

ITTO'S PERSPECTIVE ON TRADE AND ENVIRONMENT

Jairo CASTANO

Economic Information and Market Intelligence, ITTO

I. INTRODUCTION

The purpose of this paper is to present ITTO's view on trade and environment. The International Tropical Timber Organization (ITTO) is a commodity organization created in the early 80's bringing together countries which produce and consume tropical timber to discuss and exchange information and develop policies on all aspects of the world tropical timber economy. ITTO at present has 50 members (26 producers and 24 consumers) including the European Community, which account for over 75 percent of the world's tropical forest and more than 95 percent of the international trade in tropical timber.

The ITTO recognizes that a continuing supply of tropical timber on the world market depends on quality information about the trade and market place, efficient timber production and processing methods and sustainable forest management practices.

The relevance of the involvement of a trade-oriented organisation like ITTO in conservation is greater than thought. ITTO believes that a starting point for a sustainable timber trade is a land use policy on which sustainable forest management can firmly be based. Consequently, ITTO recognises the need for improvements in harvesting methods (specially in steep terrain), the extension of totally protected areas for nature conservation, improvements in the welfare of nomadic peoples, and manpower training and deployment for the planning, supervision and management necessary to achieve the standards of sustainability.

II. BACKGROUND

The origin of ITTO dates back to 1976 when tropical timber was proposed as a commodity to be included in the UNCTAD Integrated Programme on Commodities. The ITTA, one of the resulting commodity agreements, was finalised in 1983 and ITTO came to operation in 1986 with its headquarters established in Yokohama, Japan.

The ITTA objectives fall into three broad objectives:

- Effective consultation and co-operation between members on issues relating to the international trade and utilisation of tropical timber and the sustainable management of its resource
- Promotion, expansion, diversification and strengthening of tropical timber trade and greater market transparency
- Encouragement of reforestation and forest management, sustainable utilisation and conservation of the tropical forest and their genetic resources

The ITTA objectives were reinforced in 1990 with the adoption of the Year 2000 objective, which states that all tropical timber traded internationally by member countries should come from sustainably managed forests by the year 2000. It acknowledges that the continuity in business depends on the continuity of the resources on which the enterprise is based and sets a milestone for it with regard to tropical forests. In response to rapid developments in trade and environment issues, in particular, the watershed agreements reached in UNCED 1992, a new ITTA was adopted in 1994 and entered in force on January 1997. Under the new Agreement, objectives have been updated and refined, 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.

The 50 country members compose the International Tropical Timber Council (ITTC), the governing body. In contrast to other international organisations, consumer and producer countries are equal partners in decision-making, policy formulation and project development. Also, environmental and trade NGOs take an active part in ITTC biannual deliberations.

The Council is served by four Committees -those of Reforestation and Forest Management, Economic Information and Market Intelligence, Forest Industry, and Management Services- established to review and monitor corresponding spheres of the Organization's operations.

III. THE IMPLICATIONS OF ITTA

The ITTA underlines clearly the recognition 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.

By giving conservation and trade equal importance, the ITTA brought about an unconventional type of commodity agreement. This seems strain to belief if considering that timber industry is assumed as one of the principal agents of tropical deforestation. However, for ITTO members, the notion is perfectly valid. Conservation through ecologically sound forest management can go hand in hand with sustainable development and must be pursued continuously.

Predictably, ITTO created many expectations, but it was never intended or equipped to be the total response to the dangers threatening the tropical forests.

It was certainly meant to catalyse the efforts of producer and consumer members to contribute to the solution and ITTO has certainly given significant contributions on this direction.

IV. ACTIVITIES AND ACCOMPLISHMENTS

One of ITTO's first interests was to know the extent to which the world tropical forest was being managed sustainably. This was assessed in the Study on the Status of Sustainable Forest Management, which led to the publication of the book 'No Timber Without Trees.' The findings pointed out that in 1988 little of the world's tropical forest was managed on a sustainable basis and that the methods for achieving this management tended to be quite specific to the countries.

These findings -implying that sustained yield management for timber is not, on its own, Sustainable Forest Management (SFM)- were a hard lesson to comprehend and even harder to adjust to and take on board. They certainly showed the enormous scale of the problem which ITTO was trying to tackle but, equally important, it also pointed to the solution. After all, sustainable management would ensure the continuity of the timber trade and the forest on which the trade depended.

This study spawned the development of guidelines for the practice of SFM.

Three sets of operational guidelines were developed and adopted by the Council in the early 1990's:

- Guidelines for the Sustainable Management of Natural Tropical Forest (1990)
- Guidelines for the Establishment and Sustainable Management of Planted Tropical Production Forest (1993)
- Guidelines for the Conservation of Biological Diversity in Tropical Production Forests (1993)
- Guidelines on Fire Management in Tropical Forests (1997)

These guidelines were followed by other pioneering works:

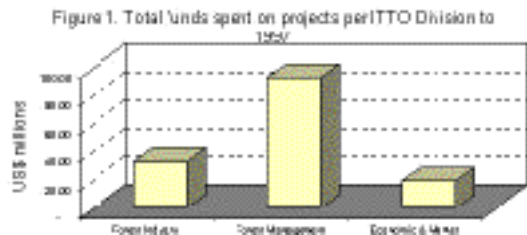
- Criteria and Indicators for Sustainable Forest Management(1991)
- Timber Certification: Progress and Issues (1997)

Work on the development of a definition of sustainable forest management and a set of criteria for measuring sustainable forest management that eventually led to formulation of Criteria and Indicators of SFM was initiated well before the launching of the Helsinki and Montreal processes for non-tropical forests after UNCED 1992. A Revised Version of Criteria and Indicators was finished in 1998.

