

EU FOREST POLICY AND ITS IMPACTS ON THE MEDITERRANEAN COUNTRIES

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Despite great national and regional differences, the recent development of Mediterranean agriculture of the European Union (EU) countries (1) is generally characterised by a lower pressure on land available for farming, a situation brought about by rural out-migration (Ruiz Aviles & Millan Campos, 1987) and concentration of farming activities in more advantaged areas (see the crisis of cereal crops in marginal areas of the Mediterranean and the extensification of livestock breeding). The crisis of the small family farm has involved extensification of marginal land; arable land has been transformed into grazing land and then has often been abandoned. Considering the scarce mobility of the land, the crisis in agriculture has not meant that larger scale farms and/or forest plantations have been set up (2), partly because there has been a parallel reduction in demand and prices of some important products from Mediterranean forests (fuelwood, charcoal, resin, telegraph poles, logs for railway sleepers, etc.). Given the lack of management services in the forestry sector, the economic structure of production is highly affected by fragmentation of land ownership (de Montgolfier & Normandin, 1990). The recent growth in forest area is linked, therefore, to natural conversion of agricultural land which has been abandoned by small farm owners and, secondarily, to afforestation undertaken by public authorities (Buttoud, Cavailles & Normandin, 1993). In this context the paper, after pointing out some specific problems of the forestry sector in the Mediterranean, will try to analyse the role of the EU's forestry policies in promoting a proper management of wooded land as an instrument of rural integrated development.

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(1) Reference is made in the paper to forestry problems in Portugal, Spain, Greece, Central and Southern parts of Italy and Southern France; as far as the latter two countries are concerned, given the lack of statistical sources, the data refer to the entire country and not specifically to the Mediterranean regions.

(2) The most significant exception to this general trend is that of Portugal, the only country in Southern Europe where there is significant extension (120,000 ha) of private industrial forests managed for the production of eucalyptus pulpwood (FAO, 1988).

(3) As compared to other countries in Southern Europe, only Greece has a different structure of land ownership, considering the marginal role of private forests.

(4) Again in this case, given the presence of eucalyptus plantations, Portugal represents a significant exception.

Abstract

After pointing out the main problems of the forestry sector in the Mediterranean area, the paper comments the past developments in the EU forest policy on the basis of two different types of interventions: forest activities financed through the CAP (a 'shadow forest policy') and forest interventions financed as one specific instrument of a policy of integrated rural development. To conclude, an outline of the objectives of forestry policy is presented in order to point out the major problems which the Union must face in the coming years in order to implement its policy for Mediterranean forests.

Résumé

Après avoir abordé les principaux problèmes du secteur forestière dans la région méditerranéenne, l'auteur analyse l'évolution de la politique forestière de l'UE sur la base de deux différents types d'interventions: les activités forestières financées par la PAC (une «politique de forêt ombre») et les interventions forestières financées en tant qu'instrument d'une politique de développement rural intégré. Pour conclure, l'auteur donne un aperçu sur les objectifs de la politique forestière afin de souligner les problèmes principaux auxquels l'Union doit faire face pour les années futures en vue de la mise en place d'une politique des forêts méditerranéennes.

The role of the forestry sector in Mediterranean countries

In an economic situation which has seen great changes in recent years (the crisis of agriculture in disadvantaged areas, emigration, growth of employment in service sector, etc.), the productive structure of the forestry sector has remained practically unchanged, showing the same problems as in the past (see **table 1**): a fragmented ownership structure based on the fundamental role of woodland ownership by small family farms (3) (Normandin, 1988).

Little interest in active management of forestry resources linked to the low average level of financial productivity of Mediterranean forests (Campos Palacin, 1992) has led to a reduction in the role of the forestry sector (and in particular of the non-industrial wood production - see **table 2**) (4) in national economies and to worsened problems of fires, uncontrolled grazing and pest attacks.

