

THE INTERNATIONAL TROPICAL TIMBER AGREEMENT (ITTA)

Communication from the ITTO Secretariat

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I. INTRODUCTION

1. The International Tropical Timber Agreement (ITTA) is one of the several intergovernmental international commodity agreements (ICAs) negotiated by United Nations conferences under the auspices of the United Nations Conference on Trade and Development (UNCTAD). Unlike the conventional ICAs, which focus on price stabilization measures (commonly referred to as the ICAs with economic provisions) or those considered as administrative agreements, the ITTA is often categorised as a developmental agreement which seeks to promote the international trade in tropical timber, the sustainable management of tropical forests, and the development of tropical forest industries through international cooperation, policy work and project activities.

2. The ITTA was adopted in 1983 and entered into force in 1985. In November 1986, the International Tropical Timber Organization (ITTO) began to function in the administering of the provisions and operation of the Agreement following the appointment of the Executive Director and the selection of Yokohama as the headquarters. The ITTA, 1983 was succeeded by the ITTA, 1994 which entered into force on 1 January 1997.

II. MEMBERSHIP

3. As of 1 September 2000, the membership of the ITTA, 1994 and ITTO stands at 56, comprising 30 producing members and 26 consuming members including the European Community (EC), as set out in the Annex.

4. The current membership of ITTO represents more than 75 per cent of the world's tropical forests and almost 90 per cent of the world trade in tropical timber products. Although the ITTA, 1994 could still benefit from an expanded membership, all members that are considered "key players", save the Russian Federation, are already party to the Agreement. In spite of it being an intergovernmental organization, ITTO adopts a policy of openness to ideas from members of trade and non-governmental organizations (NGOs). Many of its members include advisers on trade and on the environment in their delegations. There is no information indicating any non-parties which are in compliance with the ITTA, 1994.

III. TRADE MEASURES

5. There are no provisions for trade measures in the ITTA, 1983 and the ITTA, 1994. Neither are there trade measures being proposed nor decisions being taken to introduce these measures within the ambit of the Agreement.

6. However, much focus is being given to the achievement of the ITTO Year 2000 Objective. Originating from a proposal for the ITTO Action Plan, 1990, the Objective emerged in the form of a commitment of all members made in Bali in 1990 to achieve exports of tropical timber products from sustainably managed sources by the year 2000. Following the adoption of the Objective, much work had been undertaken towards operationalizing that goal. This included the formulation of a strategy adopted in 1991 by which members, through international collaboration and national policies and programmes, will progress towards achieving sustainable management of tropical forests and trade in tropical timber from sustainably managed resources by the year 2000. The strategy has since been incorporated as one of the operative objectives of ITTA, 1994.

7. The foregoing has spurred ITTO to embark on its pioneering mission of assisting efforts to bring tropical forests under sustainable management. This involves, *inter alia*, the development of a series of guidelines covering the sustainable management of natural tropical forests (1990); the sustainable management of planted tropical forests (1991); the conservation of biological diversity in tropical production forests (1992); and the protection of tropical forests against fire (1997). Work on the development of a definition of sustainable forest management and a set of criteria for measuring sustainable forest management was also initiated at an early stage in ITTO's establishment (1991), well before the launching of the Helsinki and Montreal processes for non-tropical forests after UNCED 1992. Since then, a revised version of the ITTO Criteria and Indicators has been approved in 1998, followed by the adoption in 1999 of the ITTO Manual for the Application of Criteria and Indicators for Sustainable Management of Natural Tropical Forests.

8. ITTO has also commenced work on the development of auditing systems of sustainable forest management and an assignment is on-going to develop guidelines providing essential elements for a framework of adequate auditing systems for sustainable forest management to assist ITTO member countries in formulating national systems based on local conditions. Independent ITTO missions were dispatched to Sarawak (1989) and Bolivia (1995) to assess forest management and offer recommendations for improvement, while several projects have been approved for implementation in member countries with the view to enhancing capacity in managing tropical forests on a sustainable basis.

9. As the costs of bringing tropical forests under sustainable management are substantial and increasing, and recognizing the need to develop mechanisms for the provision of new and additional financial resources and expertise to enhance the capacity of producing members to attain its objectives, the ITTA, 1994 provides for the establishment of the Bali Partnership Fund for the sustainable management of tropical timber producing forests. The fund is exclusively reserved for producing members to achieve objective (d) of the ITTA, 1994 and is additional to the Special Account which remains in existence. Following the entry into force of the ITTA, 1994, work on finalizing the operation of the Bali Partnership Fund has been completed and members as well as the international donor community, are being asked to make pledges and contributions to the fund.

