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**NEW AND EMERGING ISSUES OF RELEVANCE TO  
THE INTERNATIONAL TROPICAL TIMBER COUNCIL  
AND A FUTURE INTERNATIONAL TROPICAL TIMBER AGREEMENT**

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*Revised March 2003*



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**FOREWORD**

March 2003

This revision of our September 2002 report, ITTC(XXXIII)/6, is provided consistent with Council Decision 8(XXXIII) which, inter alia, authorizes the revision "based on Council discussions and written comments by Members." Written comments were submitted by Cambodia, Ghana, Japan, Malaysia, Norway and Togo.

Taking into account these comments, the authors have made the following principal additions to the original report: Section III.B.4 on the willingness of consumers to pay for certified products, Annex C on Members Voluntary Financial Contributions to ITTO: 1997 to February 2003, and Annexes E and F which provide comparative matrices on the mandate, membership and governance structure of ITTO and the 13 international organizations and treaties analyzed.

The authors again wish to express their appreciation to ITTO Executive Director Dr. Manoel Sobral Filho and his staff for their excellent support in preparation of this revised report, which we hope the ITTC will find useful as it continues its examination of the future role of the ITTO and consideration of a successor agreement to the ITTA, 1994.

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**FOREWORD**

**September 2002**

The authors wish to express their appreciation to ITTO Executive Director Dr Manoel Sobral Filho and his staff for their excellent support in the preparation of this report, which we hope the ITTC will find useful as it begins its examination of the future role of the ITTO and consideration of a successor agreement to the ITTA, 1994. The authors note that as this is the first report requested by the ITTC in preparation for discussions on a future ITTA, it largely provides background information on organizations, issues and modes operandi of potential relevance

In compiling the report, especially factual information on the several international treaties and organizations addressed therein, a number of public sources were consulted. In some cases these sources, including official web sites, differed in their data regarding membership, budget or other institutional facts and modus operandi. While the authors have sought to the best of their abilities in the time available to provide accurate, current and comprehensive information, it is possible that inaccuracies or omissions may be found. Should this occur, the authors would welcome the opportunity to incorporate improved information in the report or develop an errata sheet as needed.

## LIST OF ACRONYMS AND ABBREVIATIONS

APEC	Asia Pacific Economic Cooperation
ATL	Accelerated Trade Liberalization
CBD	Convention on Biological Diversity
CCD	United Nations Convention to Combat Desertification
CDM	Clean Development Mechanism
CFC	Common Fund for Commodities
CIFOR	Centre for International Forestry Research
CITES	Convention on International Trade in Endangered Species
COP	Conference of the Parties
CPF	Collaborative Partnership on Forests
CSD	United Nations Commission on Sustainable Development
CST	CCD's Committee on Science and Technology
CTE	WTO's Committee on Trade and Environment
ECOSOC	United Nations Economic and Social Council
ENR	Enhanced Natural Regeneration / Reforestation
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FRA 2000	FAO's Forest Resources Assessment 2000
FSC	Forest Stewardship Council
G-8	Group of Eight Highly Industrialized Nations
GATT	General Agreement on Trade and Tariffs
GEF	Global Environmental Facility
GHG	Green House Gases
IBRD	World Bank Group's International Bank for Reconstruction and Development
ICA	International Coffee Agreement
ICCA	International Cocoa Agreement
ICCO	International Cocoa Organization
ICO	International Coffee Organization
IDA	World Bank Group's International Development Association
IFC	World Bank Group's International Finance Corporation
IFF	Intergovernmental Forum on Forests – predecessor to UNFF
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change

IPF	Intergovernmental Panel on Forests – predecessor to IFF
IRSG	International Rubber Study Group
ITC	International Trade Center
ITFF	Inter-Agency Task Force on Forests – predecessor to CPF
ITTA	International Tropical Timber Agreement
ITTC	International Tropical Timber Council
ITTO	International Tropical Timber Organization
IUCN	World Conservation Union
LUCF	Kyoto Protocol’s Land Use Change and Forestry Sector
MIGA	World Bank Group’s Multilateral Investment Guarantee Agency
NGOs	Non-Governmental Organizations
NTFP	Non-Timber Forest Products
PECP	Pan European Certification Process
RIL	Reduced Impact Logging
SFM	Sustainable Forest Management
STAP	GEF’s Science and Technology Advisory Panel
UK	United Kingdom of Great Britain and Northern Ireland
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNFF	United Nations Forum on Forests
USA	United States of America
WB	World Bank
WBG	World Bank Group
WMO	World Meteorological Organization
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization

## SECTION I

### INTRODUCTION

The overall purpose of this report is “to identify new and evolving issues of relevance to the ITTC and with an impact on trade in tropical timber from sustainable sources, with a view to informing the International Tropical Timber Council (ITTC), as it prepares for its consideration of the future of the International Tropical Timber Agreement.” As set forth in Decision 4(XXXII) contained in Annex A, this includes, *inter alia*, to:

- “Look at the work and mechanisms of other relevant organizations and treaties, e.g. WTO, UNFF, CBD, UNCCD, UNFCCC, WSSD, and relevant commodity organizations;
- Identify emerging issues and developments in international trade, including, *inter alia*, current market trends in tropical timber, the potential role of certification in promoting and creating incentives for sustainable tropical forest management; the increased attention to forest law enforcement; and developments in recognizing the environmental services provided by forests.”

The ITTA, 1994 will expire in 2006, assuming Council agrees to extend the Agreement for a final three-year period in 2003. The negotiation of a successor Agreement will take place under the auspices of the UN Conference on Trade and Development (UNCTAD), which is expected to host the negotiating conferences in Geneva. Based on the experience negotiating the 1994 Agreement, it is desirable that the renegotiation be concluded by late 2005. This would allow countries sufficient time, prior to the expiration of the ITTA, 1994, to conclude ratification procedures and deposit their instruments of ratification at the United Nations. Depending on the decision of the Council, the first preparatory committee for negotiating a successor agreement to the current ITTA could meet as early as mid 2003.

This report is organized into four sections. Section II provides an overview of the work, governance structure and other mechanisms of relevant international organizations and treaties, and of the outcome of the World Summit on Sustainable Development (WSSD). Section III provides an overview of new and emerging issues and developments in international trade. Section IV offers some conclusions based on Sections II and III and suggests elements the Council may wish to consider as it prepares for negotiating a successor agreement to the ITTA 1994.

## SECTION II

### REVIEW OF THE WORK AND MECHANISMS OF RELEVANT INTERNATIONAL ORGANIZATIONS AND TREATIES

#### A. *Introduction*

This section provides an overview of the work and mechanisms of the following international organizations and treaties, which undertake activities or have operational mechanisms that are or may be relevant to future consideration of the ITTO and a successor agreement to the ITTA, 1994:

- 1) Food and Agriculture Organization of the UN (FAO)
- 2) UN Forum of Forests (UNFF)
- 3) World Bank
- 4) Global Environmental Facility (GEF)
- 5) Convention on International Trade in Endangered Species (CITES)
- 6) Convention on Biological Diversity (CBD)
- 7) UN Convention to Combat Desertification (CCD)
- 8) UN Framework Convention on Climate Change (UNFCCC)
- 9) World Trade Organization (WTO)
- 10) Common Fund for Commodities (CFC)
- 11) International Cocoa Organization (ICCO)
- 12) International Coffee Organization (ICO)
- 13) International Rubber Study Group (IRSG)

The above list includes four organizations not specifically mentioned in Decision 4(XXXII) but relevant to work of the ITTO: FAO, CITES, the World Bank and the GEF. FAO is the specialized agency of the United Nations dealing with food and agriculture, including forests. CITES regulates trade in endangered species and is giving increasing attention to trade in selected tropical timber species. The World Bank has in the past been one of the largest providers of forest sector concessional loans and is in the process of reviewing its current forest policy, which prohibits lending for commercial activities in primary tropical forests. The GEF funds projects related to forests through its focal areas on climate change and biological diversity and is considering adding a new focal area on land degradation with a primary focus on desertification and deforestation.

Summaries of the 13 organizations and treaties listed above are provided as FACT SHEETS in Annex D. Comparative matrices of the mandates, structure and other attributes of ITTO and a number of these organizations and treaties are contained in Annex E (commodity agreements) and Annex F (forest related organizations and treaties). The matrices seek to synthesize facts about the creation, governance, mandate and ITTO related work for the most relevant organizations and Conventions described in this document. This should facilitate the analysis of similar facts in association with ITTO when considering the future of the ITTC and a successor agreement to the ITTA, 1994.

Section II also provides information relevant to ITTO on outcomes of the World Summit on Sustainable Development (WSSD) convened by the United Nations in Johannesburg, August-September 2002, to consider progress towards sustainable development ten years after the UN Conference on Environment and Development (UNCED) held in Rio de Janeiro in June 1992.

## **B. Overview of Relevant International Organizations and Treaties**

### **1. Food and Agriculture Organization of the UN (FAO)**

*1.1 Creation and purpose:* FAO was created in 1945. It is one of the largest UN specialized agencies and the leading international body for food, agriculture, forests, fisheries, and rural development. Its objectives are to raise levels of nutrition and standards of living, to improve agricultural productivity, and to better the condition of rural populations through: a) technical assistance programs to developing countries; b) collection, analysis and dissemination of information; c) advice to member governments on policy and planning, as requested; and d) providing a venue to discuss food and agriculture policy issues (including forestry and fisheries)

*1.2 Governance:* The highest decision-making body is the FAO Conference, which is made up of representatives of FAO's 184 members. The Conference meets every two years to review the state of food and agriculture and approve the biennium Regular Program of Work and Budget for FAO's eight departments, including the FAO Forestry Department.

The FAO Council serves as the main working body of the Conference. It is made up of 49 members elected for 3-year rotating terms. Subsidiary to the Council are six standing committees, which meet every two years, involve all members, and provide recommendations to Council on specific programs. Among them, the Committee on Forestry (COFO) deals with all forestry-related matters pertaining to FAO. FAO also has several sub-committees, expert panels and commissions, such as the Advisory Committee on Paper and Paper Products and the Expert Panel on Forest Genetic Resources. In addition, *ad hoc* bodies, consultations and expert groups are convened as needed, to provide advice on specific issues.

*1.3 Project financing:* FAO's regular program budget (US\$653 million in the 2002-2003 biennium) supports field activities, including about US\$31 million for forestry field programs. In addition, voluntary trust funds established under the FAO/Government Cooperative Program and funded by contributions from donors provide additional funding for technical assistance projects and the FAO Field Program, including about US\$60 million for the forestry field program.

*1.4 ITTO related work:* FAO is a permanent observer of the ITTC. The Forestry Department and ITTO are increasingly working together on issues of mutual concern, including the collection and analysis of information and statistics on forest production, consumption and trade; studies of the impacts of the forest products trade on the environment; implementation of criteria and indicators for sustainable forest management to assess the state of and trends in forest conditions at national and international levels; and issues related to illegal logging

### **2. UN Forum on Forests (UNFF)**

*2.1 Creation and purpose:* The UNFF was established in 2002 by the UN Economic and Social Council (ECOSOC) as a subsidiary body. The UNFF is the permanent successor to the ad hoc open-ended Intergovernmental Forum on Forest (IFF, 1998-2000) and Intergovernmental Panel on Forests (IPF, 1995-1997) established by, respectively, the UN General Assembly Special Session of July 1997 and the 5<sup>th</sup> session of UN Commission on Sustainable Development (CSD) in April 1995. The IPF and IFF agreed to more than 200 proposals for action at national and international levels to achieve sustainable forest management. The primary objective of the UNFF is to promote sustainable forest management by facilitating implementation of the IPF/IFF proposals for action

and enhanced cooperation and coordination among several important forest-related international organizations, including the ITTO.

*2.2 Governance:* The UNFF reports directly to ECOSOC. It has universal membership; that is, all state members of the UN or its specialized agencies are members of UNFF. The Forum is authorized to convene ministerial sessions, as well as *ad hoc* expert groups of limited duration to provide scientific and technical advice and consider “mechanisms and strategies for the finance and the transfer of environmentally sound technologies.”

The 2nd session of the UNFF (March 2002) included a ministerial segment, which issued a *Ministerial Declaration and Message from the UNFF to the WSSD*. Ministers called for, among other things: (i) advancing sustainable forest management as a means to eradicate poverty, reduce land degradation, and improve food security, access to drinking water and affordable energy; (ii) action on domestic forest law enforcement and illegal international trade in forest products; (iii) action to achieve sustainable timber harvesting; and (iv) partnerships to increase international cooperation in financing, technology transfer, trade, capacity building, forest law enforcement and governance, and integrated land and resource management to implement sustainable forest management. Ministers agreed to meet again in 2005 to review the effectiveness of the UNFF.

Like the IPF/IFF, the UNFF is encouraging country sponsored intersessional initiatives such as international expert meetings. In November 2001, Japan sponsored, with ITTO participation, an intersessional on forest monitoring, assessment and reporting (MAR). In 2003, New Zealand will host a meeting on planted forests and the US will host a second MAR intersessional.

A key feature associated with UNFF is the Collaborative Partnership on Forests (CPF), an innovative collaborative effort composed of the heads or senior representatives of 13 international organizations and convention secretariats, including FAO (chair), ITTO, UNDP, UNEP, CBD, CCD, UNFCCC, the World Bank, CIFOR, IUCN and CSD. As successor to the informal Interagency Task Force on Forests (ITFF) established to support the work of the IPF/IFF, the CPF is intended to facilitate and promote coordinated and cooperative action among member agencies, taking guidance from and reporting to the UNFF.