However, the most evident phenomenon to involve Mediterranean woodlands in the recent past has been the increase in demand for public forest services: recreational areas and hunting, landscape amelioration, biodiversity, global climate stabilisation, etc. The growth in such demands has often led to the imposition, on the part of public authorities, of further limits to forestry activities undertaken by private owners. The application of constrictive legislation has been successful in slowing down uncontrolled exploitation of social resources, but has often penalised the rights of the land owners. Non-controlled ownership by the

people directly concerned has often led to incorrect use of the resources, land abandonment and hence degradation. This is thus a case of a failure in public intervention: the application of constraints in order to protect the public services provided by the forests leads to their abandonment by private owners. Once this phenomenon has occurred, the forests are more liable to fire or pest attacks, or to be used for grazing; hence they are unable to provide services in the public interest.

The present state of Mediterranean forests may thus be summarised in terms of decreasing financial productivity (Campos Palacin, 1992), on the one hand, and an increasing demand for timber and public goods on the other. The present system of property rights (probably in the Mediterranean more than in other regions) «is designed to serve objectives which are increasingly out of tune with changing public attitudes towards resource use. In particular, (...) while it depends heavily on public resources, it fails to provide the private tenants with the security they need to invest in future production» (Pearce 1993, p. 77).

In order to resolve this conflict forestry policies aimed at conserving the public services offered by woodland should not divide the social objective from the strictly financial aspect. In the context of a traditional market — and traditional application of ownership rights — nobody is interested in managing woodland and pastures for the sole purpose of supplying public benefits. Moreover, it is not possible for the woodland owner or manager to internalise the externalities, translating them into monetary terms. The decreasing interest on the part

Table 1 Structural features of the forestry sector in EU Mediterranean countries.

	Greece	Spain	Portugal	Italy	France	Other EU countries	EUR 12
(1) land area (1000 ha)	13199	50478	8892	30128	54922	78476	236095
(2) forest and other wooded land (1000 ha)	6032	25622	3102	8550	13504	15051	71861
(3) forest land (1000 ha)	2512	8388	2755	6750	12460	14598	47463
(4) = (3)/(1)	19.0%	16.6%	31.0%	22.4%	22.7%	18.6%	20.1%
(5) = (3)/(2)	41.6%	32.7%	88.8%	78.9%	92.3%	97.0%	66.0%
(6) broad-leaved forests (1000 ha)	1546	4446	1400	4853	7980	5021	25246
(7) = (6)/(3)	61.5%	53.0%	50.8%	71.9%	64.0%	34.4%	53.2%
(8) coppice and cop.with standards (1000 ha)	1208	2303	406	3830	6169	345	14261
(9) = (8)/(3)	48.1%	27.5%	14.7%	56.7%	49.5%	2.4%	30.0%
(10) roundwood removals (1000 cm)	2345	17272	11181	8393	44752	72944	156887
(11) removals/forest land (cm/ha)	0.93	2.06	4.06	1.24	3.59	5.00	3.31
(12) fuelwood/total removals	57.6%	11.5%	5.3%	51.3%	23.3%	8.2%	15.7%
(13) private owned forests	14.8%	66.1%	84.7%	60.2%	74.2%	47.6%	27.5%
(14) State owned forests	73.2%	5.4%	2.5%	7.1%	9.8%	33.7%	14.8%
(15) other public forests owners	12.0%	28.5%	12.8%	32.7%	16.0%	18.7%	57.7%
(16) forest land in active farms (1000 ha)	62	3696	1211	4253	1934	2076	13232
(17) active farms with forestland (1000 - no.)	26	298	321	602	388	429	2064
< 1 ha	70.7%	41.8%	54.2%	47.2%	28.5%	8.7%	41.2%
1-2 ha	13.7%	19.1%	18.6%	20.0%	21.4%	19.5%	19.7%
2-5 ha	7.2%	20.6%	16.8%	17.7%	27.1%	25.9%	21.3%
5-10 ha	3.0%	8.6%	5.7%	6.8%	12.0%	12.7%	9.0%
> 10 ha	5.4%	9.9%	4.7%	8.3%	11.0%	33.3%	8.8%
(18) = (17) / (16) (ha/farm)	2.3	12.4	3.8	7.1	5.0	4.8	6.4

Sources: EUROSTAT, Agriculture, Statistical yearbook 1990, Luxembourg, 1991; (13), (14) and (15).

