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**Committee on Trade and Environment**

Original: English/  
anglais/  
inglés

**COMMUNICATION FROM THE SECRETARIAT OF THE INTERNATIONAL  
TROPICAL TIMBER ORGANIZATION**

The attached background paper<sup>1</sup> has been received from the Secretariat of the International Tropical Timber Organization (ITTO). It is being circulated to Members of the CTE in preparation for the Information Session with Secretariats of Multilateral Environmental Agreements on 23 July 1998.

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**Comité du commerce et de l'environnement**

**COMMUNICATION DU SECRÉTARIAT DE L'ORGANISATION  
INTERNATIONALE DES BOIS TROPICAUX**

La note d'information ci-jointe<sup>1</sup> a été reçue du Secrétariat de l'Organisation internationale des bois tropicaux. Elle est distribuée aux membres du Comité du commerce et de l'environnement en vue de la séance d'information avec les Secrétariats des Accords environnementaux multilatéraux qui aura lieu le 23 juillet 1998.

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**Comité de Comercio y Medio Ambiente**

**COMUNICACIÓN DE LA SECRETARÍA DE LA ORGANIZACIÓN  
INTERNACIONAL DE LA MADERA TROPICAL**

La Secretaría de la Organización Internacional de la Madera Tropical ha enviado el documento de base adjunto<sup>1</sup>, que se distribuye a los miembros del CCMA como parte de los preparativos para la reunión de información con las Secretarías de Acuerdos Multilaterales sobre el Medio Ambiente, que se celebrará el 23 de julio de 1998.

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<sup>1</sup> English only/En anglais seulement/En inglés solamente.

## RECENT TRADE-RELATED DEVELOPMENTS IN THE INTERNATIONAL TROPICAL TIMBER AGREEMENT (ITTA)

Note by the Secretariat of the International Tropical  
Timber Organization

### I. INTRODUCTION

This is a background paper on recent trade-related developments in the International Tropical Timber Agreement (ITTA). The purpose of this paper is to contribute to the discussion on recent trade-related developments in multilateral environmental agreements (MEAs) within the context of the linkages between the multilateral environment and trade agendas to be considered by the World Trade Organization Committee on Trade and Environment (CTE) at its meeting on 23-24 July 1998 in Geneva, Switzerland.

### II. BACKGROUND

The ITTA is one of several intergovernmental international commodity organizations (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 categorized as a **developmental agreement** which seeks to establish mutually supportive relationships in the promotion of sustainable forest management, international trade in tropical timber and development of forest industries through international cooperation, policy work and project activities.

The ITTA, 1983 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 has been put into force on 1 January 1997. Presently, the membership of the ITTA, 1994 stands at fifty-one 51, comprising 27 producing members and 24 consuming members including the European Union. Although the ITTO is an intergovernmental organization, it adopts a policy of openness to ideas from members of the trade and non-governmental organizations (NGOs). Many of its members include advisers from trade and on from environment in their delegations.

### III. TRADE-RELATED MATTERS IN THE ITTA

Under the ITTA, 1983, matters related to trade were incorporated in three of its eight objectives, namely:

- (b) To promote the expansion and diversification of international trade in tropical timber and the improvement of structural conditions in the tropical timber market, by taking into account, on the one hand, a long-term increase in consumption and continuity of supplies, and on the other, prices which are remunerative to producers and equitable for consumers, and the improvement of market access;
- (d) To improve market intelligence with a view to ensuring greater transparency in the international tropical timber market; and
- (g) To improve marketing and distribution of tropical timber exports of producing members.

It would appear that these objectives provide the basis for the promotion of international trade in tropical timber in the conventional sense of the term. However, the reference to the continuity of supplies and market transparency in the foregoing objectives, coupled with the provision of specific goals towards sustainable utilisation and conservation of tropical forests and their genetic resources as well as maintaining the ecological balance (objective (h)) and the development of forest management (objectives (c) and (f)) underline clearly the recognition given at the very beginning to the need for the trade-related objectives to be pursued in harmony with those pertaining to sustainable forest management, conservation and the environment. Indeed, the ITTA stands as one of the earliest attempts on the multilateral front at fostering a mutually supportive relationship between development and trade in tropical timber, on the one hand, and sustainable forest management and conservation, on the other, preceding, *inter alia*, the Brundtland Report, 1987 and the historic United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro in 1992.