*2.3 Project financing:* The UNFF has no program or project funding though it may receive voluntary contributions to facilitate its mission. The UNFF is expected to catalyze funding for implementation of IPF/IFF proposals for action and better coordinated funding among CPF members, all of which have forests as a major part of their mandate. UNFF 2 agreed to a Plan of Action for implementing the IPF/IFF proposals for action and will seek to identify ways in which trade and innovative finance can best complement domestic, bilateral and multilateral sources of support.

*2.4 ITTO related work:* ITTO is a key member of the CPF as it was of the ITFF. By Decision 7(XXX), the Council authorized the ITTO to serve as the lead agency within the CPF on issues where ITTO has a comparative advantage, e.g. trade, as well as to advance the work of the CPF on using criteria and indicators for national forest assessment, monitoring and reporting, including in the UNFF context.

### **3. World Bank**

*3.1 Creation and purpose:* The World Bank Group was established in 1944 at the Bretton Woods Conference, which also created the International Monetary Fund (IMF), and consists of the

following closely associated but legally and financially distinct institutions that support the development of low and middle income client countries:

- International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)
- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)
- International Center for Settlement of Investment Disputes (ICSID)

The IBRD and IDA are often referred to as the World Bank and have a mandate to lend to sovereign governments and support government policy on a wide range of issues. IFC promotes sustainable private sector investment to enhance economic growth and improve the lives of the poor. MIGA provide guarantees against certain non-commercial risks (primarily political risk insurance) to foreign investors for qualified investments in developing countries. ICSID provides facilities for the settlement of investment disputes between foreign investors and host countries.

The WBG institutions are aligned to the core mission of poverty reduction. The World Bank (IBRD and IDA) also assists sovereign countries, especially the poorest countries, to achieve development goals. Today, the World Bank is the largest external funder of programs for education, health and HIV/AIDs and one of largest external funders of biodiversity conservation. The Bank is also committed to eliminating corruption worldwide and facilitating debt relief.

*3.2 Governance:* The governing body of the World Bank Group and its subsidiary institutions is the Board of Governors, which consists of 184 member countries and meets annually in joint sessions with the IMF Board of Governors. Subsidiary institutions, including IBRD and IDA, are governed by Boards of Directors or Councils representative of respective memberships and based in Washington, DC.

*3.3 Project financing:* World Bank (IRD and IDA) concessional lending is supported by voluntary contributions from donor countries. In 2001, the World Bank lent \$17 billion to more than 100 developing countries. However, due largely to the Bank's current Forest Policy and Forest Strategy, which focus largely on environmental issues and prohibit "financing commercial logging in primary tropical moist forests," relatively little lending has gone to the forest sector in the last decade. In the period 1992-1999, the Bank lent only US\$ 1.8 billion to forest related projects worldwide, of which only 10% went to ITTO producer member governments.

The World Bank acknowledges that its performance in the forest sector over the last decade has been unsatisfactory. A revised Forest Strategy for the World Bank Group is currently being considered and may include elements focusing on the potential of forests to reduce poverty, on integrating forests in sustainable economic development, and on protecting vital local and global environmental services and values.

*PPG-7:* While the World Bank has not provided financing for commercial logging in primary tropical moist forests in the last decade, it has been administering since 1991 a special Rain Forest Trust Fund for the Pilot Program to the Conserve the Brazilian Rain Forest (PPG-7), which was launched by the G-7 and Brazil in 1990. The program focuses on forest experimentation and demonstration, conservation, institution strengthening, scientific research, and monitoring and analysis (lessons learned). PPG-7 is supported by voluntary contributions to the Trust Fund from G-8 members, the Netherlands and other donors, which total US\$ 58 million to date, as well as US\$ 300 million in associated bilateral programs to complement PPG-7 objectives.

*3.4 ITTO related work:* ITTO has participated in World Bank hosted consultations with environmental and business interests and international organizations to consider how best to conserve and sustainably manage forests. There are as yet no collaborative programs between the World Bank and ITTO, but opportunities could be forthcoming following the adoption of a new Forest Strategy by the Bank.

#### **4. Global Environment Facility (GEF)**

*4.1 Creation and purpose:* The “restructured” GEF was adopted in 1994 by the executive bodies of UNEP, UNDP and the World Bank, the three GEF implementing agencies, to provide “new and additional” grant and concessional funding to meet the “agreed incremental costs of measures to achieve agreed global environmental benefits” in four focal areas: (a) climate change, (b) biological diversity, (c) international waters and (d) ozone layer depletion.

*4.2 Governance:* The governing body is the GEF Assembly, which meets every three years and is open to all GEF participants. GEF participants are grouped in 32 “constituencies,” of which 16 comprise developing countries, 2 comprise countries with economies in transition, and 14 comprise donor countries. Reporting to the Assembly is the GEF Council, which is made up of 32 members representing the 32 GEF constituencies and is responsible for project approval and financing under the four focal areas, establishing the program of work and budget, and monitoring and evaluating GEF policies. The Council meets annually. Subsidiary to the Council is the Science and Technical Advisory Panel (STAP), which is supported by UNEP and advises the Council on scientific and technical matters.

*4.3 Project financing:* The GEF is itself a major financing mechanism supported by voluntary contributions from developed countries to the GEF Trust Fund administered by the World Bank. Pledges to the GEF to date total about US\$ 6 billion, of which about US\$3.7 billion have been contributed. The GEF is the financial mechanism for the UNFCCC and the CBD. Through its climate change and biodiversity focal areas, an estimated US\$ 500 million has been used to support forest related projects in developing countries and countries in economic transition.

*4.4 ITTO related work:* The GEF’s climate change and biodiversity focal areas are most relevant to forests. Timber harvesting does not fit well into either these areas at this time. This could change in the climate area depending on the definitions agreed for “deforestation” under the Kyoto Protocol. Opportunities for ITTO cooperation may also increase in future if the GEF Council establishes new focal area for “land degradation,” which will focus primarily on desertification and deforestation and would provide additional opportunities for GEF financing for sustainable forest management, including potentially harvesting activities.

#### **5. Convention on International Trade in Endangered Species of Flora and Fauna (CITES)**

*5.1 Creation and purpose:* CITES was established in 1975 to monitor and regulate international trade in endangered species and species that may become threatened with extinction due to international trade, maintain those species in ecological balance, and assist contracting parties (currently 58) toward sustainable use of species through international trade.

CITES identifies three Appendices on which the international trade in listed species is monitored and regulated. Species listed on Appendix I are considered by the parties to be threatened by extinction and are or may be affected by trade. Trade is allowed only in exceptional, non-

commercial circumstances and only with permits from both exporting and importing countries. Appendix II lists species that may become threatened with extinction unless trade is strictly regulated. Trade in such species requires an export permit, and both exporting and importing countries are required to monitor the use of those permits. Appendix III species are listed by range states, not by decision of CITES parties. Trade in listed species requires a certificate of origin from the exporting country and an export permit based on a finding of legal acquisition and satisfactory preparation and shipping conditions.

*5.2 Governance:* The CITES governing body is the Conference of Parties (COP), which meets about every three years in a member country. The COP decides species listings and the triennium budget and program of work. The CITES Standing Committee meets in the interval to formulate recommendations on various topics. CITES also has a standing Plants Committee and Animals Committee, which meet annually to provide technical advice to the COP on species that are or might become subject to CITES trade controls. The COP establishes *ad hoc* working groups as needed to consider specific issues. Of particular interest to ITTO are the Timber Working Group and the Mahogany Working Group.

While some tropical timber species (e.g. Afrormosia) were listed on Appendix II as early as 1991, in 1994 in response to controversial proposals by parties to list big leaf mahogany, ramin and African mahogany on Appendix II, COP 9 established the Timber Working Group to look at issues related to the international trade in high volume commercially traded tropical timber species. Participants included key range states and importing countries, as well as ITTO, FAO, IUCN, TRAFFIC and IWPA. The working group met in 1995 and 1996 and provided technical recommendations to COP 10 (1997) on procedures for timber species that might be listed under CITES.

In 1995, Costa Rica listed big leaf mahogany on Appendix III. Since then, Bolivia, Brazil, Colombia, Mexico and Peru have listed their populations of mahogany on Appendix III, and Indonesia has listed its populations of ramin. The Mahogany Working Group was established in 2000 (COP 11) to review the effectiveness of Appendix III listings and to consider related issues of illegal trade in mahogany. The working group met in Bolivia in October 2001 and will report its findings to COP 12, which meets in November 2002 in Santiago, Chile.

*5.3 Project financing:* CITES has limited funding for projects outside its regular budget, primarily for training of parties on CITES implementation.

*5.4 ITTO related work:* CITES is specified in Article 14(1) of the ITTA, 1994 as an international organization the ITTO will cooperate and coordinate with. The ITTC has since taken several decisions on cooperation with CITES, spurred by proposed Appendix II listings of selected tropical timber species, including a decision requesting members to inform the Executive Director of their proposed listings of tropical timber species on CITES Appendices. A recent proposal by Nicaragua and Guatemala to list big leaf mahogany on Appendix II will be considered at COP 12 in November 2002. As noted, ITTO is a member of the Timber Working Group and Mahogany Working Group.

## **6. Convention on Biological Diversity (CBD)**

*6.1 Creation and purpose:* The CBD, like the UN Framework Convention on Climate Change and the UN Convention to Combat Desertification, typifies a new genre of multilateral environmental agreements modeled after the 1988 Vienna Convention on Ozone Depletion.

Essentially, these conventions are framework agreements outlining general rights and obligations of parties, under which protocols or annexes may be negotiated to establish specific obligations (e.g. targets and timetables) for an area or region of work.

The CBD was negotiated under UNEP auspices and opened for signature at the Rio Earth Summit in June 1992. It entered into force in 1993 and now has 183 parties. The purposes of the CBD are the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of benefits arising from the utilization of genetic resources.

*6.2 Governance:* The CBD governing body is the COP, which is open to all parties and meets every two years in a member country. The Subsidiary Body on Scientific, Technical and Technological Advice (SBSTTA) is also open to all parties and meets twice between COPs. The COP has convened a number of *ad hoc* bodies, including small expert panels of limited duration and large open-ended working groups, to consider specific issues relevant to the convention. Participation in CBD expert panels is by invitation. Participants are drawn from a “roster of experts” nominated by governments and maintained by the Secretariat. Two expert panels on forests, hosted by Canada and the UK, were convened in 2001. The CBD also has established and maintains an internet based Clearing House Mechanism to facilitate information sharing among members and facilitate technical and scientific cooperation.

*6.3 Project financing:* The GEF is the financial mechanism for the CBD. Each COP submits to the GEF Council a list of priority areas for project funding under the focal area on biological diversity. Individual parties then submit project proposals to the GEF Secretariat for consideration for approval and financing by the GEF Council.

*6.4 ITTO related work:* In April 2002, CBD COP 6 (ITTO was represented) adopted the *Expanded Work Program on Forest Biodiversity*, which identifies a comprehensive list of national and international actions organized under three program elements with associated goals and objectives, summarized as follows:

Element 1 - Conservation, Sustainable Use and Benefit Sharing focuses on:

- (a) Applying the ecosystem approach to forest management;
- (b) Reducing threats and mitigating impacts to forest biodiversity from invasive alien species, acidification, climate change, fire, etc
- (c) Protecting and restoring forest biodiversity
- (d) Promoting sustainable use of forest biological diversity
- (e) Promoting fair and equitable sharing of benefits resulting from utilization of forest resources and traditional knowledge

Element 2 - Institutional and Socio-Economic Enabling Environment focuses on:

- (a) Improving understanding of causes of forest biological diversity losses
- (b) Integrating biodiversity conservation and sustainable use into forest sector policies and programs
- (c) Developing good governance practices.

Element 3 - Knowledge, Assessment and Monitoring focuses on improving:

- (a) Assessments of status and trends in forest biological diversity at all levels
- (b) Methods to assess status and trends using criteria and indicators for sustainable forest management

- (c) Understanding forest biodiversity and ecosystem functioning through research
- (d) Data for assessment and monitoring of global forest biodiversity.

## 7. UN Framework Convention on Climate Change (UNFCCC)

*7.1 Creation and purpose:* The UNFCCC was negotiated under the auspices of the UN General Assembly, opened for signature at the Rio Earth Summit and entered into force in 1994. Its purpose is to stabilize green house gas (GHG) concentrations in the atmosphere at levels and within a timeframe to prevent dangerous interference with the climate system. It now has 186 parties.

*7.2 Governance:* The governing body is the COP, which meets annually. Like the CBD, the UNFCCC has a single Subsidiary Body on Scientific and Technological Advice (SBSTA) open to all parties, as well as *ad hoc* expert panels of limited size drawn from a roster of experts to look at specific issues, and various working groups. It also has a Subsidiary Body on Implementation (SBI), which assists the COP in the assessment and review of implementation of the Convention. Associated with the UNFCCC is the Intergovernmental Panel on Climate Change (IPCC), established in 1995 by WMO and UNEP to assess scientific, technical and socio-economic information relevant for understanding the risk of human-induced climate change. The IPCC provides advice to the COP on these matters.

*7.3 Project financing:* The GEF is the financial mechanism for UNFCCC. Each COP submits to the GEF Council a list of priority areas for project funding under the focal area on climate change. Individual parties then submit project proposals to the GEF secretariat for consideration for approval and financing by the GEF Council.

*7.4 ITTO related work:* The UNFCCC has considered methodologies for assessing emissions from forest harvesting and wood products but taken no decisions to date. Under the convention's provision for "joint implementation" activities, green house gas producing companies (e.g. electric companies) in some developed countries have entered into partnerships outside the UNFCCC with forest concessions in other countries, whereby funds for forest conservation and sustainable management are made available as a way to reduce net emissions.

