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**GOVERNMENTS' ROLE IN WOOD PROMOTION**

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**ABSTRACT**

Given the situation, that wood is produced and processed under market economy conditions, there are limitations but at the same time a number of good reasons and innumerable ways for governments to promote the use of wood. Approaches and measures have to be designed according to specific country situations, there is no universal solution. Based on experiences made in Austria, a country with high forest cover and an export oriented forest industry, general considerations are made and practical examples are given concerning government activities to stimulate and promote the sound use of wood.

An appropriate legal, institutional and financial framework is a precondition to be created and improved over time through governments. This framework forms the basis for sustainable forest management, and therewith for raw material supply from a renewable resource in a long term run. It constitutes the basis for wood oriented research, education, training and innovation. It includes legislation, taxation, subsidising, industrial and rural development, and public procurement policies in a way that fosters consumption and eliminates discrimination of wood compared to other materials. An important role play overall sustainable development strategies, as well as forest related international agreements and processes, guiding policies towards the integration of environmental concerns in all areas of policy and economy. They should fully recognise the value of renewable resources and therewith help to translate the environmental advantages of wood production and consumption into market competitiveness.

Key words: market economy, sustainable development, forest policy, forest economics, wood production, wood promotion, sustainable forest management

## **INTRODUCTION**

For considerations regarding the use of wood three areas are of general concern: natural resource management, industrial production and market interactions. Each area provides for a high degree of complexity and all three are interconnected. To look for effective strategies for the sound use of wood is therefore a challenging task. Actors and addressees to be involved are a wide range of groups and individuals including also governmental institutions. This paper is an attempt to analyse the role, governments should or may play within wood promotion strategies. The conclusions are drawn mainly from experiences made in Austria, a country with high forest cover and an export oriented forest industry.

### **WHY SHOULD A GOVERNMENT PROMOTE WOOD?**

In Meyer's Lexicon<sup>1)</sup> policy is defined as a process in which society takes decisions among alternatives under limitations of resources in order to secure its long term duration. Taking this as an orientation for government actions, there are a number of good reasons for governments interventions to promote the sound use of wood.

Wood is renewable. There is no easier solution for overcoming resource constraints than managing a renewable one sustainably. There is also no better basis for a long term resource supply management. Wood has an unbeatable competitive advantage. This is true for both, wood as a material and a wood as source for energy.

Wood grows in forests. Forests are subject to all kinds of environmental, social and economic demands and concerns. This is not to be seen as a limitation but as an asset. A well managed approach to balance environmental, social and economic aspects of forests in a long term run is widely understood as sustainable forest management. The sound use of wood is therefore a crucial element of sustainable development<sup>2)</sup>, contributing to the economy, the environment and social welfare at the same time.

The use of wood provides for jobs and income, in particular in rural areas, where jobs in many cases are rare. Wood is a material with unique qualities and a variety of opportunities to process and use it. Forests and wood are an important factor for businesses and policies towards development of rural areas<sup>10)</sup>.

Wood stores carbon. The long term use of wood, for instance in constructions, and sustainable management of forests are factors for sequestration and storage of carbon and can therewith contribute to mitigating climate change.

So why is wood under question and promotion needed?

A main reason is, that there are other highly competitive materials, such as steel, aluminium, plastic, concrete, oil and others. They all have their advantages, and their lobbies.<sup>3)</sup>

Governments are challenged to develop the economy, to protect the environment and to provide fair market conditions. Consequently it would be a logical government priority to encourage the most efficient utilisation of available resources, in particular renewable ones, taking fully into account their environmental advantages.

### **WHAT CAN A GOVERNMENT DO TO PROMOTE WOOD?**

In market economies the production of goods, their distribution and prizes are primarily determined by market mechanisms, which is the interaction of factors like free market access, decentralised planning, private property and competition. The role of governments is limited to actions, correcting socially or environmentally undesired results. Government interventions have to follow the principle of market conformity, which means particularly to be in line with the competition regulations of WTO (World Trade Organisation) and the European Union, and usually cover areas, which could not be sufficiently performed by private initiatives. In which ways and to what extent states intervene and invest in the market place is a question of highest political nature and differs greatly from country to country and in different parts of the world.

Given the situation, that wood is produced and processed under market economy conditions, there are limitations but at the same time innumerable possibilities for government activities to promote the use of wood.

In general, governments could concentrate on legislation, research, education and training, institutional capacities, sustainable and industrial development strategies, natural resource management policies, to single out only a few areas.

In detail, the priorities, approaches and measures chosen have to be designed according to specific country situations, there is no universal solution.

Based on experiences made in Austria, a country with high forest cover and an export oriented forest industry, general considerations are made and practical examples are given concerning government activities to stimulate and promote the sound use of wood.