Following the entry into force of the ITTA, 1994 on 1 January 1997, the ITTO's mandate on trade has been updated and refined in direct response to the rapid developments that have taken place within and beyond the realm of ITTO including, in particular, the watershed agreements adopted at UNCED 1992. This is reflected in six trade-related objectives of the agreement as follows:

- (b) To provide a forum for consultation to promote non-discriminatory timber trade practices;
- (d) To enhance the capacity of members to implement a strategy for achieving exports of tropical timber and timber products from sustainably managed sources by the year 2000;
- (e) To promote the expansion and diversification of international trade in tropical timber **from sustainable sources** by improving the structural conditions in international markets, by taking into account, on the one hand, a long-term increase in consumption and continuity of supplies, and, on the other, prices **which reflect the costs of sustainable forest management** and which are remunerative and equitable for members, and the improvement of market access;
- (h) To improve market intelligence with a view to ensuring greater transparency in the **international timber market, including the gathering, compilation, and dissemination of trade related data, including data related to species being traded**;
- (k) To improve marketing and distribution of tropical timber exports **from sustainably managed sources**;
- (m) To encourage information-sharing on the international timber market.

Objectives (b), (d) and (m) are new provisions aimed respectively at addressing members' concern over perceived discriminatory tendencies against tropical timber, formalising the pivotal ITTO Year 2000 Objective and facilitating information-sharing involving tropical and non-tropical timbers. Objective (e), (h), and (k) are revised versions of objectives (b), (d), and (g) under the ITTA, 1983 respectively. In objectives (e) and (h), the qualification 'from sustainable sources' is attached to the terms 'international trade in tropical timber' and 'tropical timber exports' while, under objective (h), market transparency and trade-related data apply to all types of timbers.

Similar updating and refinement have been made to the other objectives of the ITTA including those related to sustainable forest management, conservation and the environment. As a result of these comprehensive changes, the linkage between trade and environment has been given a

clearer perspective within the purview of the ITTA, 1994. Indeed, the ITTA is an example of an agreement that integrates trade and environment.

#### IV. TRADE-RELATED DEVELOPMENTS IN THE ITTA

The ITTA was negotiated in the midst of the global concern over the fate of tropical forests. Since the establishment of ITTO, pressure has been mounting for urgent and definitive measures to be taken to save this invaluable resource. Much of the pressure has come in the form of threats of bans and boycotts as well as unilateral actions to restrict or prohibit the use of tropical timber. These have had a profound influence in shaping the environment in which ITTO operates and in determining the trade-related agenda of the organization.

Added to the foregoing was the outcome of one of the earliest studies to be commissioned by ITTO, the *Study on the Status of Sustainable Forest Management* leading to the publication of the book *No Timber Without Trees* which found that very little of the world's tropical forests was managed on a sustainable basis. It spurred ITTO to embark on its pioneering mission of bringing 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 the early stage of 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 May 1998. Independent ITTO missions were despatched 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.

##### A. THE ITTO YEAR 2000 OBJECTIVE

The culmination of the foregoing efforts was the adoption of the ITTO Year 2000 Objective. Originating from a proposal for the ITTO Action Plan, it 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**. It is, indeed, a courageous and challenging goal to be achieved within a short period of 10 years, given the stark reality of the complexities in bringing tropical forests under sustainable forest management. For ITTO, however, the commitment constitutes an important and timely shift from mere debate to real action.

Following the adoption of the ITTO Year 2000, further work was undertaken towards operationalizing the goal. This included the formulation of a strategy adopted in 1991 by which members would progress towards achieving sustainable forest management 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 the ITTA, 1994. Other important efforts in this regard were the task of estimating the resources required to attain the objective and the development of a format for the sharing of information pertaining to the progress achieved towards the realization of the goal. Voluntary progress reporting was subsequently made by members leading to the conduct of the Mid-Term Review in Manila in 1996.

The outcome of the Mid-Term Review has indicated the prospect for a number of the producing members to make good progress towards the attainment of the ITTO Year 2000 Objective. For the other producing members, the way ahead lies in making progress in five key identified areas on the basis of prioritised action.