EUROSTAT, Farm structure, 1987 survey: main results, Luxembourg, 1991; (16), (17) and (18).

FAO, Yearbook of forest products 1980-1991, Roma, 1993; (10) and (12).

UN/ECE-FAO, The UN-ECE/FAO 1990 Forest resource assessment; The forest resources of the temperate zones; vol. 1, New York, 1992; from (1) to (9).

Table 2 Forest sector production in EU Mediterranean countries.

	Greece	Spain	Portugal	Italy	France	Other EU countries	EUR 12
1961 (current values)							
GDP (millions USD)	115	772	423	1003	3369	2051	7733
Forest sector (% of GDP)	0.8	0.9	4.9	0.5	1.2	0.1	0.6
— non industrial (% of GDP)	0.5	0.3	1.2	0.4	0.2	0.0	0.2
— industrial (% of GDP)	0.4	0.6	3.7	0.1	1.0	0.1	0.5
1989 (current values)							
GDP (millions USD)	295	3047	1494	3271	6399	5291	19797
Forest sector (% of GDP)	1.0	1.1	4.7	0.6	0.8	1.3	1.6
— non industrial (% of GDP)	0.1	0.0	0.2	0.0	0.1	0.1	0.1
— industrial (% of GDP)	0.9	1.1	4.5	0.6	0.7	1.2	1.5
1989-61 (deflated by US producer prices)							
Forest sector (%)	0.2	0.2	0.2	0.1	0.4	0.0	0.7
— non industrial (%)	0.4	0.3	1.0	0.4	0.1	0.0	0.2
— industrial (%)	0.5	0.5	0.8	0.5	0.3	0.0	0.8

Source: Statistical appendix in Sharma (1992).

Note: GDP values are related to agriculture, industry and services sectors. The gross value of forest-sector product is compiled from FAO statistics on production and net export of forest products valued at average world unit values of component products. Forestry industry is the gross value of industrial production (sawnwood, wood-based panels and paper plus net exports of industrial roundwood and pulp); non-industrial forestry and logging is the gross value of fuelwood, charcoal and 'other industrial roundwood'. Data on 'other EU countries' and EU total do not include Germany.

of private forest owners in the management of forestry resources as such could be dealt with by two policy instruments, excluding the possibility of encouraging a change in the ownership structure with public bodies buying the land itself.

i. Private forest owners could be encouraged to internalise some services of public interest (perhaps through a revision of the legislation on property rights) which in Mediterranean areas are generally supplied at no cost: rights of access to natural parks, to forest paths and roads, permits to collect mushrooms and other woodland by-products, hunting and fishing rights, renting of sites and infrastructures for sports purposes, farm tourism, etc. (Merlo & Ruol 1993). Such payments should obviously correspond to the supply of specific services and systems should be devised whereby the costs of fees collection would not be higher than the income. It is therefore necessary to create 'markets' where transactions would be made between those who enjoy the benefits and those who bear the costs of managing the forests. Specific payments for each individual service, apart from timber production, would help to make the models of forest management more transparent, thus avoiding 'free rider' behaviour with regard to the resources.

ii. The supply of many services of social interest, as well as industrial roundwood, calls for the establishment of large-scale management units. In a situation affected by rigid land ownership structures, active management of small private holdings could be encouraged by means of voluntary agreements between the forest landowner and a contractor (Whittaker, O'Sullivan & McInerney, 1991). Thanks to such agreements, when necessary forest ownership could be separated from the responsibility of management, leaving such responsibility to *ad hoc* contractor firms (de Montgolfier & Normandin, 1990). Direct compensation could be provided for positive externalities supplied after negotiations between the small forest owners, contractors and public authorities interested in forest investment (de Montgolfier, 1989).