The Kyoto Protocol, concluded in 1997 but not yet in force, could have significant implications for ITTO member countries and generate substantial new funding for sustainable forest management. The Protocol commits developed (Annex 1) countries to reduce their net green house gas (GHG) emissions (primarily carbon dioxide) to 5% below 1990 levels by 2008-2012, and identifies a number of flexible mechanisms by which net reductions may be achieved. Of particular note is the Clean Development Mechanism (CDM) established under Article 12, which provides for mitigation by Annex 1 countries of their GHG emissions by enhancing carbon sinks and reservoirs such as forests in non Annex 1 countries. Developed countries may invest in reducing or preventing emissions in developing countries, e.g. by enhancing tropical forests. In return for the investment, investors get carbon credits, which can be sold or counted toward their own net emissions reduction targets.

Under Article 3 of the Protocol, net changes in a country's GHG emissions from sources and sinks (as measured by stocks) due to "afforestation, reforestation and deforestation since 1990" are a factor in emissions calculations. Definitions of these terms are being looked at by an FAO expert group and have important potential implications for meeting emission commitments by all parties. For example, if deforestation is defined to include some forms of timber harvesting, then emissions

associated with harvesting would count as a change, positive or negative, in a country's carbon stocks.

UNFCCC COP 7 (November 2001) agreed in the Marrakech Accords on Climate Change on operating rules for, among other things, Joint Implementation and the CDM. COP 8 (October 2002) is expected to consider modalities and procedures for small-scale CDM projects, which may include agroforestry and community forestry, and clarify eligible activities

## **8. UN Convention to Combat Desertification (CCD)**

*8.1 Creation and purpose:* Initiated at the Rio Earth Summit in 1992, the CCD entered into force in 1996 with the aim of combating desertification and mitigating the effects of drought and/or desertification, especially in Africa. The convention has 180 parties. Unlike the CBD and UNFCCC, the CCD focuses on regional implementation and includes five Regional Implementation Annexes focused on the special needs of Africa (Annex I), Asia (Annex II), Latin America and the Caribbean (Annex III), Northern Mediterranean (Annex IV) and most recently Central and Eastern Europe (Annex V).

*8.2 Governance:* The CCD governing body is the COP, which is open to all parties and meets every two years. The Committee on Science and Technology (CST) is open to all parties, meets in conjunction with the COP and provides advice. Like the UNFCCC, the COP has established a Committee to Review Implementation of the Convention and a Roster of Independent Experts nominated by governments to consider specific technical issues relevant to the convention.

*8.3 Project financing:* The principle funding mechanism for the CCD is the *Global Mechanism*, which is intended to promote mobilization of funding for the CCD and related activities and programs. In addition, the GEF has funded a number of projects related to desertification, primarily under the biodiversity focal area. As already mentioned, the GEF Council is considering establishing a new focal area for "land degradation," which would focus on desertification and deforestation.

*8.4 ITTO related work:* The CCD focuses on agricultural and land use practices to prevent and mitigate desertification, including efforts to prevent deforestation, through the development by parties of national action programs within the framework of the relevant Regional Implementation Annexes noted above. However, the convention has not yet identified specific programs related to forests.

## **9. The World Trade Organization (WTO)**

*9.1 Creation and purpose:* The WTO was established in 1995 as part of the Uruguay Round negotiations (1986-1994) and is the successor to the General Agreement on Trade and Tariffs (GATT). While GATT's mandate was limited to trade in merchandise goods, WTO covers trade in goods, services and intellectual property. The WTO is the only international organization dealing with the global rules of trade between nations and as such is the legal and institutional foundation of the multilateral trading system. Its main objective is to ensure trade flows as smoothly, predictably and freely as possible and to provide the platform on which trade relations among countries evolve through collective debate, negotiation and adjudication. It also provides the principal contractual obligations determining how governments frame and implement domestic trade legislation and regulations.

The current round of WTO trade negotiations was launched in November 2001 at the Doha Ministerial Conference. The focus of the Doha Development Agenda is the creation of conditions in which developing countries can maximize the gains they are able to realize from trade in four target areas: Agriculture, textiles and clothing, tariff peaks, and tariff escalation.

*9.2 Governance:* WTO's governing body is the Ministerial Conference, which meets every two years, most recently in November 2001 in Doha. The General Council meets in the interval to conduct WTO business and take decisions and provide oversight as needed. The Council also convenes as WTO's Dispute Settlement Body and Trade Policy Review Body. Subsidiary to the Conference and Council are numerous standing councils and committees, most of which are open to all of WTO's 144 members.

*9.3 Project financing:* WTO provides technical assistance and training for developing country members.

*9.4 ITTO related work:* In 1999, WTO considered a proposal initiated by member countries of APEC (Asia Pacific Economic Cooperation) on a multi-sector Accelerated Tariff Liberalization (ATL) Initiative. Forest products were one of eight sectors targeted for accelerated implementation of tariff reduction agreements agreed in the Uruguay Round and extended tariff reduction agreements. WTO members have not yet acted on the ATL proposal for forest products.

Other work at the WTO relevant to ITTO includes ongoing discussions on technical barriers to trade, including topics such as labeling, and activities related to sanitary and phytosanitary concerns. Work on these topics is organized through committees that report to the Council on Trade in Goods under the General Council.

## **10. Common Fund for Commodities (CFC)**

*10.1 Creation and purpose:* The CFC is an intergovernmental financial institution. The agreement establishing the CFC was negotiated in the 1970's under UNCTAD auspices and entered into force in 1989. Its objective is to enhance the socio-economic development of commodity producers and contribute to the development of society as a whole, through market-oriented approaches and grants or loans for commodity development projects. The CFC, which now has 104 members, seeks generally applicable solutions to commodity problems benefiting many producing countries.

*10.2 Governance:* The highest CFC decision-making body is the Governing Council, which is open to all members and meets once a year. There is also an Executive Board, which is responsible for operations of the Fund, including project approval and financing. The Board has 28 members (Executive Directors) elected for two year terms and meets twice a year.

Subsidiary to the Board is a Consultative Committee, which functions much like the ITTO Expert Panel on Project and Pre-project Appraisal. The committee advises the Board on technical and economic aspects of projects submitted to the CFC by recognized International Commodity Bodies (ICB) such as ITTO, proposes amendments and identifies priority projects. It also advises on project implementation and evaluation. The committee consists of 11 external commodity experts appointed for two years by the Board and meets twice yearly.

Once a project is approved, a project agreement is negotiated based on conditions and terms reached during the appraisal, and subsequently signed by the CFC managing director, the submitting ICB and the project executing agency. A grant agreement is also signed by the Common Fund and ICB.

In the case of a loan, a loan agreement is negotiated and signed by the borrower(s) and CFC managing director. In addition, a guarantee agreement is signed with the guarantor(s) for each loan.

*10.3 Project financing:* The resources of the CFC are derived from subscription of shares of directly contributed capital paid in my members according to an agreed schedule. A number of members have also pledged voluntary contributions. As of May 2002, CFC resources available in pledges, promissory notes and net earnings totaled about US\$ 261 million. Under its Five-Year Action Plan: 1998-2002, CFC funds are being directed to least developed countries (LDCs) and to commodities with development potential. Projects of US\$ 2-6 million benefiting small producers and exporters in developing and transition countries are favored. Project proposals are submitted to the CFC for consideration through ICBs. Eligible projects include:

- (a) Commodity development measures aimed at improving structural conditions in markets and enhancing long-term competitiveness and prospects of particular commodities through research and development; productivity and quality improvements; transfer of technology; diversification and processing; improvement of marketing and market access
- (b) Commodity market development activities which assist developing countries, in particular least developed countries, to function effectively in a liberalised global economy through projects that seek to develop physical markets, enhance market infrastructure, facilitate private sector initiatives, and address commodity price risk management.

*10.4 ITTO related work:* The ITTO has submitted a number of projects from producer member countries to the CFC for financing. Successful projects total about US\$ 3.7 million. However, this represents only 3% of CFC funding, which suggests that ITTO members might wish to consider how to improve ITTO related project financing from CFC. In May 2002, the CFC and ITTO established a joint task force to explore ways to identify and develop project proposals to submit the CFC Consultative Committee for possible funding. The task force has met and will be preparing a report with recommendations.

## **11. International Coffee Organization (ICO)**

*11.1 Creation and purpose:* The ICO was created in 1963 by the International Coffee Agreement (ICA), 1963 and its successor agreements (negotiated under UNCTAD auspices) to administer ICA provisions. It has 41 members (29 producers and 13 consumers). Its objective is to bring together coffee producing and consuming countries to address challenges facing the world coffee sector through international cooperation. The ICO maintains a coffee quality-improvement programme and a global research network linking members to research findings worldwide. It also produces market reports, econometric models, economic studies and country coffee profiles; collects statistics to promote market transparency; works closely with the private sector; identifies environmental standards; and sponsors a World Coffee Conference on a regular basis.

*11.2 Governance:* The highest decision-making body is the International Coffee Council, which is made up of all members and meets biannually. There is also an Executive Board, composed of 16 members (8 producers and 8 consumers) elected by Council annually and responsible for most ICO operations, including the annual work plan, project review and various administrative matters delegated by the Council. Board decisions enter into force if no objection from a Council member is received within five working days of the Board's report to Council or circulation of the decision to Council members.

Advisory bodies include the Private Sector Consultative Board (16 members), which advisory the Board and Council on such issues as food safety, and various specialist committees (e.g. Promotion and Statistics Committees), which meet on a regular basis to advise Board and Council on key areas of work. There is also an ad hoc Expert Panel comprised of exporters and importers to advise the Board on specific issues. These issues have included coffee, trade and environment, coffee and environment, round table on organic coffee, quality, e-commerce and global research networks.

*11.3 Project financing:* The ICO Council submits coffee development projects to the CFC to improve coffee quality and marketing and combat diseases. Since 1963, the CFC has financed ICO projects totaling over US\$ 25 million.

*11.4 ITTO related work:* None

## **12. International Cocoa Organization (ICCO)**

*12.1 Creation and purpose:* ICCO was created in 1973 under the International Cocoa Agreement (ICCA) of 1972 and its successor agreements of 1975, 1980, 1986 and 1993 (negotiated under UNCTAD auspices) to administer ICCA provisions. It has 42 members, 19 producer and 23 consumer countries, including the European Union. Its objectives are to: a) ensure the production of adequate supplies of cocoa at prices remunerative to producers and fair to consumers; b) prevent excessive price fluctuations; and c) secure a balance between supply and demand of cocoa. The ICO promotes and supports the establishment of production-management plans and programs and measures to increase cocoa consumption, scientific research and development in the field of cocoa, international cooperation in all sectors of the world cocoa economy, and collects and disseminates statistical and other data to promote market transparency.

*12.2 Governance:* The highest decision-making body of the ICCO is the International Cocoa Council, which consists of all members and meets biannually. There is also an Executive Committee which makes recommendations to Council and takes decisions on matters delegated to it. The Council has a standing Production Committee and Consumption Committee.

The Advisory Group on the World Cocoa Economy was created by Council in 1977 to have available an independent forum in which questions deemed fundamental to the cocoa economy and which may not be covered in regular meetings of the ICCO, often for political reasons, can be discussed fully among experts on such subjects. The group acts in an advisory capacity with a view to promoting a continuous dialogue among experts qualified in all aspects of the world cocoa economy and reports through its Chairman to the Council or Executive Committee. The ICCO also has two *ad hoc* bodies: the Expert Working Group on Quality, and the Expert Working Group on Stocks.

*12.3 Project financing:* The ICCO prepares, submits and supervises projects financed or co-financed through primarily the CFC, other donor organizations and countries. The projects deal with coca diseases, generic promotion of cocoa and market improvement. To date, ICCO has received about \$US 10 million in CFC funding.

*12.4 ITTO related work:* None

### **13. International Rubber Study Group (IRSG)**

*13.1 Creation and purpose:* The IRSG is a commodity organization with 18 members created by members in 1944 to provide a forum for discussing all aspects of the world rubber industry, including production, consumption and marketing, and to collect and provide statistics on these aspects of the industry. The IRSG is the authoritative source of statistical data supplied by members, other countries and organizations on production, consumption and trade in rubber and rubber products. It prepares current estimates and forecasts future trends on production and consumption and regularly publishes statistical and economic studies and reports on specific aspects of the industry.

*13.2 Governance:* Its highest decision-making body is the Study Group made up of its 18 members, which meets annually at headquarters in Wembley, England or a member country. There is an Executive Committee composed of select members elected annually by the Study Group, which exercises functions delegated by the Study Group. Subsidiary and advisory bodies include: a) Statistical Committee and Economic Committee, which provide advice and recommendations to the Study Group and Executive Committee; b) Committee of Expert Rubber Statisticians, which advises the Statistical and Economic Committees; and c) Industry Advisory Panel, which is composed of invited industry experts, and advises the Statistical and Economic Committees

*13.3 Project financing:* The IRSG looks to the CFC for project financing and has received about US\$ 7.8 million to date. The IRSG has also begun collaboration with UNCTAD in the areas of final disposal of vehicle tire, a growing environmental problem, and recognition of carbon sequestering by rubber trees in the context of global warming.

*13.4 ITTO related work:* There may be some CFC interest in considering rubber wood projects jointly submitted by ITTO and IRSG.

### **C. World Summit on Sustainable Development (WSSD)**

The WSSD was convened by the UN General Assembly in August-September 2002 in Johannesburg to review progress made towards sustainable development in the ten years since the Rio Earth Summit and to identify further actions needed. Attended by a number of heads of state or government, the Summit issued the Johannesburg Declaration on Sustainable Development and the Johannesburg Plan of Implementation.