The costs of bringing tropical forests under sustainable management are substantial and increasing. Recognizing the need to develop and contribute towards mechanisms for the provision of new and additional financial resources and expertise needed to enhance the capacity of producing members to attain the objectives of the agreement (objective (g)), 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 agreement 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 is almost completed. Members and the international donor community are being asked to make pledges to the fund which has received some initial contributions notably from the Government of Japan.

With the year 2000 fast approaching, the attainment of the ITTO Year 2000 Objective will depend on the full commitment of members as well as the adequate provision of resources and expertise. As its name suggests, the objective is not to be viewed as a guillotine or deadline for the application of sanctions against tropical timber exports from unsustainably managed sources, but as an indicative and guiding goal to facilitate the achievement of sustainable forest management.

#### B. TIMBER CERTIFICATION AND LABELLING

Timber certification and labelling is closely related to the issue of sustainable forest management and has similarly emerged with an initial focus on tropical forest and timber. While the objective of timber certification and labelling in distinguishing products from sustainably managed sources has been generally accepted, there remain several concerns regarding the proliferation of initiatives, the credibility factor and the possibility of it being used as a non-tariff barrier and a means to discriminate against a particular product.

ITTO's work on timber certification and labelling began 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 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 Timber* in 1995 and a comprehensive update of the study on *Certification of All Internationally Traded Timber and Timber Products* in 1996.

The issue of timber certification and labelling is still evolving and will continue to be ventilated at appropriate fora particularly in the context of the UNCED follow-up under the Intergovernmental Forum on Forests (IFF). For its part, ITTO has made significant contributions to the development of principles, criteria and indicators of sustainable management of tropical forests. Although ITTO has not assigned itself a role in the development and practice of timber certification as well as in the accreditation of timber certification bodies, it has nevertheless commissioned relevant studies on the subject and approved projects aimed, *inter alia*, at improving the marketing of tropical timber from sustainably managed sources and training of human resources towards this end. Indeed, timber certification and labelling remains very much on the ITTO agenda.

#### C. MARKET ACCESS AND NON-DISCRIMINATION

The threats of bans and boycotts on tropical timber as well as unilateral actions to prohibit or restrict the use of tropical timber taken at the local level of government have generated much concern and anxiety among producing members. It is felt that such actions could frustrate efforts to improve forest management in producing members which need the revenues from tropical timber exports to finance national development and the sustainable management of their forest resources. On the other hand, consuming members view export restrictions imposed by producing members to promote

domestic processing as having a significant impact on the free flow of international trade in tropical timber products. From a more global perspective, the Intergovernmental Panel on Forests (IPF) noted that while tangible progress had been achieved in the reduction in tariff barriers to forest products within the context of the Uruguay Round, it was a matter of concern that barriers to international trade in forest products, particularly non-tariff barriers, could still impede access of forest products to the international market. In this connection, the concern was particularly over the use of eco-labelling and green certification as import barriers.

The issue of market access was raised within the ITTO in 1993 with a call for the assessment of international market trends, market share and conditions of market access. A reiteration of the importance of market access was made in 1996 which subsequently led to the decision in 1997 for the conduct of a study on *The Impediments to Market Access for Tropical Timber*. The study is currently being implemented.

In the run-up to the adoption of the ITTA, 1994, the proposal for the broadening of the scope of the ITTA to cover all timbers was advanced by producing members in order to address the problems of discrimination and double-standards faced by tropical forest and timber. Although the ITTA, 1994 is still an agreement on tropical timber, it does provide for a broader coverage in some respects including the framework for consultation, international cooperation, and policy development; the forum for consultation to promote non-discriminatory timber practices; the reference to structural conditions in international markets; development of national producing forests; information sharing on the international timber market; and provisions for statistics, studies, information, annual review and reporting of progress towards sustainable forest management. It is significant to note that in conjunction with the adoption of the ITTA, 1994, a formal statement by consumers was circulated concerning their commitment to achieve sustainable management of their forests by the year 2000. The formal statement was made outside the ambit of the ITTA, 1994 but is attached to the UNCTAD document TD/Timber.2/16 regarding the agreement. Consequently, consuming members of the ITTA, 1994 are also required to report and share information on their progress towards sustainable management of their respective forests.