In all these cases the full-time farmer would no longer be the prevailing subject of a policy of forest development in the Mediterranean areas, but public decision makers have to take account of other economic operators as well. In particular, the problem of absentee landlords should be considered, paying more attention to contractor firms for forest management and marketing of forestry products and services and to local administrative structures.

The forest policy of the European Union

The choice made in 1957 by the six founder members of the European Community with regard to the role of forest production was very clear: wood and wood-based

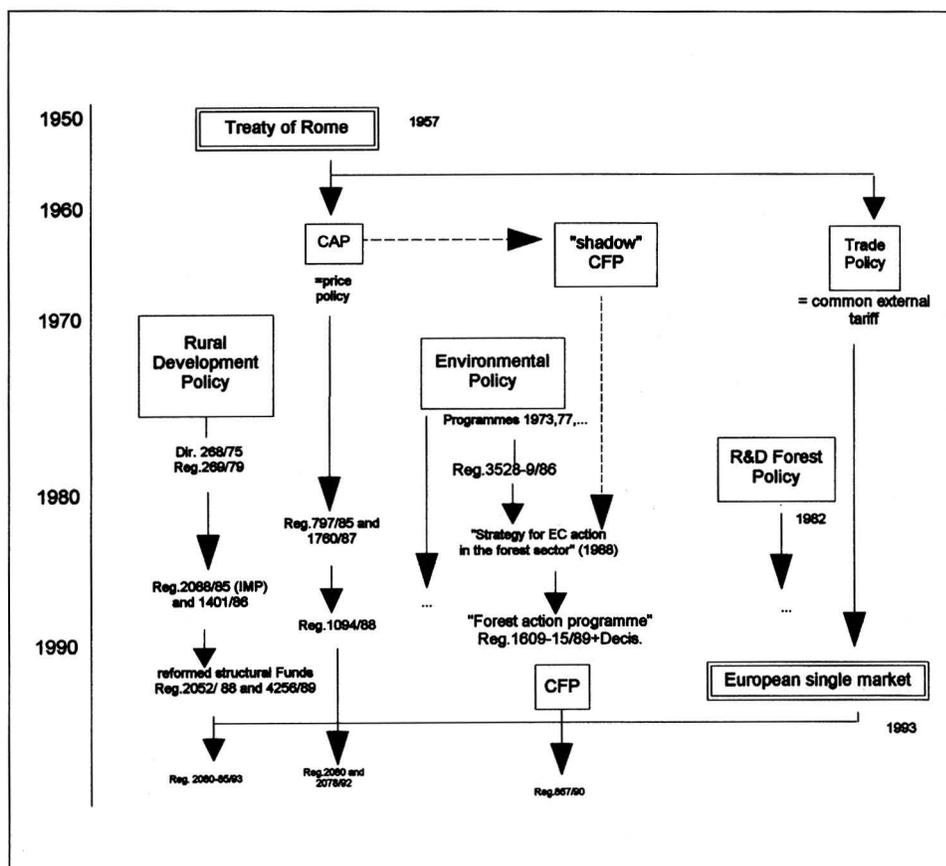


Figure 1 - The main lines of evolution in EU forest policy.

products are not listed in Annex II of the Treaty setting up the European Community^(?). For this reason the initiatives to regulate forest matters in the late 50's do not differ from those relative to other non-agricultural products, which are subject to international trade (see figure 1):

- the gradual reduction of all tariff barriers up to their total elimination within a period of 12 to 15 years between member States;
- the elimination of any form of quotas in imports;
- the fixing of an external common customs tax on imported goods (generally wood and wood products imports from other countries are now duty-free).