### **FORESTS AND WOOD IN AUSTRIA**

#### **A brief characteristic of the sector**

Austria is a small country in the centre of Europe with a total area of 8,4 million hectares, a population of around 8 million, an abundant forest resource, a geographic location on the cross-roads between north and south, east and west, and stable political and economical conditions. These factors have favoured the development of a wood based industries of global status.

Forests cover 3,9 Million hectares or 47% of the total land area and play important roles for the economy, the environment and the society. Austrian production forests are characterised by a

comparatively high productivity (of 8,7 cubic meters increment per hectare and year) and well developed management practices. According to the Austrian Forest Inventory the growing stock is around 2 billion cubic meters, the total increment amounts to 27 million cubic meters a year, the annual removals are only about 19 million cubic meters. There is an obvious potential to utilise significantly more wood from Austrian forests on a sound sustainability bases.<sup>4)</sup>

Specific challenges for forest management and forest policy are caused by the terrain and the ownership structure. Two third of the country are mountainous, therewith difficult for silviculture, harvesting and transport. 80 % of the forest land is privately owned, about half of it by small lot owners, the average size of a forest holding is around 15 hectares.

The Austrian wood industries is a wide ranging economic sector, comprising saw milling, furniture, construction elements, wood based panels and ski<sup>5)</sup>. The production of the Austrian wood industries amounted 2001 to 5,4 billion Euro, which means an increase of 34% compared to 1996. The wood industries have about 1800 enterprises (1490 saw mills), most of them of medium size structure and almost entirely privately owned.

The Austrian wood industries is a highly export oriented sector. The export rate amounts more than 50%. In 2001 the total export volume was 3,76 billion Euro, the traditional trade surplus was a total amount of 1,24 billion Euro. With 68% the European Union is the most important market.

Paper and pulp produce with 30 enterprises an annual turnover of around 3,6 billion Euro and contribute another 1,8 billion Euro to the trade surplus.<sup>6)</sup>

For more than 290.000 people, forests and the related industries provide jobs or a significant share of their incomes.

### **Research and education**

Research, education and training are the basis for technological development, innovation and human resource development required for future oriented, competitive utilisation of wood. The institutions in place in Austria are co-financed by public and private funds, complemented by commissioned projects. They have undergone several changes in thematic orientation and structure over time in order to adjust to changing needs.

#### Wood research Austria (Holzforschung Austria)<sup>5)</sup>

This Institute, located in Vienna and working closely with the wood industries association, is carrying out research projects, tests and experiments, represents the sector in national and international standards committees, and provides information and know-how transfer.

A special research focus is 'Wood Construction', 15 projects are addressing questions in this area.

In 2001 a 'Centre of Competency in Wood Technology' has been launched with an investment of 2,91 million Euro for seven research projects to be carried out in four years.

'HolzCert Austria', established in 2001, is specialised in chain of custody certification, has certified some 50 enterprises according to PEFC standards (Pan European Forest Certification) and works towards establishing certification according to Japanese standards (JAS) and for construction elements.

#### Wood Technikum Kuchl (Holztechnikum Kuchl)<sup>5)</sup>

Kuchl near Salzburg is a centre for wood related education. It has been the 'Specialised School for Saw Millers' for many years. A couple of years ago a step by step extension to a 'Technical High School' has been launched offering education branches in 'Wood Technology', 'Wood Design and Product Management' and 'Wood Construction'. Federal and provincial government are engaged in financing the necessary new buildings and modernising the training workshops.

#### Universities

The 'University of Agricultural Sciences in Vienna (Universität für Bodenkultur Wien)' has an 'Institute for Wood Technology' and offers a branch of study in wood management. The 'Faculties for Structural Engineering' of the 'Technical Universities of Vienna and Graz (Technische Universität Wien, Technische Universität Graz)' run special programmes on wood construction.

### **Representation, lobbying and communication**

For the competitiveness of big business sectors like forestry and the wood industries it is not enough to focus on production and marketing alone. They also need to engage actively in policy development and implementation through a structured approach to lobbying and representation in order to fight effectively for their legitimate interests.

They also need to take concerted efforts to communicate strategically with relevant consumer groups and the general public in order to improve the image of and build confidence in the sector and its products.

Governments can play an important role by establishing or encouraging the establishment of appropriate institutions and mechanisms. In Austria two forms of institutions for representing interests are in place: legally established chambers, with obligatory membership, and privately organised voluntary associations. Both groups work both complementary and in various co-operations and are instrumental for representation, lobbying and communication. Financial support to these institutions through government funds is minor and focusses primarily on know how transfer activities.