#### **1. Johannesburg Plan of Implementation**

The Johannesburg Plan of Implementation contains the following forest-related actions, which draw heavily on the UNFF Declaration of March 2002:

- Enhance political commitment for sustainable forest management and integrated approaches between the forest sector and other sectors
- Support the UNFF and CPF as facilitating and coordinating mechanisms for sustainable forest management
- Promote domestic law enforcement and address illegal international trade in forest products and related capacity building

- Facilitate sustainable timber harvesting, including related financial resources and technology transfer
- Address the needs of those suffering from poverty and highest rates of deforestation
- Create and strengthen forest partnerships and international cooperation to facilitate financing, technology transfer, trade, capacity building, forest law enforcement and governance, integrated land and resource management to implement sustainable forest management
- Accelerate implementation of the IPF/IFF proposals for action by countries and the CPF and intensify reporting to UNFF to contribute to an assessment of progress towards sustainable forest management in 2005
- Recognize and support indigenous and community based forest management systems and their full and effective participation in sustainable forest management
- Implement the CBD's expanded program of work on forest biodiversity in close cooperation with UNFF, CPF and others

The WSSD Plan of Implementation also calls for actions to provide financial and technical support for afforestation and reforestation in Africa and to build capacity for sustainable forest management, including combating deforestation and improving the policy and legal framework of the forest sector.

## **2. WSSD Forest Partnerships**

More immediately important, two complementary “forest partnerships” were announced and launched at the WSSD by like-minded countries: Congo Basin Forest Partnership and Asia Forest Partnership.

The Congo Basin Forest Partnership unites government and non government participants to promote sustainable forest management through monitoring and assessment, forest law enforcement and good governance, parks and protected areas, community based management, capacity building and sustainable forestry concessions in, and at the invitation of, Cameroon, Central African Republic, Democratic Republic of Congo, Equatorial Guinea, Gabon and the Republic of Congo. There are 24 partners, including (in addition to the Congo Basin countries) the governments of the US, UK, France, Germany, Japan, South Africa, Belgium and Canada, as well as the European Commission, ITTO, the World Bank, CIFOR and a number of international environmental and industry interests active in the region. Considerable new funding already has been pledged by government and non-government partners to implement the Partnership.

The Asia Forest Partnership, led by Japan, aims “to promote sustainable forest management in Asia by addressing the following urgent issues: Good governance and forest law enforcement, developing capacity for effective forest management, control of illegal logging, control of forest fires, and rehabilitation and reforestation of degraded lands.” Partners will cooperate in the development of forest policies, plans and programs, development of land use and natural resource management arrangements, use of satellite data and mapping to tackle forest fire and haze, promotion of research, and a variety of measures to address illegal logging. Partners include the governments of Australia, Cambodia, France, Korea, Thailand, UK and the US, as well as the

European Commission and a number of intergovernmental organizations active in the region, including ITTO.

Recognizing that ITTO is a partner in both the Congo Basin and Asia Forest Partnerships and that the Partnerships include a number of ITTO consumer and producer members, these initiatives could become a major mechanism for ITTO support to member countries and may have a bearing on how the Organization operates in future.

## SECTION III

### NEW AND EMERGING ISSUES AND DEVELOPMENTS IN INTERNATIONAL TRADE

#### **A. *Current Market Trends in Tropical Timber***

Current market trends in tropical timber have been and continue to be affected by a number of factors, including trends in global markets, in developments in the forest sector of producer countries, and in demand, including consumer preferences. This section provides an overview of these factors.

#### **1. Trends in global markets as they affect tropical timber**

Over the last decade, markets for forest products (tropical and temperate) have been volatile and uncertain. In many respects, these were “normal” market conditions in that supply and demand for forest products always have been highly sensitive to changing economic conditions and business cycles. Some market conditions and trends, however, reflect structural shifts that can be expected to endure. Forest products markets also have been affected by broad-scale trends, such as international economic integration and increasing attention – throughout the world – to the role of forests in providing environmental benefits. All these developments are relevant to tropical timber production and trade.

*1.1 Broad-scale trends in production:* In 2000, world production of industrial roundwood was 1.7 billion cubic meters, slightly below the level of production in 1990. At the world scale, there had been a strong upward trend in production (albeit interrupted by business cycles) throughout the post war period until the 1990’s when production was relatively constant. Temperate, developed countries currently account for more than 75 % of timber harvested for industrial products, and the temperate forest share of world timber production has changed little over the past decade. Forests in tropical countries account for about 15 % of world industrial roundwood production<sup>1</sup> and tropical logs harvested in ITTO producer countries account for less than 10 % of world production. Tropical timber accounts for a correspondingly small share of world production of most primary forest products (sawnwood, panel products, pulp), but a larger share (nearly 40 %) of world production of non-coniferous sawnwood, plywood, and veneer. There is some evidence that undocumented and illegal timber production increased in the 1990s, especially in tropical countries. To the extent this is the case, official data understate the importance of tropical timber and possible trends in production.

Although world timber production was relatively constant in the 1990s, there continued a trend toward reliance on managed forests, especially intensively managed forests like plantations. The share of the world’s wood fiber raw material requirements coming from natural (“primary and secondary”) forests has declined due to greater use of recycled fiber in pulp and paper production. Privately-owned forests account for an important share of timber production in many developed countries and some developing temperate zone countries. A greater role for the private sector in owning and managing forests requires greater variety in policy approaches as well as policies that are designed to be sensitive to market dynamics.

1 Fuelwood harvest is estimated to be an additional 1.5 billion cubic meters, most of which is accounted for by developing countries.

Plantations, many of exotic species, account for an increasing share of world timber production, estimated at more than 10% in 2000 and projected to be as much as 40% by 2020. Resource policies, developments in manufacturing technologies, and patterns of product demand have contributed to this shift to reliance on smaller diameter, more uniform wood raw material by forest products industries. The effect of these trends on tropical timber producers is already evident. For example, based on a joint ITC-ITTO study in 2002, among ITTO producer countries, plantations of fast-growing species are already an important source of raw material for rapidly expanding, high-value industries such as wooden furniture and joinery products. Increasing emphasis on sustainable and certified forest management can be expected to reinforce the trend toward production from managed forests, including plantations.

*1.2 Trends in trade:* One trend that continued and even accelerated through the 1990's is the increasing importance of trade in the forest sector and national economies generally. For nearly all broad categories of forest products except logs, about a third of world production now enters international trade. A variety of factors contributed to this, including reductions in tariffs, expanding market integration, and economic growth in countries with limited domestic resources. However, tropical countries and tropical timber continue to account for generally small shares of total world exports of most forest products -- about 20% of log exports, less than 10% of both sawnwood and paper and paperboard products, and about 40% of wood-based panels. Plywood is an exception; tropical timber accounts for about 70% of world exports.

Among the important trends of the past decade or longer are: the increased importance of domestic processing of logs in tropical timber producing countries; increases in the relative importance of trade among developing countries; and increases in the relative importance of secondary processed wood products (such as furniture, joinery, etc.) and pulp and paper products. For example, the combined value of exports of secondary processed wood products and pulp and paper products of ITTO producer countries is now roughly equal to the value of their exports of primary tropical timber products (logs, sawnwood, veneer and plywood).

A decline in the relative importance of tropical log exports reflects broad trends in world markets, factors specific to traditionally important markets for tropical timber (such as Japan), and the evolution of the industrial forest sectors of tropical countries. Reductions in tariffs on processed products along with efforts to further develop manufacturing (and export-based) industries in producing countries have contributed to this trend. In some cases, countries are making use of export restrictions (such as bans, levies and quotas) as tools to accomplish their environmental and/or economic policy objectives. For example, many countries continue to use log export bans to promote primary processing. In some cases, restrictions on semi-processed products are used to promote further manufacturing (value added production). Efforts to address environmental concerns through management of trade, such as listing on CITES appendices, also have increased in the past decade.

The increased importance of trade among developing countries is illustrated by the fact that China is now the largest importer of tropical logs, sawnwood and veneer. This also reflects a broader trend, as China is now the world's second largest consumer of all forest products (by value). By volume, it ranks second in consumption of wood-based panels, second for paper and paperboard products and third for sawnwood.

## **2. Developments in the forest sector of tropical producer countries**

Changes in patterns of foreign direct investment in forest industries reflect developments similar to those of commodity trade. Foreign investment by developing country firms has been increasing and in some developing countries is now comparable to foreign direct investment originating in developed countries. This shift, along with the changes in patterns of trade, is not surprising given patterns of population and economic growth. There are implications, however, for the development and implementation of market-related policies and policy tools. For example, policy tools that assume widespread and uniform market sensitivity to environmental concerns among either producers or consumers may be less effective than those that recognize market differences and are targeted to particular markets.

The structure of the forest sector and forest industries in many tropical countries, especially among larger producers in Asia, are increasingly similar to those of developed temperate timber producers. In addition to trends already mentioned toward an increase in domestic processing of raw material and in further manufacturing, developments in the forest sector include manufacturing a more diverse set of products, and a larger role for pulp and paper production. These developments (along with trends by firms toward larger-scale production and vertical integration) are adaptations to improve cost effectiveness and have resulted in the use by tropical industries of improved technologies and contributed to more efficient utilization of timber raw material. However, these developments are not uniform and are not yet widespread among tropical timber producer countries; nevertheless, they are characteristics of successful firms.

## **3. Trends in demand and consumer preferences**

Growth in demand for forest products slowed notably in the 1990s due to relatively slow economic growth (compared to previous decades) and, in some cases, significant contraction in key markets and economic shocks in timber producing regions, such as the former Soviet Union and South East Asia. Although worldwide demand for forest products is expected to increase in the future, growth in demand is expected to be slower than in the past 30 years. In addition, demand for forest products will continue to change in composition, with relatively greater demand for paper, reconstituted panels and fine veneers, and engineered wood products, and slower demand for lumber and plywood. A variety of factors, related to both demand and supply are contributing to the greater importance of engineered products such as composite panels and glue-laminated lumber, etc. For example, many engineered products are both cost competitive and designed for better performance. Cost competitiveness is in many cases related to the ability to use a wider variety of raw materials (log sizes, species, and grades) in manufacturing.

The prospect of substitution of other materials (e.g., plastic, metals) for wood as a way to protect forests from exploitation is often discussed, but there is limited empirical evidence that such substitution is taking place on a broad scale. In recent years PVC has been gaining market share in selected countries in the EU, such as Germany, The Netherlands, and the UK, for very specific applications such as windows. However, substitution among forest products (e.g. composite panels substituting for plywood, and substitution among species of wood or between temperate and tropical timber) is an important element in most forest products markets. Markets have been and are expected to remain highly competitive based on delivered price and product performance. Current price trends for most forest products generally reflect an oversupply of raw material and of corresponding manufactured products, as well as opportunities to substitute among sources and types of timber and products. This is true for both temperate and tropical timber markets.

There has been a trend in some areas, notably the hardwood lumber sector, toward the substitution of temperate timber for tropical timber. This seems to have been driven in part by environmental concerns in some developed country markets about tropical forests and tropical timber production. It also reflects a shift in consumer tastes in a number of markets from dark woods to light woods for furniture and interior applications. On the latter, there are indications in some markets, such as China, that consumer preferences may be shifting back to dark woods.

While price, product performance and consumer tastes appear to dominate consumer decisions, there are growing niche markets within the EU and to some extent in the US and Canada for wood that is certified to come from sustainably managed forests. Such assurances by retailers are increasingly part of retail marketing strategies and are influencing what retailers will buy from producers. To be successful in these niche markets, producers, both temperate and tropical, will need increasingly to document the origin and the effect of their sourcing of raw materials.

## ***B. Potential Role of Certification in Promoting and Creating Incentives for Sustainable Forest Management***

The last several years have seen a growing interest by consumers in developed countries, especially the EU, to use timber and timber products, both domestic and imported, that can be demonstrated to come from well managed or sustainably managed forests. Certification of forest management practices has been the principle vehicle for this demonstration. This section provides an overview of trends in the development of certification schemes and in their impact on the tropical timber market, as well as the growing interest in using other market tools as incentives for sustainable forest management in response to consumer demand. In this context, "consumers" can be individual end users, or they can be large business wholesalers or retailers like IKEA, B&Q and Home Depot. Who they are will vary depending on the forest product market.

### **1. Trends in the development of certification schemes**

Certification of forest management has been driven by the desires of some consumers of timber products to have independent assessments to provide assurances that the products they purchase come from sustainably managed forests, and by producers willing to respond to these desires, obtain better market access and in some cases to capture specific market niche opportunities, and a desire to improve their forest management practices. In a way, then, certification can be a win-win situation for consumers and producers. However, the certified volumes of traded timber and wood products is still very small. In spite of the apparent advantages for all parties concerned, there are still fears that certification demands from consumers may turn into an impediment to international trade, that the added costs of certification will not be accepted by many consumers where less expensive alternative wood products will remain attractive, and that tracking chain of custody from forest to purchase will involve costly new procedures in many countries.

ITTO has been involved in forest certification-related issues since 1991. The Organization was one of the first to get involved at an international level in this endeavor. The concept of forest certification first appeared in the late 1980s as an initiative from conservationists promoting consumption of timber derived from sustainably managed tropical forests. Early initiatives called upon governments to devise and implement certification schemes, but the present trend is that certification should be voluntary and devised by NGOs and the private sector in response to existing or expected market demand. One of the earliest certification schemes was started in 1993, the Forest Stewardship Council (FSC), which is private-led and voluntary. The International Standards Organization (ISO) is also involved in certification under ISO 14001, which is an environmental

management standard. ISO 14061 was developed to assist companies to apply ISO 14001 to forest management.