The reasons for this trade policy were evident: the position of the EU as net importer (both originally and after successive enlargements), the need to keep imports free from any kind of protectionism, the availability of wood on the international markets and, as a direct consequence, relative price stability. This was the situation in the early 50's, a situation which was widely discussed in the United Nations' Economic Commission for Europe and in OECD (Mantel, 1960). In partial coherence with such orientations, initiatives in different directions were taken in the following years: the funding of investments in forestry as a consequence of adjustments to be made within the Common Agricultural Policy (CAP), realisation of interventions in the forestry

sector in a context of a policy of rural integrated development, the enlargement of the EU administration involved in forest matters, the drafting of documents of a general nature for the definition of a long term forest policy, the funding of research and development activity, etc. Only the first 2 lines of intervention will be discussed in some detail here on the basis of the ample literature regarding the EU's forestry policies (Ellerton, 1986; FAO, 1988; Grayson, 1993; Harou, 1988; Hummel, 1984; Hummel & Hilmi, 1989; Richards, 1987; Wall, 1986).

Indirect and CAP-dependent forest policy

The initiatives which had the major effects on forest policy in the first 20 years of the EU activity were those related to the realisation of the CAP. Due to the fact that CAP dealt mainly with the agricultural sector, these initiatives often had contradictory effects on the forestry sector: on the one hand, the price control policy has artificially helped to keep the price of certain agricultural products competitive with alter-

(?) Other forest products (like cork and seeds of forest species) are clearly recalled in the Annex. In effect, a literal interpretation of article 38 of the Treaty, where the term 'agricultural products' means «the products of the land ... and also the products from the first stage of transformation which are in direct relation to them» authorised the inclusion of wood among the products covered by CAP.

native forest productions, on the other hand, the European Agricultural Guidance and Guarantee Fund (EAGGF) interventions on agriculture structures made possible the realisation of specific actions in favour of forest production. These interventions were justified by the need to maintain soil fertility and the general productive organisation of the farms (6).

Three of the most representative examples of this contradictory 'shadow forest policy' are: the criteria of selection of beneficiaries, the unfavourable effects of income distribution on traditional forest entrepreneurs and the scarce consideration given to market problems of wood products. The only direct beneficiary of such interventions was the full-time farmer, who was given the opportunity to reforest or improve existing woodland. No aid and no attention was given to other forest enterprises, which often constitute the weakest elements in the 'wood chain', like, for example, the harvesting and management services enterprises and the association of forest landowners. The unfavourable effects on income distribution have been particularly evident in the application of Reg. 1094/88. This Regulation has compensated those farmers who set aside, for a minimum period of 5 years, at least 20% of the land allocated to excess agricultural production; those farmers who have utilised their lands for forest production received an additional grant equal to 100-600 ECU/ha/year together with other national grants. This has created two markets among producers, on one hand the traditional forest producers, who were more professional, but usually excluded from such aid, and on the other hand the new enterprises which could cover most of the investment costs by means of the incentives found in the above mentioned Regulation. Obviously the effects of market distortion induced by such incentives were more evident in the case of short-cycle timber production, such as poplar, which is generally grown in Italy over a 10 year rotation, eucalyptus in Portugal and Spain. The new Regulations approved with the partial CAP reform in 1992, which are financing forest



investments (Reg. 2080 and 2078/92) still maintain this distortion effect on the market. In general terms, past EU market and price policy have provided Mediterranean products with levels of protection and support which were lower than those accorded to continental commodities; at the same time EU (and national) structural policies were unable to respond adequately to the specific problems of the Southern Mediterranean regions. Current implementation of CAP reform is creating further problems: the transition from a policy of price control to one based on control of the quantities produced and compensation to farmers reduces factors mobility and involves much higher administrative costs (7).