In relation to objective (b) of the ITTA, 1994 concerning the promotion of non-discriminatory timber trade practices, the agreement contains an important provision for non-discrimination in Article 36 which states **that nothing in the Agreement authorises the use of measures to restrict or ban international trade in, an in particular as they concern imports of and utilisation of timber and timber products**. While it is generally understood that the appropriate international forum to deal with the issue of trade discrimination remains in the WTO, the provision of Article 36 of the ITTA, 1994 is meant to prevent the use of the Agreement as a basis for discrimination particularly against tropical forest and timber.

#### D. PROPOSED LISTING OF INTERNATIONALLY TRADED TROPICAL TIMBER SPECIES IN THE APPENDICES OF THE CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES OF WILD FAUNA AND FLORA (CITES)

The proposed listing of some internationally traded tropical timber species in the appendices of CITES in the early 1990s by proponents which were Parties to both CITES and the ITTA but were not range states of the species concerned brought to question the issue of communication and coordination between CITES and the ITTA. Queries were raised as to the appropriateness of, and the motive behind the listing proposals. The real concern was that CITES might be used as a means to undermine international trade in tropical timber products.

Several decisions on this issue were taken by the International Tropical Timber Council (ITTC). In 1992, it called for improved cooperation with CITES following the clash of dates between the session of the ITTC and the CITES Conference of Parties. In 1994, ITTC registered the need for

coordinated action between the two agreements besides proposing a study to examine methodological bases for regulating trade in endangered species. Following the establishment of the CITES Timber Working Group (TWG) in 1995 to study implementation problems resulting from the inclusion of several timber species in the appendices of CITES, ITTC approved the participation of ITTO in the TWG, thus paving the way for greater cooperation between the two parties. ITTO is now to be officially consulted by the CITES Secretariat regarding proposals to list timber species in its appendices. This is to ensure that detailed resource and trade information which ITTO can draw on will be available to assist CITES in its decision-making process.

#### E. ECONOMIC INFORMATION AND MARKET INTELLIGENCE CAPACITY

Following its establishment, ITTO embarked on building its capacity in market intelligence through the conduct of studies on export market structures and end-uses. In-house statistical work was also launched at an early stage as a step towards market transparency. Subsequent to the setting-up of the Committee on Economic Information and Market Intelligence in 1987, the *Annual Review and Assessment of the World Tropical Timber Situation* and the *Annual Market Discussion* began to be conducted in 1989. These were followed by the launching of the *Market News Service* (MNS) in collaboration with the International Trade Centre (ITC) in 1990, which was replaced by the *Tropical Timber Market Information Service* (TTMIS) since 1995. The *Tropical Forest Update* (TFU) began to be published in 1991 while regional workshops for training staff from producer countries in the design and management of effective statistical information system have been conducted.

In the context of the ITTA, 1994, the *Annual Review and Assessment of the World Timber Situation* will be conducted on the basis of all timbers. ITTO has also initiated consultations with FAO, UN/ECE, and Eurostat to explore the feasibility of developing a joint forest statistical questionnaire that could reduce overlapping of efforts in the collection of data and the burden of countries in submitting data to different international organizations. The *Annual Market Discussion* is now conducted in close collaboration with representatives from the trade to ensure that the interests and concerns of the trade are taken into account.

#### F. CONTRIBUTION TO THE INTERGOVERNMENTAL FORUM ON FORESTS (IFF)

In the context of the follow-up to UNCED 1992, ITTO has been actively involved in major post-UNCED initiatives and has contributed significantly to the on-going global forest debate through the United Nations Commission on Sustainable Development (UNCSD), the IPF and the Inter-Agency Task Force on Forests (ITFF). Following the establishment of IFF as a successor to IPF, ITTO is continuing its contribution in terms of staff secondment and as the lead agency for Category IIB of the IFF Programme Element entitled 'Trade and Environment' for which a paper has been commissioned for substantive consideration by the IFF at its second session to be held in Geneva from 24 August to 4 September 1998.

### V. CONCLUSION

Developments within the ITTA have revolved around some of the germane issues related to trade and environment. Several aspects of these issues may be contentious in nature, but to-date work within the ITTA has not resulted in any trade measures being directed to any particular party. Developments in the years ahead may be determined in some measure by the out-come of the on-going work at the IFF and the UNCSD.

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