#### Representations of interest in forestry

The 'Provincial Chambers of Agriculture (Landes-Landwirtschaftskammern)' are the legal representation of interest in forestry, while the 'Federal Association of Agricultural and Forestry Enterprises (Hauptverband der Land- und Forstwirtschaftsbetriebe Österreichs)', the 'Farm Foresters Associations (Waldbauernverbände)' and the 'Austrian Forest Association (Österreichischer Forstverein)' are private ones.

#### Representations of interest in wood based industries

The 'Austrian Federal Economic Chamber (Bundswirtschaftskammer)' as a legal representation of interest covers all major industry sectors with special branches, including the 'Austrian Wood Industries Association (Fachverband der Holzindustrie)'. Pulp and paper industries are covered by a private association, the 'Association of Austrian Paper Industries (Austropapier – Vereinigung der österreichischen Papierindustrie)'.

#### Co-operations of forestry and wood based industries

'proHolz Austria'<sup>7)</sup> is a co-operation between the 'Austrian Wood Industries Association' and the 'Standing Committee of the Presidents of the Austrian Chambers of Agriculture (Präsidentenkonferenz der Landwirtschaftskammern Österreichs)'. It is a professional marketing and communications organisation for wood, running campaigns regarding information, public relations and advertising within the sector and for a wider public, nationally and internationally. After the successful image campaign 'Proud of Wood' (Stolz auf Holz), run since the early nineties with a focus on the aspect of renewability, the new campaign 'Wood is brilliant' has been launched in 2002 focussing on material qualities. 'Promolegno' is a campaign targeting the Italian market. Some efforts are also taken to address the Japanese and the Chinese market.

The 'Co-operation Agreement Forest-Boards- Paper (Kooperationsabkommen Forst-Platte-Papier, FPP)<sup>6)</sup> has been formed by the 'Standing Committee of the Presidents of the Austrian Chambers of Agriculture (Präsidentenkonferenz der Landwirtschaftskammern Österreichs)', the 'Chip- and Fibreboard branch of the Wood Industries Association (Fachverband der Holzindustrie für die Span- und Faserplattenwerke)' and the 'Association of Austrian Paper Industries (Austropapier – Vereinigung der österreichischen Papierindustrie)' already 30 years ago. It acts as platform between these partners for developing common approaches for the efficient use of forests and market continuity. Since 1990 there is also a focus on public relations concerning sustainable forest management and sound use of wood from forest thinnings.

#### **Business co-operations and networks**

At the time there are four 'Wood Clusters' established, the 'Holzcluster Salzburg', the 'Holzcluster Steiermark', the 'Holzcluster Niederösterreich' and the 'Holzcluster Oberösterreich'.<sup>18)</sup> They are regional co-operations among small and medium size enterprises aiming to increase collectively their competitiveness through optimising their flexibility and creativity, creating synergies, and sharing know how, information and resources. For the establishment of wood clusters and similar co-operation projects, some provincial governments have set up specific subsidies.

## **Legislation and standardisation**

Legal regulations on very different subjects can have direct or indirect influence on the use of wood. It is therefore useful to carefully analyse them and to correct distortions. Building and fire prevention regulations might be more restrictive for wood than for other materials. This was the case in Austria till the early nineties and took some years to successively harmonise and adapt the provincial regulations based on new scientific results regarding the burning performance of wood<sup>17)</sup>.

Waste management regulations could cause difficulties for wood residues and ashes. Water protection regulations could require costly investments for wood processing enterprises. Transport regulations in different countries could cause different costs for transport. For wood as product on global markets, conformity with international standards is extremely important. All these issues are of constant concern to forest and wood related policies.

## **Sustainable Forest Management**

Sustainable Forest Management in Austria is based on a well established legal, institutional and financial framework, which is adapted to the changing conditions of our globalising world continuously.

The 'Resolution H 1' of the '2<sup>nd</sup> Ministerial Conference on the Protection of Forests in Europe, Helsinki 1993'<sup>8)</sup>, defines sustainable forest management as 'stewardship and use of forests and forest lands in a way, and at a rate, that maintains their biodiversity, productivity, regeneration capacity, vitality and their potential to fulfil, now and in the future, relevant ecological, economic and social functions, at local, national, and global levels, and that does not cause damage to other ecosystems'. Austria is signatory to this resolution and has integrated this definition into the 'Austrian Forest Law in June 2002'.<sup>9)</sup>

A forest management as a long term attempt to balance economic interests, environmental concerns and social demands, lays the fundament for a wide acceptance of management activities in forests, which is necessary to allow a long term raw material supply. National Forest Programmes as outlined in the 'Vienna Resolution 1'<sup>19)</sup> of the '4<sup>th</sup> Ministerial Conference on the Protection of Forests in Europe', are an effective instrument to strengthen forest policy through cross-sectoral approaches and participatory processes.