Subsequently, ITTO sponsored several projects for the establishment of demonstration plantations meeting some of the Guidelines' standards; independent ITTO missions were despatched to Sarawak (1989) and Bolivia (1995) to assess forest management and offer recommendations for improvement; and

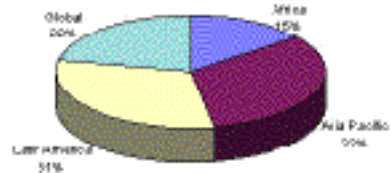
several projects have been approved for implementation in member countries with the view to enhancing capacity in managing tropical forests on a sustainable basis. While ITTO is not a development assistance agency, projects are an important aspect of the Organization's work and a primary means of assisting member countries to implement policy initiatives. Examples include pilot and demonstration projects, human resource development projects, and research and development projects. All projects are funded by voluntary contributions from member countries.

Figure 1 shows that 64 percent of ITTO total project funds has been spent on projects on Reforestation and Forest Management of tropical forest. Two-thirds of all funds have been equally distributed between Asia Pacific and Latin America (figure 2). The remaining proportion is shared by Africa and non country-specific projects, called 'global' projects, such as ITTO Guidelines on forest management.



In addition to the foregoing publications and other technical documents, ITTO also brings forestry discussions to policy makers and a wider audience on whose support a sustainable tropical timber trade depends. This information is made available in the ITTO quarterly-published newsletter Tropical Forest Update.

Figure 2. Proportion of total funds spent in projects per region to 1997 (total US\$ 145,165,305)



V. THE ITTO YEAR 2000 OBJECTIVE

The ITTO Year 2000 Objective emerged in the form of a commitment of all members made in Bali (Indonesia) 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 had been undertaken towards operationalising 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.

In 1995, aware of the short time remaining until 2000 and the need for a practical approach, the Council by Decision 8(X) identified seven priority actions by countries that are essential for progress toward the Year 2000 Objective in the short-term. These are to:

- Adopt a forest policy and apply legislation;
- Secure the permanent forest estate;
- Apply reduced impact logging;
- Train the work force, including supervisors, in reduced impact logging;
- Limit timber harvest to the sustained yield capacity;
- Raise public awareness that timber harvesting can be consistent with the sustainability of tropical forests;
- Focus forest research on the analysis and use of existing data and knowledge.

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 realisation 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 four keys identified areas on the basis of prioritised action.

The costs of bringing tropical forests under sustainable management are substantial and increasing. The ITTA, 1994 provides for the establishment of the Bali Partnership Fund to assist producing member countries for the sustainable management of tropical timber. Members and the international donor community are being asked to make pledges to the fund, which has received some initial contributions. 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.

VI. TIMBER CERTIFICATION

Recently, timber certification has emerged as a focal point of international debate. ITTO, mindful of this new trend, has contributed to the debate with two publications *Criteria and Indicators (1998)* and *Timber Certification: Progress and Issues (1997)*. Nonetheless, there is still a need to achieve international harmonisation and mutual recognition of standards and to develop a common set of criteria and indicators for sustainable management at the forest level to

assist the global certification process. To date, the slow progress in timber certification has meant that its potential role in promoting sustainable forest management on a significant scale globally is, at best, still unclear.

While aiming to a core set of criteria for evaluating SFM, it is also important to support the efforts of the World Trade Organization (WTO) to ensure that existing and new certification and eco-labelling schemes for wood products in importing and consumer markets are not used in a discriminatory way as a form of 'disguised protectionism'.

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.

VII. MARKET TRANSPARENCY AS A MEANS TO ACHIEVE SFM

The monitoring of progress towards sustainable forest management depends on having an accurate set of statistical indices of such aspects as the magnitude and pattern of timber production, the extent and nature of the trade, the rates of growth in the forests and the rate of forest loss. Following its establishment, ITTO embarked on building up 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. The ITTO Annual Review is an important and well-known publication, which summarises and analyses statistics for tropical timber production and trade and the trends they indicate. In the context of the ITTA, 1994, the Annual Review and Assessment of the World Timber Situation is conducted on the basis of all timbers

The Tropical Timber Market Information Service (TTMIS) complements the Annual Review task. MIS is a bi-weekly newsletter that collects, reports, analyses and disseminates up-to-date information on export prices for tropical forest products for a range of species and degree of processing. These comprehensive sources of up-to-date market intelligence has gone a long way towards meeting the objective set for it under market intelligence and market transparency. These services have increased the capacity of consumers and producers in the trading channel to anticipate market movements and trends with more confidence. A number of producer countries do not have either the adequate capacity to generate, compile or disseminate these data. This means that they are unable to exercise control over output relative to growth, which is necessary for taking even the first steps towards sustainable development. ITTO, in collaboration with selected international and national agencies, has instituted a series of regional workshops for training staff from producer countries in the design and management of effective statistical information systems. Positive results are already evident and

more consistent information are being forwarded for use in ITTO's statistical publications.