10. The ITTO Year 2000 Objective is arguably the earliest attempt at operationalizing and applying the concept of "integrating trade and environment and making them mutually supportive". Given the stark reality of the complexities and constraints in bringing tropical forests under sustainable management, the Objective has been considered as a challenging goal to be accomplished within a very short period of time. In view of this, and taking into account that sustainable forest management has evolved from a notion of sustained yield at the beginning to one of a continuous

process of ecosystems management, the objective is to be viewed as a guiding goal to facilitate ITTO and its members towards the achievement of sustainable forest management.

11. Since the year 2000 has arrived, the time has come for the review of the Objective to take place. At its Twenty-Eighth Session in Lima, Peru on 24-30 May 2000, the International Tropical Timber Council (ITTC), *inter alia*, undertook a review of the progress made by ITTO and its members towards achieving the ITTO Year 2000 Objective. The focus of the review was on progress, together with the factors contributing to or hindering it. Following the review, the ITTC reaffirmed its full commitment to moving as rapidly as possible towards achieving exports of tropical timber and timber products from sustainably managed sources.

12. According to the independent study on the review, commissioned by ITTO, progress has been made by producing members in policy and legislative reform; reorganization of administrative arrangements; development of new strategies and master plans for forestry; establishment of a permanent forest estate (PFE); consultation with local communities; expansion of forest lands dedicated to conservation; usage of the ITTO Guidelines and Criteria and Indicators; development of standards for forest management; investigation of the possibility of timber certification; increasing awareness of the importance of sustainable forest management; and producing more value-added exports. The study further identified six producing member countries, namely Ghana, Guyana, Indonesia, Malaysia, Cameroon and Myanmar, which seem to have established all the conditions to manage some of their forests sustainably at the forest management unit level. Other producing members are moving in the same direction, although all producing members still encounter problems of full implementation in the forests. These problems include strategies not being fully acted upon; shortage of qualified and trained personnel as well as finance; illegal logging and poaching; protected areas not adequately managed; application and enforcement of guidelines and regulations; creating greater awareness of sustainable forest management among concessionaires, timber industry, forest workers, farmers and other communities; establishing a sound basis for sustainable harvesting; implementing strict engineering specifications for road design; greater practice of reduced impact logging (RIL); and securing and protecting the PFE.

13. As for the consuming members of ITTO, progress is noted in respect of their commitment to sustainable forest management relating to their forest resources, the incorporation of criteria and indicators for sustainable forest management and the development of timber certification schemes. The developed consuming members have also provided technical and financial support to producing members, though not necessarily channelled through ITTO. All consuming members have reported a reduction or a phased reduction of import tariffs on timber and timber products, particularly from developing countries. Against these positive developments, concern is expressed that many good ITTO projects which are relevant to the ITTO Year 2000 Objective have remained unfunded, thereby raising the question of how seriously the Objective has been taken by the donors. Higher tariffs and duties being applied to processed tropical timber products are not helping producing members which are striving to develop capacity for secondary and tertiary processing. More could be done by consuming members to disseminate information concerning the beneficial changes that are occurring in the management of natural tropical forests.

14. With regard to ITTO, the study acknowledges that ITTO has probably done more in the thirteen years of its existence than any other organization to advance the idea of sustainable tropical forest management. ITTO's pioneering work, especially in the development of its action plan, series of guidelines, and the ITTO Criteria and Indicators of Sustainable Management of Natural Tropical Forests, is highlighted. ITTO has also been able to mobilise some US\$138.5 million of pre-projects and projects in direct support of the ITTO Year 2000 Objective, covering a wide range of subject areas including policy and legal issues, institutional strengthening, forest resource, forest health, sustainable forest management, conservation, community participation and trade and industry. In terms of total actions taken by ITTO thus far which are directly relevant to the ITTO Year 2000 Objective, ITTO has managed to raise some US\$145 million, which represents 75 per cent of the total

amount of some US\$190 million of funding that has been mobilised by ITTO since its inception. Yet the study points to a number of lost opportunities. These include the diluted nature of the first version of the ITTO Criteria and Indicators; the reluctance of ITTO to assume a more proactive role in timber certification; and the inadequate effort by ITTO to publicise its achievements and those of its members.

15. In spite of the complexities and constraints encountered by ITTO and its members, progress is being made by them towards the achievement of the ITTO Year 2000 Objective. The review carried out has been useful in providing ITTO and its members with a valid basis to formulate and implement appropriate follow-up policies and strategies for the new century and millennium.