There are a variety of other private, for-profit certification schemes operating in the market today. There are also regional and national certification schemes. Among the regional schemes, the Pan European Certification Process (PECP) is the primary scheme used in Europe for certifying forest management. Among the national schemes, the Canadian Standards Association (CSA), the Indonesian Ecolabeling Institute (LEI), and the Malaysian Timber Certification Council (MTCC) are the most advanced.

As of May 2002, an estimated 120 million ha of forests has been certified by different schemes, of which approximately 5% was in tropical (producer) ITTO member countries. According to ITTO, the area of certified forests worldwide has more than doubled every other year since 1997, and it is estimated that this trend in growth will continue for some time.

A growing factor in gaining wider interest in and acceptance of certification as a market tool for promoting sustainable forest management may be the concept of "mutual recognition" among existing certification schemes. It is evident the international community is not prepared to adopt one approach or standard for certification at this time. Mutual recognition offers a way to recognize the shared objective of all certification schemes, i.e. sustainable forest management, and comparability of their general approaches, while also recognizing that different national and sub-national conditions (forest ownership patterns, governance systems, forest types and conditions, etc.) suggest that one size may not fit all. There are also some indications in some markets supplied with certified wood (e.g. markets supplied by Sweden) that consumers may be coming to expect certified timber. Mutual recognition could enhance this expectation by facilitating increased supplies of certified products in these markets.

ITTO has taken a lead role in the trend associated with the compatibilization of the various forest certification schemes. To this end, the Organization has began a series of meetings, the last one being held in Kuala Lumpur, Malaysia from 2-4 April, 2002 (Decision 10(XXX)), to bring interested parties together to better understand the similarities and differences among various certification schemes operating in the market.

However, the value and volume of certified timber traded in international markets continue to be very small, and it is likely that it will take some time before this changes. Consumer preferences are still predominantly price, performance and species-driven in many countries worldwide.

## **2. Trends in the impact of certification schemes on the tropical timber market**

Certification schemes that certify that timber comes from well managed forests is providing a rapidly growing incentive in some countries, such as Bolivia, to sustainably manage forests. As the costs of certification are reduced, and as sustainable forest management practices become more mainstream, forest certification may begin to have a positive impact in international timber trade by providing an incentive for producing timber products from well managed forests. In turn it could also have an impact in achieving social, environmental, economic and cultural goals of sustainable development in developing countries that are major producers and exporters of timber and timber products.

Additionally, as consumers in selected countries in Europe and in North America continue to put pressure on their local, regional or national governments, or their private sources, to procure their

timber products used in public projects and investments from sustainably managed forests, and as illegal logging and related crimes are addressed seriously by both consumer and producer countries, then certification may play a greater role as a means to satisfy initiatives in association with SFM by governments, the industry, environmentalists, consumers, and society in general. As producers and consumers become more aware of the benefits of certification, certification will be increasingly recognized as one of many good alternatives to assure society in general that forests are being managed in a sustainable manner with multiple objectives in mind.

### **3. Increasing importance of other market signals for sustainably/legally sourced tropical timber**

The raising awareness and stronger attention at the national and international level on the issue of illegal logging, the illegal movement of timber in the international markets, and continued and increasing concerns for the protection of tropical forests, on the one hand, and the internalization of the cost of environmental services (including carbon sinks and climate mitigation, biodiversity conservation, water and watershed regulation, recreation, etc.) and the inclusion of chain of custody and eco-labeling in forest certification schemes, is going to accelerate the pace in the adoption of SFM practices. The creation of national markets for environmental services, such as those in Peru and Costa Rica, which are briefly described later, are going to create market incentives for the integrated management of natural forests (primary and secondary), and in the establishment of agroforestry-type plantations with native species, which are much friendlier to biodiversity, and much more accepted by communities and society in general.

The adoption of procurement policies by major buyers of timber, such as IKEA and B&Q, and by national and sub-national governments in selected European Union countries is also going to drive the supply of certified timber products. A recent study by the World Wildlife Fund estimates that current public procurement by G-8 member countries and China of timber, pulp, paper and wooden furniture is worth about US\$ 23 billion a year. A recent study carried out under the auspices of the UN Economic Commission for Europe and FAO in 2001 revealed that demand for certified timber products is mainly driven by marketing-management factors, such as maintaining or strengthening competitive advantage, maintaining a good institutional image, and offering options to consumers. But the study reveals that the market for certified timber products is quite constrained by lack of market development, lack of supply, lack of premiums over non-certified timber, and a limited industry involvement. Information sharing on market trends for tropical timbers in this context, led by ITTO, should play an important role in advancing stronger and growing markets for certified timber products.

There also appears to be increasing interest among some consumers to verify that timber products purchased are legally sourced. Verification of legal origin could entail a label that follows a product from the forest through processing and manufacturing to export, or it could be in the form of a certificate of country of origin. Given the problems many countries have with chain of custody, it is likely that suppliers will respond to demand to such market signals by certifying the legal origin of logs which are easier to track from source to sale.

### **4. Willingness to pay for certified wood products**

Even though there are many cases where consumers in developed countries are willing to pay a premium for certified tropical wood products or for certified tropical lumber, the general rule is that certification is up to now more of a market access tool to capture specific EU, American or Canadian niche markets in specific countries where consumers are demanding it. In Europe, where

the trend is stronger, the supply of certified timber is sometimes a retail marketing strategy, due to the influence consumers are having on retailers, particularly for government-financed public works. So, the main incentive for timber certification in tropical countries is to access niche markets or to maintain specific markets, so as to continue competing with substitute products, such as certified timber from temperate forests or even with other non-wood products such as aluminum and steel.

Additionally, domestic markets in most tropical countries are still dominated by consumers who are interested in specific species, and who are ready to pay the lowest prices possible. So, developing new markets here for certified timber still has a long way to go. The exception is a growing new niche market in the arts, and in manufacturing high-end furniture and wooden pieces where timber is used in very high value products destined for exports, where the final consumers require certification.

As stated earlier, tropical timber certification then is mostly driven by marketing – management factors, which include: maintaining or strengthening competitive advantage, maintaining a good institutional image, and offering options to consumers.

### ***C. Increased Attention to Forest Law Enforcement and Governance***

The last five years have seen greatly increased attention by governments and civil society on the need for better governance with respect to the forest sector and better enforcement of forest laws. This attention is largely a response to a growing recognition of the problem of illegal logging, related illegal trade and corruption in the forest sector, especially in selected tropical producer countries and Russia. Where they occur, illegal forest activities are affecting forest ecosystems, robbing national governments of needed revenues, under pricing legally harvested forests products on the world market, and in certain countries in Africa financing national and regional conflict. The World Bank estimates that illegal logging results in losses of US\$ 10-15 billion per year in forest resources from public and government owned forests worldwide. World Wildlife Fund estimates that illegal logging and the trade in illegal timber and wood based products occurs in more than 70 countries.

#### **1. Contributing causes to illegal logging and associated illegal trade**

Illegal logging is generally understood to mean timber that is harvested, transported, processed or sold in contravention of a country's laws. Associated illegal trade generally refers to illegally harvested timber that enters the international market place. Illegal trade can also refer to transfer pricing, under invoicing and timber traded in non-compliance with CITES listings of endangered and threatened species.

Underlying causes of forest crime, including corruption, tend to be rooted in a lack of strong institutions based on fundamental democratic principles: Rule of law, participatory and transparent decision-making, public accountability, clear land tenure and property rights and due process for dispute settlement. It is difficult for large-scale illegal activities to go undetected and unchallenged over long periods of time in countries with strong legal, judicial and enforcement systems, a free press and an informed and empowered public. Other factors include demand by domestic and foreign buyers, domestic logging restrictions in consumer and producer countries, and national or regional unrest.

Buyers of tropical timber, both domestic and foreign, with ready consumer markets may not always be scrupulous about or aware of the legal origin of the timber. Logging restrictions in consumer

and producer countries can have unintended negative effects. For example, restrictions in major tropical timber consumer have led some domestic based companies to seek cheap foreign sources of timber, some illegal, in central Africa and parts of the Amazon basin to meet local wood consumption and processing demands, including for re-export. In Indonesia, which has put in place regulations that restrict or eliminate logging in some areas, the President has expressed concerns over growing illegal logging, with logs then shipped to nearby countries for export (with or without further processing) to Japan, the EU and the US. At the East Asian Ministerial Conference in Forest Law Enforcement and Governance in September 2001 in Bali, it was estimated that US\$ 600 million in royalties, reforestation funds and export tax payments do not reach the Indonesian Government each year.

Another growing cause of illegal logging and associated illegal trade is "conflict timber" - timber harvested illegally and then sold to provide revenue for local warfare. Liberia's war with Sierra Leone is a case in point. Evidence that Liberian war leaders are using the revenues from illegally sourced timber, as well as diamonds and oil and gas, has led the UN Security Council to impose sanctions and require the government to establish transparent and internationally verifiable audit regimes on its timber industry.

These problems can be exacerbated by other factors. Commercially valuable tropical forests are often in remote areas, far from public scrutiny, decision-making centers and the press. In some tropical countries, the forests are owned largely or entirely by the government, which may weaken accountability (the government is essentially accountable to itself for adhering to national laws and regulations) and minimizes the number of actors needed to conclude large-scale timber transactions. In addition, the penalties for infractions in the forest sector are often negligible or not enforced, which provides little or no disincentive to engaging in illegal forest activities.

## **2. Compliance with international treaty obligations**

Other than the WTO, which may in the future deal with forest product tariff liberalization issues, there are only two treaties that deal with internationally traded timber, the ITTA, 1994 and CITES. Compliance issues have arisen with both. Objective 1(h) of the ITTA focuses on improving market intelligence and transparency, including with respect to trade related data and data related to species being traded. Under Article 29(2), "Members shall, to the fullest extent possible not inconsistent with their national legislation, furnish, within a reasonable time, statistics and information on timber, its trade and the activities aimed at achieving sustainable management of timber producing forests as well as other relevant information as requested by the Council." Some questions have arisen concerning significant discrepancies in annual export and import data provided by respective member countries for the same species. Under ITTC Decision 6(XXXI), the ITTO is undertaking in cooperation with members voluntary case studies on assessing export and import data, with a view to improving the accuracy of reported trade data.

Issues have also arisen recently in the context of CITES implementation. For example, as mentioned above, both big leaf mahogany and ramin have been listed on CITES Appendix III by some range states, which requires that export permits accompany shipments of these species and certify, among other things, the legal origin of the timber. In 2002, questions surrounding the legal origin of big leaf mahogany shipments from Brazil led officials in the US and Europe to detain a number of shipments at their ports. The permits accompanying the shipments in question were issued under Brazilian court injunction, despite a Brazilian moratorium (announced October 2001) on the harvest, transport and trade of mahogany. Although the legal origin of many shipments was later confirmed and those shipments released, a number of shipments are still being detained as of

this writing, awaiting further information from Brazilian authorities. Importers and exporters have turned to the courts in an effort to resolve the matter.

### 3. Growing recognition of the problem and actions taken in response

Until relatively recently, few governments were willing to publicly acknowledge or discuss the problem of illegal logging. Efforts to get the subject on the international forest agenda in the mid-1990's were met with stiff resistance by authorities in many countries, especially developing countries with significant timber producing forests. A shift in attitudes gradually began in 1997, perhaps because illegal logging became more widespread or was better publicized by NGOs advocating action. Some examples follow.

*3.1 The G-8:* In response to concerns raised by environmental and business interests, G-8 Leaders in 1997 called for the development of a G-8 Action Programme on Forests focusing on five areas, including eliminating illegal logging. The Action Programme adopted in 1998 summit not only addressed illegal logging but also recognized that "international trade in illegally harvested timber, including transfer pricing, under invoicing and other illegal activities, exacerbates the problem of illegal logging." G-8 members agreed, among other things, to (a) work with partner countries and through the ITTO to develop capacity to assess the nature and extent of illegal logging and trade in illegally harvested timber as a basis for developing practical and effective counter measures, and (b) combat bribery and corruption in international business transactions pertaining to the timber trade. In 2000, Leaders also committed to "examine how best we can combat illegal logging, including export and procurement practices."

The Final Report on the G-8 Action Programme on Forests (June 2002) highlights a number of activities. For example, in September 2001, the US and UK co-sponsored with the World Bank the first ever Ministerial-level *Conference on Forest Law Enforcement and Governance in East Asia* hosted by Indonesia in Bali. The Conference attracted 150 high level representatives from countries, international organizations (including ITTO), and environmental and business interests to identify specific actions to deal with illegal activities and promote forest governance in the region. In April 2002, the UK and Indonesia entered into an innovative *Memorandum of Understanding* to reduce and eventually eliminate illegal logging and the international trade in illegally logged timber and wood products between the two countries through such means as improved national legislation, development and implementation of verification and tracking systems, timely collection and exchange of trade data, and collaboration between enforcement agencies. The UK has also commissioned The Royal Institute of International Affairs to look into ways to combat and control illegal logging and international trade in illegally logged timber and wood products.