Forest policy as a specific instrument in a context of rural development policy

There are a variety of EU initiatives on specific forest matters: the Directives on the freedom of establishment and provision of services by self-employed persons in forestry and logging, on the classification of wood in the rough and on the quality of forest reproductive material to minimise the risk of plant disease being imported into the Union and transmitted from one member State to another. Other EU actions relevant to the sector include standardisation of national data collection and the publication of forest statistics, the financing of demonstrative projects and international co-operation in forestry. Many of these interventions are co-ordinating instruments between national legislations, without any financial burden on the Union's budget.

In the mid '80s the EU started to pay more attention to forest matters in its' regional development policy. Proof of this is Regulation 2088/85 relative to Integrated Mediterranean Programs (IMP). With respect to the choices made in CAP, IMP criteria of intervention were qualitatively different, even

though financially and territorially very limited. Forest activities were seen in a logic of horizontal integration with other productions in the primary sector, and also as one of the components of the 'wood chain' (from forest management to wood harvesting and industrial transformation).

In particular, the possibility existed to finance not only the forest landowner (with generally long term effects on the wood supply), but also management and harvesting enterprises. This is why it was possible to utilise not only the EAGGA funds, but also the European Regional Development Fund (ERDF) and the European Social Fund (ESF), funds which have already been occasionally used in the past for forest investments.

A radical reform of the Funds inspired by the need for greater co-ordination was undertaken in 1988 with Reg. 2052, recently modified with Reg. 2080-85/93. These three Funds have financed the Forest Program (1989-1992) approved in 1989 and based on 7 new Regulations (Reg. 1609-15/89) and one Decision.

Since 1986 the Union has also financed two series of parallel interventions dealing with protection of the forest from atmospheric pollution (Reg. 3528/86, 1613/90 and 2157/92) and fires (Reg. 3529/86, 1614/90 and 2158/92), with grants of 29,5 MECU and 70 MECU respectively for the period 1992-1996. The sense of this is territorial division of the benefits deriving from two lines of intervention, considering that the first series of measures gives priority to the regions of Central and Northern Europe, while the second series have greater impact on the Mediterranean areas.

Finally, on the basis of correct evaluation of the problems in rural development in the forestry sector, with Reg. 867/90 the EU has financed amelioration policies regarding transformation and marketing of products from forestry. According to the Regulation, the possible beneficiaries may be firms

(6) See Dir. or Reg. 17/64, 355/77, 268/75, 269/79, 527/81, 1940/81, 1975/82, 2119/83, 619/84 and 763/85 specifically approved for financing forest investments in the EU Mediterranean regions (France, Italy and Greece in particular), Reg. 1820/80, 1939/81, 1940/81, 1975/82, 619/84, 763/85 and the more recent Reg. 797/85 modified by Reg. 1760/87 and Reg. 1094/88.

(7) One example is that of the Regulations on the use of land by large-scale farms in set aside regimes; the Union has provided incentives for using such land also for short-cycle forestry productions which may be of some interest in Mediterranean regions (short rotation coppices and poplar plantations with rotation periods of less than 10 years). Despite the fact that, after the passing of the base Regulation (art. 7 of Reg. 1765/92) 7 further Regulations were passed in few months (Reg. 2293/92, 2296/92, 334/93, 845/93, 1541/93, 2594/93 and 2595/93), the administrative procedure for realising these investments in forestry does not appear to be clear and apparently logical. The Regulations in fact impose that the grants are given after the signature of a contract for the supply of the end product and paying a bargain money equal to 120% of the value of the final product.

working in the forests and, in general, economic operators in the 'wood chain', right from the moment of sales of standing trees to transportation of the cut logs to the factory. The Regulation has three weak points, however:

- limited financial resources for the three years of the plan's application;
- the exclusion of non-wood forest products from the benefits of the Regulation, products which, as we have seen, are of particular importance in Mediterranean areas;
- a lack of overall coherence in definition of the different interventions financed by the Regulation: debarking, making spraying treatments against pests and insects, seasoning, wood storing - but only if all this is undertaken before log sawing.