VIII. RELATIONS WITH OTHER INTERNATIONAL ORGANIZATIONS AND INITIATIVES

As provided for in the ITTA, ITTO operates closely with many other inter-governmental and non-governmental bodies working on relevant fields of interest. In the context of the follow-up on 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 'Trade and Environment' issues. ITTO is officially consulted by the Secretariat of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) on proposals to list timber species in its appendices.

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.

IX. PROGRESS

Over the past years, great advances have been made in the three essential elements of the agreement. While it would be extreme to claim that progress is all due to ITTO's activities, it has made an appreciable contribution.

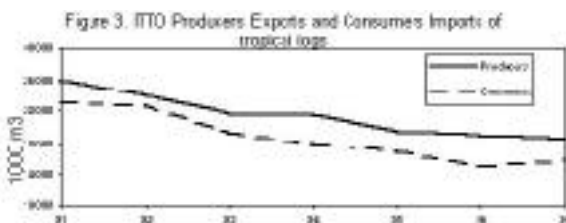
The collection, analysis and dissemination of production, trade and price information has increased the capacity of all marketing channel actors to appreciate market changes and take more optimal decisions. To bring better coordination to the export market, the Organization has supported projects to study and revise nomenclature and grading rules of tropical timber logs, sawnwood and plywood. The availability of all this information is undoubtedly a big step forward the market transparency objective.

In the last decade, greater share of the proceeds from the trade is reaching the producers, which is very consistent with the objective of increasing producer export earnings. A major proportion of this corresponds to processed wood products.

In fact, this growing process has been accompanied by a steady decline in tropical logs trade. Figure 3 shows that ITTO producers have decreased one-third their exports in the current decade. ITTO consumers, in turn, have had a similar drop in log imports in the same period. These trends in the trade of raw and processed timber show the shift to value added exports, which is consistent with

the objective in promoting domestic processing. Although ITTO has played a role in this process, it must be also considered that development and restructuring in producing countries have been concurrent, as well as policy intervention to limit raw wood exports.

The contribution of ITTO to forest management, research and development of low impact timber harvesting systems has been significant. Several projects in Latin America and Asia are showing that low impact logging is feasible. Much can be achieved through training in the handling of equipment, and better planning and control of timber harvesting operations. The corporate structure for field administration, supervision and management control (including helicopter logging) is a noteworthy example which could have even wider applicability.



ITTO has been also concerned with the development of methods and markets to allow greater use of lesser used species which can be harvested on a sustainable basis and non-wood forest products as an important alternative in the development of low impact timber management and diversification. The involvement of ITTO in conservation reserves and national parks as land policy has brought about several scientific findings. One outstanding result was the establishment of the Lanjak-Entimau/Bentuang-Karimur Biodiversity Conservation Area, about one million hectares in size between Malaysia and Indonesia, perhaps the largest transboundary reserve in the rainforest world. The area has allowed the protection of endangered species and perhaps the discovering of new ones to the science. Other ITTO projects include studies of downstream effects of upland timber management and mangrove forest management.

X. FINAL REMARKS

After all these years, the tropical timber trade has come a long way towards becoming an instrument of forest conservation rather than an agent of deforestation, and a much higher proportion of the tropical timber harvest is now processed in the countries of origin with the consequent gains in rural as well as national and social development. These and other advances have been noted. But, naturally, after a short time of its active operation, ITTO has much more to accomplish. Preliminary indications show that the low level of SFM assessed 11 years ago is rising significantly, with major improvements in some countries. This is a laudable achievement but there is still an enormous task ahead to reach SFM.

ITTO is aware of the fact that the task of upgrading and acquiring all the skill

required for the whole timber economy to conform to the standards of sustainability is clearly of a scale well beyond anything it can tackle on its own or, even, in conjunction with other international agencies.

Greater market transparency would ensure the objectives on improved market access for timber products, international harmonisation and mutual recognition of standards for timber certification, international commitments to a country certification process and assessing the international financial and technical assistance needed by developing countries. In addition, market transparency is essential for providing information to facilitate the independent market and economic analyses of the market competitiveness and long-run substitution of forest products and of the costs and benefits of implementing sustainable forest management in producer countries.

Public policies continue to be a major barrier to sustainable forest management in some producer countries. The result is inappropriate economic incentives creating inefficiencies in timber harvesting and short-term extraction for immediate gain, and a more long term and wide scale effect on the pattern of forest-based industrialization and its implications for the management of the forest resource base as a whole, including the conversion of forest land to agriculture and other uses. Improved market transparency is one key element in progress towards policy reform and full cost internalisation to promote sustainable forest management. It might be pertinent the consideration of the issue as to what international and national policies are required to facilitate sustainable forest management globally, and whether these policies need to be endorsed through multilateral agreement and commitments.