*3.2 IPF/IFF/UNFF:* The wider intergovernmental community has also come to recognize the importance of forest law enforcement and governance in fighting illegal logging and promoting sustainable forest management. In 1997, the IPF agreed to a proposal for action on trade and environment in relation to forest products and services which "invited countries to provide an assessment and share relevant information on the nature and extent of illegal trade in forest products and to consider measures to counter such illegal trade" (para 135). In 2000, the IFF took this a step further by calling on countries "to consider appropriate national level actions and promote international cooperation to reduce illegal trade in wood and non-wood forest products, including forest related biological resources, with the aim of its elimination" (para 41). At UNFF 2 (March 2002), ministers a broader commitment when, in their declaration and message to the WSSD, they called for "immediate action on domestic law enforcement and illegal international trade in forest products ... with the support of the international community to provide human and institutional

capacity building related to the enforcement of national legislation in those areas...," and for the creation and strengthening of "partnerships and international cooperation to facilitate the provision of increased financial resources, transfer of environmentally sound technologies, trade, capacity building, forest law enforcement and governance at all levels...." (para 15).

*3.3 ITTO/FAO:* ITTO members first took up the controversial issue of illegal logging in the Libreville Action Plan: 1998-2002, which has identifies actions to: (1) "monitor and analyze statistical data and other relevant information, including any information on undocumented trade," and (2) "review the current situation regarding any undocumented forestry activities relating to the Objectives of the Organization. The Yokohama Action Plan: 2002-2006 also identifies an action to "... fill key data gaps through regular assessments and special studies, including the collection and analysis of information on forest law enforcement, sustainable timber harvesting, illegal trade, secondary products, plantation timber and certified products." ITTC Decision 6 (XXXI) on Forest Law Enforcement in the Context of Sustainable Timber Production and Trade provides, inter alia, for assistance to interested members to enhance forest law enforcement and address illegal trade and for consideration of a global assessment of the extent, nature and causes of illegal trade in timber and timber products.

FAO hosted a workshop of government, environmental and business representatives, including ITTO, in January 2002 to consider ways FAO might assist its members in dealing with illegal forest activities. Measures identified included strengthened monitoring and law enforcement systems, increased transparency and accountability in decision-making, simpler laws and regulations, and more severe punishment and fines. This all can be accomplished by stronger governance and institutions, and by a proactive role of civil society in forestry related matters.

*3.4 Civil Society Activities:* Environmental NGOs, such as the Environmental Investigation Agency, The Royal Institute of International Affairs, Global Forest Watch and Greenpeace, among others, have been at the forefront of raising awareness of the problem of illegal logging. They continue to focus on the issue, including by gathering data, monitoring activities, and identifying ways to address illegal activities in key regions of the world. Business interests have also become involved. For example, the American Forest and Paper Association (AFPA), representing 250 companies, many multinational, and related associations concerned with manufacture of pulp, paper, paperboard and wood products, passed a resolution in February 2002 committing its members to combat illegal logging in their activities overseas. The role of local communities is also increasingly recognized. Experience in some Latin American countries shows that a more proactive role for communities in forest management and utilization is effective in reducing illegal logging. Local communities are better prepared to monitor what is going on in state-owned or communal forests when they have a direct socio-economic stake in those resources.

#### **4. Future outlook**

Attention to improving forest governance and addressing illegal forest-related activities and corruption can be expected to remain high on the agenda of many countries and the international community. Significant funding can also be expected. Forest law enforcement and governance issues have become a new line item for financing by bilateral donors, and activities to combat illegal logging are being incorporated into the work programmes of international bodies like the ITTO. It is in ITTO's interests to take a lead role in this area in order to help shape an action agenda that benefits its members and takes advantage of available financing. The ITTO can usefully contribute to the following examples of forthcoming activities.

Building on the success of the East Asia Ministerial on Forest Law Enforcement and Governance held in Bali, the US, UK, France, Japan and the World Bank will cosponsor a similar conference in early 2003, possibly in Brazzaville. Consultations may be initiated later this year on the possibility of organizing a meeting in Latin America. An intergovernmental task force and NGO advisory group have been established to facilitate preparations for a follow up ministerial meeting in Asia to assess progress and maintain the momentum of the Bali conference. These initiatives are expected to complement the outcome of the WSSD, which featured good governance as a major theme and saw the launching of the Congo Basin Forest Partnership and Asia Forest Partnership, which include components on improving law forest enforcement and governance.

The European Commission has advised the Council and European Parliament that the EU "would develop an action plan by end 2002 on forest law enforcement, governance and trade and to strengthen international cooperation to address violations of forest law, and forest crime." Toward that end, the Commission hosted an international workshop on Forest Law Enforcement, Governance and Trade in Brussels in April 2002. The US has announced it will provide \$US10 billion in new development assistance over three years to help developing countries committed to "good governance, health and education, and sound economic policies" to achieve their sustainable development goals.

#### ***D. Developments in Recognizing Environmental Services and Non-Timber Products Provided by Forests***

Throughout history, forests have provided many social, economic and environmental benefits to mankind. Forests have been the source of wood, fuel, food and medicines, as well as repositories of numerous plants and animal species. Forests are also essential to maintaining environmental commons. According to the World Bank, nearly 90% of terrestrial biodiversity is found in the world's forests, with the greatest share, as high as 70%, found in highly diverse natural tropical forests. Forests are known also for playing a significant role in hydrological functions, in water and climate regulation, and in protecting soil and its nutrients. Forests and humans have throughout history had a strong interdependency, and in some cultures -- such as in native communities in the Amazon and in parts of tropical Africa -- this is very much so today.

Reliance of humans on non-timber forest products and services (fuel, fruits, roots and tubers, leaves, fish, animals, gums, medicinal plants and other species, recreation) is not only gaining ground but is in some instances a mega-trend. This is the case, for instance, with trade in natural medicinal plants -- which is growing faster than the trade in pharmaceuticals -- and with eco-tourism. At the same time, tropical forests are becoming center-stage in the international dialogue related to climate change, biodiversity conservation, combating desertification, securing fresh water, and in general with environmental protection.

##### **1. Environmental services provided by forests**

As mentioned earlier, forests, especially natural forests, are among the most important providers of what are generally referred as ecological services: flood control, clean water, soil stabilization, biological diversity, recreation, carbon sequestration. Managed forests and plantations also may provide some of these services, although the quantity and quality are likely diminished as compared to natural forests. The degree of compatibility of commodity production with many forest environmental services is varied and in many cases not well known. Services provided by forests, natural and managed, also differ widely in the degree to which they have been, or are able to be, commercialized. Even in the absence of formal markets, however, these services often are valuable

at local, national and international levels. Explicit and, in some cases, legal recognition of these services, including payments, may provide support for the conservation and management of a variety of forests.

*1.1 Hydrological and ecological functions:* Forests are well known as regulators of water and as an integral part of many life processes, including possibly the survival of the human species. Water is recognized as one of the most strategic resources in the 21<sup>st</sup> Century. Forests are also important in flood control and erosion control and in protecting watersheds in many regions of the world. Preservation and management of forests is a component of watershed management in many parts of the world. As a consequence, forests contribute to maintaining water quality and quantity for a variety of uses, including direct consumption by households and industries, habitat for aquatic species, production of electricity, support of downstream agriculture and recreation.

*1.2 Ecotourism:* Another service that is increasingly demanded by both national and international users are recreation, leisure, and other amenity services. Eco-tourism is a booming business and constitutes a valuable non-extractive use of tropical forests, which can be combined with sustainable forest management for commercial purposes as well. Among the contributions of forests to eco-tourism are scenery and recreation opportunities, as well as provision of habitat for wildlife (for viewing as well as hunting). Even though recreation and related services derived from tropical forests are clearly non-commodity benefits, they are essential in making sustainable forest management and tropical forest protection in general, a reality.

*1.3 Carbon sequestration:* The role of forests as sinks and sources of carbon is well documented. Forest ecosystems contain more than half of all terrestrial carbon (C) and account for more than 80% of the exchange of C between the atmosphere and terrestrial ecosystems. Estimates also indicate that forest ecosystems are probably absorbing an equal amount of C as they are emitting, an average of approximately 2 Gt of C per year. Emissions are mostly due to deforestation, and storage is mostly by regrowth, reforestation and afforestation. This clearly indicates that C management policies should include managing tropical forests sustainably and establishing plantations – rather than converting them to other uses. A managed primary or secondary tropical forest can sink between 1 and 5 tons of C per ha per annum, and plantations between 2 and 10 tons per ha per annum.

*1.4 Biodiversity:* The role of tropical forests in biodiversity conservation is also widely accepted. As an example, relatively small tracts of Amazonian forests located in Southern Peru, within the Manu National Park, are estimated to house close to 15% of all living organisms in the planet. In Africa, the forests of the Congo Basin are also important repositories of a unique biological diversity. This is why particularly rich tracts of tropical forests are being protected in national reserves and national parks, where the ecosystem management approach, coupled with effective buffer zone management and community-based conservation, are essential in the success of such areas in protecting biological diversity.

*1.5 Future outlook:* The role of forests as sustainable sources of timber and non-timber forest products can be enhanced by their provision of key and strategic environmental services. Some of these services are being given economic and market value, and are being traded nationally and internationally. As part of this trend, some countries, particularly in Latin America, have established national and international markets to trade some of these environmental services. Such is the case in Costa Rica and Peru where legislation, policies and market mechanisms have been established for paying farmers to conserve biodiversity, conserve hydrological functions, maintain the aesthetic value of their forests and fix carbon. To the extent that commodity production is

compatible with, or can be made to be compatible with, providing environmental services, the combined value of forests will be increased.

At the same time, forests and the services they provide are being increasingly impacted by human activities, especially in the tropics where deforestation continues at significant rates due to conversion to agriculture, large scale industrial projects, unsustainable and illegal logging, and policies that distort markets and provide incentives for unsustainable forest exploitation or deforestation.

## **2. Environmental services increasingly recognized in the market place**

Markets for environmental services provided by forests, including tropical forests, are not well established. However, environmental services are beginning to be given economic value by consumers and producers, in some cases through the development of national and international markets similar to those in use for commodities. Various means and mechanisms are being explored, and many remain in the early stages of development.

*2.1 Water:* In many developed countries, revenues collected for water consumption are used to pay the costs of management of forests in critical watersheds. In some developed and developing countries forest owners are paid by industrial users, such as power generators, for managing forests to maintain water quality (avoiding sediment, for example). Colombia is a pioneer among developing countries in establishing legal and policy mechanisms for water use, which in some cases compensate good pollution abatement action by water users or for good watershed management practices. In Costa Rica in the last three years, private companies -- large users of water -- have agreed to pay forest owners for their environmental services associated with hydrologic functions. This trend is catching up in most of Central America and is beginning to be addressed as a good option for SFM and landscape management in certain South American countries.

*2.2 Ecotourism:* A number of tropical countries derive substantial revenue from tourism every year, some of which is forest-based and directly dependent on a variety of environmental services provided by those forests. This revenue is captured by many different stakeholders. Although ecotourism is often a niche within a broader set of tourist-related businesses, it is in some cases a source of substantial revenue. For example, even a small country like Costa Rica derives more than US\$ 600 million a year from forest related ecotourism. Other examples are elephant treks in the forests of Thailand, rainforest expeditions in Gabon, lemur watching in Madagascar, and boat rides through parts of the Amazon.

*2.3 Carbon sequestration:* Trade in carbon based on the service of forests to sequester carbon has been going on an experimental basis for several years, usually in the US\$ 1 to US\$ 20 range per ton. Costa Rica has been a leader in this area and was one of the first countries to develop a system for Certified Tradeable Offsets (CTO), and one of the first to sell a "batch" of 200,000 at US\$ 10 per ton to Norway.

Implementation of the Kyoto Protocol is expected to accelerate quantification of the GHG sequestration services provided by forests, which could make available significant new funding for forest management in ITTO member countries which choose to participate in voluntary agreements under the Protocol. Interest in potential CDM arrangements is increasing in anticipation of the Protocol's entry into force. For example, Japan's Ministry of Economy, Trade and Industry is reportedly considering plans to provide expertise on trade emissions to developing countries and to

create on line databases on emissions trade contracts involving the Japanese government and firms, with a view to paving the way to implement mitigation programs once the Protocol is in force.

*2.4 National and international markets:* Some tropical countries have taken steps to incorporate environmental services from forests in national laws and regulations and to promote or establish markets to trade some environmental benefits derived from forests. Such efforts demonstrate the importance of both an enabling institutional framework and economic incentives in encouraging forest conservation and management focused on environmental services.

In 1996, Costa Rica passed a Forest Law that incorporated provisions to compensate forest owners for four environmental services their forests provide to society: Mitigation for GHG, protection of water sources, protection of biodiversity, and protecting ecosystems and forms of life and aesthetic beauty. Among other things, the law established a fossil fuel tax, which seeks to internalize -- at least partially -- the costs associated with gas emissions by combustion of hydrocarbons. For water and biodiversity, the law provides for user fees paid by voluntary mechanisms involving the private sector -- mostly fees by large water users such as hydroelectric plants, beverage makers and the like, and special fees charged to users of National Parks and other natural reserves. In 1997, US\$ 14 million were invested in the payment of these environmental services, which resulted in the reforestation of 6,500 ha, sustainable management of 10,000 ha, and the preservation of 79,000 ha of private natural forests. Eighty percent of this investment came from the tax on fuels, and the remainder came from the sale of carbon on the international market. The total land area of forests covered by watershed protection arrangements with private companies in 2001 was over 117,000 ha at an annual cost of US\$ 1.2 million or an average of US\$ 10 per ha.

In Peru, a new Forest and Wildlife Law was approved in 2000, with provisions to create a market for environmental services derived from forests. More recently, and in compliance with that Law, a Forest Development Fund (FONDEBOSQUES) was established, which will manage the financial resources intended for environmental services payments as well as for SFM and forest industries.