16. As there are no provisions for trade measures in the ITTA, 1994, there is concern regarding pressures for urgent and definitive measures to be taken to save the world's tropical forests in the form of threats of bans and boycotts, as well as discrimination against tropical timber and unilateral actions to restrict or prohibit the use of tropical timber. In view of these, the ITTA, 1994 has a specific objective of providing a forum for consultation to promote non-discriminatory timber practices. In this connection, the Agreement contains an important provision for non-discrimination in Article 36 which states that nothing in the Agreement authorizes the use of measures to restrict or ban international trade in, and in particular as they concern imports of and utilization of timber and timber products. This provision is meant to prevent the use of the ITTA, 1994 as a basis for discrimination, particularly against tropical forest and timber.

17. Under Article 32 of the ITTA, 1994, members are generally obliged to use their best endeavours and cooperate to promote the attainment of the objectives of the Agreement and to avoid any action contrary thereto. Members also undertake to accept and carry out the decisions of the ITTC and shall refrain from implementing measures which would have the effect of limiting or running counter to them. As provided for in Article 31 of the ITTA, 1994, any complaint that a member has failed to fulfil its obligations under the Agreement and any dispute concerning the interpretation or application of the Agreement shall be referred to the ITTC whose decision shall be final and binding. Article 33 of the ITTA, 1994 provides the authority to the ITTC to relieve a member of an obligation under the Agreement on account of exceptional circumstances or emergency, while Article 34 of the Agreement provides for differential and remedial measures and special measures for developing consuming members and for members in the category of least-developed countries respectively.

IV. TIMBER CERTIFICATION AND LABELLING

18. Timber certification and labelling is closely related to the issue of sustainable forest management and has emerged with an initial focus on tropical forest and timber. The overriding objective of timber certification and labelling is to distinguish products from sustainably managed sources. It is observed that, of late, there has been a shift from the threat of bans and boycotts against tropical timber to the call for the certification and labelling of the product. However, on account of several factors, including the globalization of the world economy, continued pressure from environmental non-governmental organizations and growing competition among forest products and from non-wood substitutes, the scope of timber certification has expanded to cover non-tropical forests and timbers as well. Although these specific developments are welcomed, there remain several concerns on a host of issues on timber certification, including the proliferation of initiatives, the credibility factor and the possibility of timber certification being used as a non-tariff barrier and a means to discriminate against a particular product.

19. For these reasons, ITTO's work on timber certification began at a relatively early stage with the commissioning of a report on "The Economic Linkages Between International Trade in Tropical Timber and Sustainable Management of Tropical Forests" in 1993 leading to the convening of the Working Party on the "Report on Certification and Labelling of All Timber and Timber Products" in

Cartagena, Colombia in 1994. This was followed by a detailed study on "Market and Market Segments for Certified Timbers" in 1995, a comprehensive "Study on the Development in the Formulation and Implementation of Certification Schemes for All Internationally Traded Timber and Timber Products" in 1996 and the "Study on Timber Certification: Progress and Issues" in 1998. ITTO has also commissioned a "Comparative Study on the Auditing Systems of Sustainable Forest Management", which is being followed up by the development of guidelines for a framework of adequate auditing systems for sustainable forest management.

20. The contributions of ITTO to the development of principles, criteria and indicators of sustainable management of tropical forests are of direct relevance to the issue of timber certification. Besides commissioning relevant studies on the subject, ITTO provides support to member countries in the formulation, implementation and evaluation of projects related to timber certification. ITTO's current work is focused on the possibilities and requirements for the conceptualization of an international mutual recognition framework linking the various Sustainable Forest Management standards and certification systems which have been developed throughout the world. This work addresses the proliferation of initiatives and schemes, which is causing confusion in the market, to enhance the credibility of these initiatives and schemes.

ANNEX

ITTA MEMBERSHIP

Producing Members	Consuming Members
Africa Cameroon Central African Republic Congo Côte d'Ivoire Democratic Republic of Congo Gabon Ghana Liberia Togo Asia & Pacific Cambodia Fiji India Indonesia Malaysia Myanmar Papua New Guinea Philippines Thailand Vanuatu Latin America Bolivia Brazil Colombia Ecuador Guyana Honduras Panama Peru Suriname Trinidad and Tobago Venezuela	Australia Canada China Egypt European Community Austria Belgium/Luxembourg Denmark Finland France Germany Greece Ireland Italy Netherlands Portugal Spain Sweden United Kingdom Japan Nepal New Zealand Norway Republic of Korea Switzerland United States of America