A malicious interpretation of the logic behind the last two limits is that Reg. 867/90 was defined after lobbying by Central-European foresters, interested in gaining compensation for the serious meteorological damage experienced in 1990.

In the light of these remarks, many lines of development in EU forestry policy for the Mediterranean run the risk of being examples of intervention failure (Wibe & Jones, 1992) mainly due to a lack of a coherence among the measures promoted by the EU in the context of CAP reform, regional development and environmental policies. Many individual measures appear to be motivated on a short term economic view and not on the basis of general public interests, rather on specific group interests (see the example of Reg. 867/90). This situation has led to an under-evaluation of distortion effects caused by the exclusion of some operators from EU financing (see the examples of Reg. 1094/88 and 2080/92). But the greatest limitation in EU policy appears, in our view, to be under-estimation of the transaction costs connected with the implementation of the recent forestry measures: publication, every year, of dozens of regulations in this area, the need to legislate on the basis of such regulations (passing national and regional laws and programmes in order to gain access to the grants), radical changes, every 2-3 years, in administrative procedures involve delays, considering the bureaucratic structures in Mediterranean regions, under-use of the funds and further

reduction in technical assistance from public forest services in favour of policing the forest. The administrative costs of compensation policies are increased by the large number of potential beneficiaries in Mediterranean countries: 1.6 millions farms as opposed to 4 thousands farms in the other 7 EU countries (see (17) in **table 1**). This process accentuates the declining confidence in the public sector's ability to manage natural resources and the environment.

Conclusions

Whereas in the nations of Northern Europe forestry is mostly considered in terms of the relationships of vertical integration with the timber industry, in Southern European countries forestry basically takes on the function of horizontal integration, with agricultural activity (grazing, for example) and initiatives involving rural development. Discussing the theme of forestry policy in Mediterranean countries, Buttoud (1992, p.59) calls for the need for «de-specialisation of forestry reasoning, activities and practices (...): the sectoral approach to forestry has to be abandoned. Forestry activities must be regarded as elements of co-ordinated land management practices».

Hence it is indispensable to consider forestry not merely as an instrument used for single sector policies (reduction of excess agricultural production, timber production, nature conservation, mitigating unemployment problems in marginal areas). In reality, what appears to be lacking in the choice of forest policy in Mediterranean areas is identification of a clear objective function which would involve long term choices according to a coherent integrated approach⁽⁸⁾.

In the future, as far as EU forest policy is concerned, the problem of Mediterranean forest development will be a good opportunity to test three basic principles governing Union action: economic efficiency, solidarity (equity) and subsidiarity⁽⁹⁾. These principles could be translated into two objectives for EU forestry policy:

- favouring, in practice and not only in general planning documents, greater co-ordination between CAP, forestry policy and regional development policy⁽¹⁰⁾;
- paying more attention to the specific problems of Mediterranean forestry with instruments that would be better suited to different regional conditions and needs; in particular, the tenure system should be seen as the major problem in forest policy, promoting structural changes at the farm level as well as market performance.

To attain these objectives it is a priority to promote the reform of administrative structures, simplifying the procedures, stressing the functions of technical assistance, rather than policing, and creating the means to control the efficiency of public spending in the sector. ●

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⁽⁸⁾ Angelidis (1994), head of Division in the European Parliament Directorate for Agriculture, Fisheries, Forestry and Rural Development, has recently pointed out that «Community measures for forests, both inside and outside its territory, have evolved independently and without sufficient co-ordination between them, (...) the result being that Community measures and initiatives are fragmentary and, despite the endeavours and the considerable amounts of finance involved, both inside and outside the Community, the anticipated benefits have not been forthcoming».

⁽⁹⁾ This principle states that policy measure should only be taken at EU level if there is a clear advantage of doing so compared to member State level.

⁽¹⁰⁾ Serious problems of forestry policies co-ordination exist not only between regional and national policies but even at EU level (see the contents of the different documents adopted by the Commission and the Parliament).

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