*2.5 Future Outlook:* Most environmental services provided by forests generate local, national and/or global benefits. Some services, such as those related to water, may provide transboundary benefits. Others like ecotourism and potentially carbon sequestration have international markets or can be traded internationally. The World Bank estimates that if present trends continue, the worth of global and national market transactions in environmental services will approach multi-billion dollar figures in the next few years. This is a trend, especially regarding international markets, which should be kept under close watch by ITTO with respect to tropical timber producing forests vis-à-vis any future negotiations of a new ITTA.

### **3. Trends in production of non-timber forest products from tropical forest**

Non-timber forest products (NTFP) is a highly heterogeneous category of forest products, which includes, inter alia, nuts, berries, leaves, mushrooms, fiber, fodder, fish, mammals, insects and medicinal products. While the economic importance of timber production, consumption and trade is fairly well recognized in the market place, both nationally and internationally, this is not the case for NTFP. This is largely because of the heterogeneity and variable nature of NTFP. They vary from region to region and from culture to culture.

It is believed that most NTFP contribute significantly to local food security, income generation, and provision of livelihoods for poor people in developing countries. In Guatemala's Maya Biosphere Reserve in Peten, it is estimated that some communities managing communal forest concessions

derive up to 40% of their daily needs and income from NTFP. In Madhya Pradesh in India, it is estimated that NTFP provide 40-60% of total annual income for rural people.

The importance of NTFP is not only local and domestic issue. International trade is growing rapidly, with emphasis in specific products, particularly in Europe and North America as the main destinations. In 1997, the value of herbal medicines-- many derived from tropical forests – was estimated at US\$ 14 billion. Europe was the largest market for such products, representing approximately 50% of global markets. India and China are among the largest domestic consumers of medicinal herbs.

Medicinal plants, rattan and rattan-like products, nuts, and extracts for different uses are among the NTFP extracted from tropical forests that are traded in international markets. As consumers become more aware of the positive socioeconomic effects associated with consuming these products, research efforts are emerging aimed at their domestication. In the case of medicinal plants, these efforts are funded by private as well as by public funds. Even though NTFP are still being extracted mostly from the natural forest as reliable silvo-agricultural techniques are developed, their production as commercial crops is becoming a trend in Latin America and in South East Asia. The effort to develop intensive, commercial production of some NTFPs is a natural consequence of the expansion of markets, especially international markets. However, for some NTFP there also are concerns that gathering from natural forests may expand beyond sustainable levels.

A possible role for ITTO in the future could perhaps be the monitoring of trends in NTFP international trade, both from the natural forest as well as from commercial crops. This could be done for a group of selected products accounting for most of the trade.

## ***E. Conservation and Sustainable Management of the Tropical Timber Resource Base***

### **1. Trends in the tropical timber resource base**

The recent Forest Resources Assessment carried out by FAO in cooperation with its member countries and many partners, shows that the world in the year 2000 had approximately 3,870 million ha of forests, of which 95% were natural forests and 5% were plantations. This forest area is larger than that obtained in previous assessments by FAO in 1990 and 1995, mostly because of a redefinition of forest by applying a uniform definition worldwide. In particular, the use of a common standard for density of tree cover that is classified as forest contributed to expanded estimates of world forest area.

Russian Federation, Brazil, and Canada are placed as the top countries with the largest share of the world's forests with 22%, 14%, and 6%, respectively. Tropical forests represent 47% of all forests. Close to 50% of tropical forests are located in South America, 28% in Africa, and 18% in Asia. Deforestation of tropical forests was estimated at 15.2 million ha per year in the 1990-2000 period. In contrast, in non-tropical forests the deforestation was estimated at 0.9 million ha per year for the same period. However, there was a gain in overall forest cover by three means: natural expansion of forests (previously intervened), reforestation, and afforestation. In the tropics this amounted to 1.9 million ha annually, for a net yearly deforestation of 12.3 million ha.

A pervasive question in association with tropical forests, if they produce so many goods and services that are considered important – even essential – by humankind, is: Why are we losing so much forest area and their goods and services, which are estimated at hundreds of billions of US Dollars? There are many causes and most are human-induced, but the common link may be that

the socioeconomic, environmental and cultural value of forests is difficult to establish and that mechanisms to capture these values have never been implemented on a broad scale. In many cases, markets exist for only a narrow range of the benefits of forests; even in some of these instances there is no doubt that there is a failure in the markets.

This is another reason why ITTO and other relevant international bodies and conventions, consistent with their mandate and objectives, should include these issues as part of their efforts to reduce and even stop tropical deforestation. An initial step could perhaps be the encouragement of environmental accounting in systems of national accounting.

## **2. Trends in forest management and harvesting practices**

The concept of sustainable forest management (SFM), which balances economic, socio-cultural and environmental benefits from forests, has brought about changes in policies and legislation in many countries, as well as research and development and capacity building. According to FAO, in 2000 there were about 150 countries involved in eco-regional and international initiatives associated with developing criteria and indicators to assess the state of forests in the last 10 years (see section III.E.3 below). However, progress in implementing SFM has been slow, and specific areas in the tropics which can be considered to be sustainably managed are still relatively small. Despite this, some new approaches to harvesting in natural tropical forests are gaining ground, including with help of ITTO.

*2.1 Reduced impact logging (RIL):* Emphasis in trying to achieve sustainable forest management in the tropics, and in some cases in non-tropical forests, has led to the development of reduced impact logging (RIL) practices. RIL includes a variety of techniques that are designed to extract timber while being attentive to other forest benefits. Specifically, RIL is a forest utilization practice that entails the use of distinct felling, bucking, short transport or skidding, and other forest operations techniques which minimize the negative impact in the remaining trees and vegetation, in the soils and in the forest habitat.

RIL has proven environmental advantages as compared to traditional logging in tropical forests. RIL reduces damages to remaining forest during felling and skidding, reduces the areas of forest intervened by using more raw material, and minimizes adverse effects, and even has positive effects, on biodiversity. Some countries have developed codes of practice for forest harvesting involving RIL.

A factor with RIL techniques is that they have to be adapted to the wide range of conditions typical of tropical forests. Consequently, they can be expensive, particularly in the short term. They also need much more planning, are far more information-intensive, and require more specialized machinery and more investment. This is why there is a need for enabling policies at the national level to induce the adoption of RIL, which should be supported by adequate training and technical assistance. Additionally, the long-term benefits of RIL have to be backed by long-term security of resource rights to forest lands, and considerable capacity building to support such change in a synergistic way. Research shows that the higher costs associated with RIL can be offset by the financial gains derived from this method. One such benefit is the reduced carbon emissions from less waste left to rot, and from more healthy forest left after the logging interventions

### 3. Trends in forest monitoring, assessment and reporting

*3.1 Criteria and indicators:* Since the 1992 Rio Earth Summit first focused world attention on the importance of forests in achieving sustainable development, some 150 countries have become involved in developing and implementing “criteria and indicators for sustainable forest management.” These criteria and indicators are tools to assess the state of and trends in forest conditions and management and, in turn, to inform public and private decision-making about forests. ITTO was a pioneer in this area, having published its initial *Criteria for the Measurement of Sustainable Tropical Forest Management* in March 1992. There are now nine regional and international processes or initiatives on criteria and indicators to which countries are associated, as follows.

- Pan European Process
- Montreal Process (12 temperate-boreal forest countries outside Europe)
- Tarapoto Proposal for the Amazon
- Lepaterique Process of Central America
- Dry Zone Africa Process:
- Near East Process
- Regional Initiative for Dry Zone Asia
- ITTO Process (for natural tropical forests)
- African Timber Organization - ATO/ITTO Principles, Criteria and Indicators

Some countries belong to more than one process. For example, a number of participating countries in the Tarapoto, Lepaterique and ATO processes are also producer members of ITTO. Russia, with 20% of the world’s forests, is a member of both the Pan European and Montreal Processes.

The criteria and indicators developed under the various processes are comparable. They approach forests as complex, dynamic ecosystems that provide an array of environmental and socio-economic goods and services and, as such, they represent a paradigm shift away from a sustained yield approach to forest management and its exclusive focus on timber production. Criteria are understood to be the essential components of sustainable forest management, and indicators are ways to describe a criterion. The following criteria are common to all processes: Biological diversity, forest health, soil and water, forest productivity and economic, social and cultural aspects. The concept that an enabling environment or policy framework is essential to sustainable forest management is also captured under all processes, usually as a criterion.

It should be noted that the processes are in various stages of implementation. The Pan European and Montreal processes are furthest along in terms of collecting data and reporting. For example, member countries of the Montreal process will be releasing their first national reports on the state of their forests using the Montreal Process criteria and indicators in 2003. Other processes are in the developmental stages.

*3.2 Certification:* Most of the nine processes initially focused on developing criteria and indicators to assess forest at the national level, though some identified a limited number of sub-national and/or regional or global criteria. Criteria and indicators at all levels are performance neutral assessment tools and cannot be used directly to evaluate a country’s or a concession’s performance in terms of sustainable forest management. However, they can provide a complementary framework for developing various performance measures and schemes for certifying for forest management. The use of criteria and indicators as a framework for developing certification schemes has become increasingly popular as consumer demand for “good wood” has

grown in various consumer markets. The utility of certification as an incentive for sustainable management of production forests is discussed above.

*3.3 CICI 2002, UNFF:* Plans are now underway to convene the *International Conference on Criteria and Indicators for Sustainable Forest Management: The Way Forward (CICI 2002)* in Guatemala City in February 2003. The Conference is being cosponsored by FAO and ITTO in conjunction with the United States and Finland, and will include participants from a wide range of governments, international organizations and non-government environmental and business interests. The objectives of CICI 2003 are to: (1) Strengthen development and implementation of criteria and indicators for sustainable forest management, (2) promote political commitment for using criteria and indicators, (3) strengthen capacity building and stakeholder involvement, (4) contribute to work of UNFF and international initiatives on criteria and indicators related to sustainable development. Regarding objective 4, CICI 2003 will provide input to the upcoming UNFF deliberations and country sponsored initiatives on monitoring, assessment and reporting on forests and progress toward sustainable forest management, including progress on implementing the IPF/IFF proposals for action.

*3.4 Future Outlook:* There seems little doubt that countries and the international community will continue to be interested in facilitating informed forest policy and management decisions based on improved assessments of the status of and trends in forests at sub-national, national and international levels. Criteria and indicators are likely to remain the main vehicle for such assessments and are expected to be refined by participating countries as better information becomes available about the functioning of forest ecosystems and in response to changing public demands for forest products and services. ITTO's update in 1998 of its early work on criteria and indicators is a case in point.

## ***F. Other Emerging Issues***

### **1. GMOs in forestry**

There is a global trend towards a larger reliance on plantations as a source of industrial wood. In developing countries there are more direct and foreign investments in plantations, involving industrial afforestations as well as community reforestations. Most of the genetic material used in such plantations is genetically improved stock, which shows such traits as faster growth, straighter stems, more uniform wood properties, etc., but increasingly there is a tendency to address issues dealing with disease and pest resistance, using modern molecular biology in tree improvement. This will invariably lead to the experimentation with genetic transformation in forest species as it has already occurred in agricultural crops.

According to FAO's *State of the World's Forests 2001* "While many applications of biotechnology in forestry are uncontroversial, the debate on the use of genetically modified organisms is now involving the forest sector. Genetic modification of forest tree species has been considered for such traits as virus and insect resistance, reduced lignin content and herbicide tolerance. There is no reported commercial production of transgenic forest trees, but field trials are under way in several countries"

In spite of the controversy going on in the use of GMOs in agriculture, the debate in forestry will probably take much longer to be mainstream, but ITTO should keep track of future developments in this rapidly emerging issue, as it may eventually affect international trade.

## 2. Invasive alien species

Invasive alien species -- non-native organisms that harm, or have the potential to harm, the environment, economy or human health -- pose an increasingly serious threat to forest ecosystems around the world. For example, *Chromolaena* (Siam weed) and *Lantana*, native to tropical America, aggressively have invaded both tropical Asia and Africa, sometimes prohibiting regeneration of primary forest trees.

The principle pathways for invasive species are trade, transport and tourism. As these activities grow, so will the threat and damage to forest ecosystems. Forests and trees are highly susceptible to immigrant pests, which do not have to contend with their natural enemies and against which local trees have not evolved defenses. In the past, some exotic animal and plant species were introduced intentionally to solve local problems or for aesthetic reasons and, once introduced, became invasive, displacing existing flora and fauna and severely impacting natural ecosystems, agricultural production and other sectors. More often now, invasive species arrive by accident via shipments of goods, ballast water, tourist purchases or, in the case of exotic insects and diseases harmful to trees, wood packing material. For example, pathogens, such as chestnut blight and Dutch Elm disease, and insects, such as the Asian long-horned beetle and gypsy moth, arrived in the US and Europe accidentally and have had serious economic and environmental consequences on trees and timber producing forests, estimated in the hundreds of million of dollars.

Unsustainable management practices, which reduce ecosystem resistance and resilience, provide conditions that can facilitate new invasive alien species problems. In the Amazon, non-native grasses introduced into deforested areas cause an increased number of fires and exclude re-colonization by native species.

The issue of invasive species is gaining increasing recognition on the international agenda. The Global Invasive Species Programme (GISP), established in 1996 as a partnership network of scientists, natural resource managers, policy makers and other experts on invasive alien species, provides scientific, technical and policy advice to governments and organizations. New Zealand, Norway, South Africa and the U.S have been in the forefront of raising international awareness of the issue. From 2001-2003, the US, in cooperation with GISP, is sponsoring six regional workshops around the world, including four in ITTO member countries (Brazil, Denmark, Thailand, US) in order to raise awareness and facilitate the development of regional strategies to address invasive species problems. The Convention on Biological Diversity has developed Interim Guiding Principles and a work program to guide national and international actions to be undertaken by parties. The International Maritime Organization (IMO) is in the process of agreeing upon steps to control the spread of invasive species from exchange of ships' ballast water.