## **Rural Development**

Austria implements a National Rural Development Programme based on the EU regulation (EC) 1257/1999<sup>10)</sup> which provides around 18 million Euro a year for measures regarding forestry. A special emphases is given to measures encouraging forest owners to better utilise the periodic increment of Austrian forests and to offer more domestic wood to the markets. This concerns particularly the construction of forest access roads in difficult mountainous terrain, the establishment of forest owners co-operatives and networks to overcome the disadvantages of

small scale ownership structures, as well as innovations and improvements regarding the chain of production.

### **Political agreements and strategies**

Political agreements and strategies with relevance to forests and wood are given on both, national and international levels. Their development and their implementation give governments and other actors opportunities to address the issue of wood promotion.

#### The Austrian Strategy for Sustainable Development<sup>11)</sup>

The Austrian Strategy for Sustainable Development, adopted by the federal government in April 2002, was prepared by a working group of representatives of ministries, provinces, municipalities, the social partners, interest groups and NGO platforms, accompanied and moderated by a professional team. It sets points for a long term oriented policy of sustainability, containing a catalogue of key objectives, targets and instruments for implementation. It is understood as self-obligation for the government, but also appeals to the private sector and the civil society.

The strategy calls for innovation and creativity among other areas explicitly for ‘...promoting the use of renewable raw materials and sources of energy more strongly...’. It also suggests a gradual reform of the tax system, including ‘...the establishment of competitive benefits for renewable sources of energy by grading the taxes on sources of energy in accordance with the degree of environmental pollution...’. Putting this ambitious plans into practice will still require time and efforts, however it is worthwhile as this would definitely promote the use of wood.

According EU targets<sup>20)</sup>, EU member countries plan to increase the share of renewable energy from 6% to 12% till 2010. In Austria renewable energy has been a success story since 20 years. Since than 40.200 heating systems based on wood chips and wood pellets, producing a total of 3090 megawatt energy, have been established, the upward trend is continuing. Electricity from biomass is a further focus for future work with an enormous potential.

The current ‘Work Programme of the Federal Government of Austria from March 2003’<sup>12)</sup> corresponds with the sustainable development strategy by setting clear targets for increasing the use of biomass for energy up to 75% till 2010 and for an ecologically oriented tax reform.

#### At international levels

The ‘Ministerial Conference on the Protection of Forests in Europe’ is in general supportive to the further development of sustainable forest management on a Pan European scale and therewith indirectly supportive to the use of wood. A number of commitments taken in these conference address specifically the promotion of wood as an environmentally sound material, in particular the Resolution L1<sup>13)</sup>. At the 4<sup>h</sup> Conference, in April 2003 in Vienna, the Ministers responsible for forests in 43 European countries are expected to sign a resolution concerning the economic



viability of sustainable forest management, an issue of highest importance for securing long term supply with wood from European forests.

The agreements in the context of the United Nations Forum on Forests<sup>14)</sup> and the Convention on Biological Diversity<sup>15)</sup> have a clear relevance to sustainable management and sustainable use of forest resources. A special case is the Framework Convention on Climate Change<sup>16)</sup> with its Kyoto Protocolle and the Marakesh Accord, which include forest cover and afforestations into climate protection measures. The future influence on global wood markets caused by its implementation is not predictable.

## CONCLUSION

There are number of good economical and environmental reasons for government engagement in wood promotion activities. There is no universal concept to being offered for successful government activities towards promoting the use of wood; objectives, priorities, approaches and measures should be designed according to the specific country conditions.

As a general guidance the following consideration might to be useful: An appropriate legal, institutional and financial framework is a precondition for a sound development of the economy, the environment and society. Governments play a central role in creating this framework, adjusting it to political priorities, for instance towards the promotion of wood, and in improving it over time. This framework has to form the basis for sustainable forest management, and therewith for raw material supply from a renewable resource in a long term run. It constitutes the basis for wood oriented research, education, training and innovation. It includes legislation, taxation, subsidising, industrial and rural development, and public procurement policies in a way that fosters consumption and eliminates discrimination of wood compared to other materials.

An important role play overall sustainable development strategies, guiding policies towards the integration of environmental concerns in all areas of policy and economy. They should fully recognise the value of renewable resources and therewith help to translate the environmental advantages of wood production and consumption into market competitiveness. International agreements and processes could support national efforts by providing references and guidance for policy development and implementation on national and sub-national level.

All governmental interventions regarding the promotion of wood need to be in line with competition regulations. Direct investments of public money into the forest and wood sector need a clear focus in order to achieve any effect, taking into account that the turn over the sector reaches within a couple of days meets easily what a government could spend in a year. However, public spending is needed to strengthen weak elements in the production chain from the forest to the market and to create synergies by encouraging private-private and public-private partnerships.

Wood promotion is not done by isolated actions. To be effective it requires a comprehensive strategic approach with a long term orientation.

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