber, Malaysia and Indonesia palm oil.

• Short-term export restrictions can be helpful to send ‘signals’ to the market to induce change.
A WTO outlook

- Enhance understanding on the ‘regulatory potential’ of export restrictions
- Assess and discuss export restrictions on different natural resources (finite, renewable, agriculture) in a joint agenda
- Clarify existing obligations and policy space
- Enhance transparency at the WTO: compulsory notification procedures and committee work

→ Increased understanding and transparency are needed, rather than new disciplines
THANK YOU

Marie Wilke
International Trade Law Programme, Programme Officer
ICTSD
mwilke@ictsd.ch