The international forest community has yet to focus on invasive alien species impacts of forests in a coordinated way. The ITTO could take a lead role in facilitating national action and international cooperation regarding tropical forests, with a focus on timber producing forests. Key issues for forests, as for other economic sectors and ecosystems, are prevention of invasions (for example by using non-wood packing material), early detection and rapid response, control and management, restoration, international cooperation, research, information management and education and public awareness.

## SECTION IV

### CONCLUSIONS

#### A. *New and Emerging Issues Relevant to ITTC and Future ITTA*

As discussed above a number of new and evolving issues appear relevant to the mission and work of the ITTO. Of particular note (in no priority order) are:

1. Continued **increase in worldwide demand for forest products**, with relatively greater demand for paper, composite panels and fine veneers, and engineered wood products, and slower demand for lumber and plywood.
2. The increasing importance of **domestic processing** of logs and further manufacturing in tropical timber producing countries (and declining trade in primary products from tropical forests), of **South-South trade** in tropical timber and timber products, and of foreign investment in the forest sector by developing countries.
3. Growing **niche markets** within some consumer countries for wood that is certified to come from sustainably managed forests and verified as legally harvested.
4. Increased political attention on **forest governance** and law enforcement and commitment to actions to combat illegal logging, associated illegal trade and corruption in the forest sector.
5. Increased interest in monitoring and **regulating the international trade** in high volume commercially traded tropical timber species through CITES.
6. Increasing interest in **managing natural forests as ecosystems**, including maintaining environmental services (e.g. hydrological, aesthetic, biodiversity, carbon sequestration services) provided by timber producing forests, and in promoting market-based and policy tools to capture the value of these services, nationally and where applicable internationally.
7. Increasing recognition of the economic potential in developing national and international **markets and market transactions for the environmental services** provided by forests.
8. Increasing interest in developing, marketing and keeping reliable statistics for **non-timber forest products**, including in the context of timber production, and the important role of natural forests in producing such products.
9. Increasing awareness about the impacts of **invasive alien species** and the possible impacts of **genetic manipulation of forest species** on tropical forest ecosystems and tropical timber production.
10. The establishment of new **public-private forest partnerships** (Congo Basin Forest Partnership, Asia Forest Partnership) involving ITTO producing and consuming countries as a way to address a range of forest issues in important tropical forest regions.

### ***B. Potential Implications for ITTC and Future ITTA***

In view of the above, the Council may wish to consider, in its continuing discussions of the future of the ITTO and negotiation of a successor agreement to the ITTA, 1994, the merits of the following:

1. Expanding the scope of the ITTA, while maintaining a focus on tropical timber producing forests, to **include market and non-market tropical forest issues** related to but not directly concerning international trade in tropical timber, such as **maintaining tropical forest ecological services** (e.g. watershed protection, erosion control, carbon sequestration), **conserving biodiversity and integrated “ecosystem approaches” to forest management**.

This expanded scope might focus on some services and non-timber products of tropical forests for which markets, especially international markets, currently exist or may be developed.

2. Expanding the scope of the ITTA to **include additional value-added tropical timber products** traded internationally, such as furniture, pulp and paper, **and/or non-timber forest products**.
3. Defining a **few key overarching objectives** for the Organization that focus ITTO on its areas of comparative advantage while providing the flexibility to the Council to identify new and emerging areas of relevant work or emphasis and respond to urgent issues. For example:
  - (a) To provide an effective framework for consultation, international cooperation and policy development among all members on issues relevant to the world tropical timber economy, including new and emerging issues;
  - (b) To enhance the capacity of members to export and import tropical timber and timber products from sustainable and legal sources, and to develop and improve markets for such products, especially value added products, and for internationally traded environmental services and non-timber forest products provided by timber producing forests.

### ***C. Operational Mechanisms of Potential Interest to ITTC and Future ITTA***

A number of operating mechanisms employed by other organizations and treaties may be useful in the ITTO context to improve the efficiency and effectiveness of the organization. In its continuing discussions of the future of the ITTO and re-negotiation of the ITTA, 1994, the Council may wish to consider the merits of:

1. Establishing an **Executive Board or Committee** to take decisions on selected matters as determined by Council, such as project and pre-project approval and responses to urgent issues, in the interval between Council sessions.
2. Consolidating the three ITTO Permanent Technical Committees into a single standing **Technical Committee** to advise the Council and Executive Committee on scientific and technical matters relevant to the world tropical timber economy and to facilitate integrated approaches to forest management, industry and market issues.

3. Establishing a **Roster of Experts** nominated by governments and maintained by the Secretariat, from which participants could be drawn by the Executive Director with the concurrence of Members to serve on ITTO expert panels.
4. Establishing an internet based **clearinghouse mechanism** to facilitate information sharing and technical cooperation among members on policy and projects matters, statistics, and new and emerging issues to advance ITTO objectives.
5. Examining the **producer-consumer commodity framework** and membership structure of ITTO with a view to better reflecting the complexities of the tropical timber trade, the increasing South-South trade and foreign investment in tropical timber and timber products, and the emerging roles of traditionally producer countries as tropical timber importers (whether for domestic consumption and for further processing and re-export).
6. Examining ways to **broaden ITTO's project financing base**, especially through voluntary contributions from a wider number of Member countries. A summary of Members' financial contributions to the ITTO Special Account and Bali Partnership Fund is contained in Annex C.

Consideration should also be given to including **project financing through the Global Environment Facility**, especially the new focal area on land degradation if approved, Common Fund for Commodities, World Bank, and non-government and private sector sources, as well as in the context of the Congo Basin Forest Partnership and Asian Forest Partnership launched at WSSD. Of special interest would be enhancing the Bali Partnership Fund for sustained investments in SFM and related issues. Additionally, the Bali Partnership Fund should be supported much more dynamically by member, so as to convert it into a tool for long-term commitments within the Organization in the area of sustainable forest management.

## ANNEX A

### ITTC DECISION 4(XXXII)

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THIRTY-SECOND SESSION  
13 - 18 May 2002  
Bali, Indonesia

#### DECISION 4(XXXII)

##### PREPARATION FOR RENEGOTIATION OF THE ITTA, 1994

The International Tropical Timber Council,

Recalling Article 46 of the ITTA, 1994;

Noting that the ITTA, 1994, entered into force on 1 January 1997;

Also noting Decision 4(XXVIII) by which the ITTA, 1994, was extended for a period of three years until 31 December 2003;

Recognizing the need to improve efficiency, effectiveness and relevance of the Organization in meeting its objectives;

Decides to:

1. Request the Executive Director to appoint two consultants, one from a producer country and one from a consumer country, to identify new and evolving issues of relevance to the ITTC and with an impact on trade in tropical timber from sustainable sources with a view to informing the Council as it prepares for its consideration of the future of the Agreement, prior to the Thirty-third Session of the Council; this includes inter alia:
  - Look at the work and mechanisms of other relevant Organizations and treaties, e.g. WTO, UNFF, CBD, UNCCD, UNFCCC, WSSD, and relevant Commodity Organizations.
  - Identify emerging issues and developments in international trade, including inter alia current market trends on tropical timber; the potential role of certification in promoting and creating incentives for sustainable tropical forest management; the increased attention to forest law enforcement; and developments in recognizing the environmental services provided by forests.
  - Produce a report by 30 September 2002 and present it at the Thirty-third Session of the Council.
2. Authorize the Executive Director to seek voluntary contributions from Member Countries to meet the financial requirements of this Decision, not exceeding US\$50,000.00.

## ANNEX B

### ITTC DECISION 8(XXXIII)

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THIRTY-THIRD SESSION  
4 – 9 November 2002  
Yokohama, Japan

#### DECISION 8(XXXIII)

#### PREPARATIONS FOR NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994

The International Tropical Timber Council,

Noting the Consultants' Report on New and Emerging Issues of Relevance to the International Tropical Timber Council and a Future International Tropical Timber Agreement [document ITTC(XXXIII)/6];

Also noting the Report of the Working Group on the Organization of Work under the ITTA, 1994;

Recognizing the need to conclude negotiations on a Successor Agreement to the ITTA, 1994 no later than early 2005 in order to allow countries sufficient time, prior to expiration of the ITTA, 1994, to complete respective ratification procedures and deposit instruments of ratification with the United Nations;

Also recognizing the need to start the process of renegotiations following the Thirty-third Session of the Council;

Decides to:

1. Adopt the schedule for the Preparatory Committee (PrepCom) meetings and renegotiations on a Successor Agreement to the ITTA, 1994 contained in the Annex to this Decision;
2. Request Members to provide comments on document ITTC(XXXIII)/6 by 15 January 2003 and request the Executive Director to authorize the consultants to revise the document based on Council discussions and written comments by Members by 15 February 2003;
3. Request Members to provide electronically or in writing to the Executive Director their informal views on the issues to be addressed in negotiating a Successor Agreement to the ITTA, 1994, as per Annex II, by 15 February 2003. In forming these views, Members are encouraged to consult stakeholders;

4. Request the Executive Director to consult with UNCTAD on the legal and institutional process and requirements for the renegotiation of the ITTA, 1994, and report to Members by 15 February 2003;
5. Request the Executive Director to convene a Working Group by April 2003, comprising three Producer Members, three Consumer Members, the Council Chairperson and Vice-Chairperson, Producer and Consumer Spokespersons, and Chair and Vice-chair of the renegotiation process, assisted by a legal advisor from UNCTAD as necessary, to:
  - a. Identify issues to be addressed in negotiating a Successor Agreement to the ITTA, 1994, drawing on Members' comments and other relevant documents;
  - b. Undertake an analysis of potential changes to the ITTA, 1994, based on Council's discussions at the Thirty-third Session, written comments received from Members, and other relevant documents;
  - c. Determine the institutional and organizational implications of these potential changes; and
  - d. Prepare a report reflecting the results of this analysis for consideration by the First Meeting of the Preparatory Committee for negotiating a Successor Agreement to the ITTA, 1994.

The Council may decide to extend the mandate and scope of work of this Working Group to facilitate further the renegotiation process.

6. Authorize the Executive Director to seek voluntary contributions from Member Countries to fund the costs of convening the Working Group meeting and the First PrepCom meeting (see Annex III), including financial assistance for attendance of Producing Members as needed. If sufficient contributions are not received by 15 January 2003, the Executive Director is requested to use funds from the Working Capital Account.

**ANNEX I TO DECISION 8(XXXIII)**

**THE ITTA, 1994, RENEGOTIATION CALENDAR**

May 2003	34 <sup>th</sup> Council Session (6 days) + Producer/Consumer Coordination Meeting (1 day) + PrepCom I (2 days) Venue: Panama, 12 – 21 May 2003
November 2003	35 <sup>th</sup> Council Session (6 days) + PrepCom II (3 days) Venue: Yokohama, 3 – 12 November 2003
May 2004	36 <sup>th</sup> Council Session (4 days: 2 days for Council and 2 days for Joint Committees) + UNCTAD Renegotiation I (5 days) Venue: Geneva (to be confirmed)
November 2004	37 <sup>th</sup> Council Session (6 days) */ Venue: Yokohama
December 2004 or January 2005	Final UNCTAD Renegotiation Venue: Geneva

\*/ Council may decide on the need for additional days for renegotiations

**ANNEX II TO DECISION 8(XXXIII)****QUESTIONS FOR A MEMBER SURVEY FOR THE RENEGOTIATION OF THE ITTA, 1994**

The following list addresses issues associated with the planned renegotiation of the International Tropical Timber Agreement, 1994. Responses should be formed with a view to identifying problems and challenges and how these might be addressed in a possible new Agreement.

**I. The ITTA, 1994**

1. Should the successor agreement to the ITTA, 1994 be broadly similar or is there need for substantial changes?
2. Identify the significant strengths of the ITTA, 1994.
3. Identify any perceived constraints/weaknesses/shortcomings of the ITTA, 1994.
4. What improvements do you suggest to the Objectives of the ITTA, 1994?

**II. New and Emerging Issues with Implications for a Successor Agreement**

1. Identify new and emerging issues with implications for a successor Agreement.
2. Identify your views on the relationship between ITTO and other relevant international organizations, treaties and processes.

**III. Institutional and Organizational Issues****1. Organizational Structure**

Should the organization of the Council and its subsidiary bodies remain the same or be changed? If so, how?

Should the Project process and work stay the same or be changed? If so, how?

**2. Frequency and Duration of Meetings**

Your views on frequency and duration of meetings for Council and its subsidiary bodies, including Committees.

**3. Secretariat**

Is the structure and scope of work of the Secretariat adequate as it is, or should it be changed?

**IV. Funding Mechanisms**

1. Member Contributions

Do you believe that the current system of contributions is appropriate or should be changed?

2. Voluntary Funding

Should there be other ways to finance the work of ITTO beyond the current sources?

**V. Other Issues**

Please provide any other comments on the ITTA/ITTO in relation to the issues to a successor Agreement.

**ANNEX C**

**MEMBERS VOLUNTARY FINANCIAL CONTRIBUTIONS TO THE ITTO  
SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND ACCOUNT  
(1997 TO FEBRUARY 2003)**

	<b>Total</b>	<b>Special Account</b>	<b>Bali Partnership Fund</b>	
	<b>US\$</b>	<b>US\$</b>	<b>Sub-Account A</b>	<b>Sub-Account B</b>
			<b>US\$</b>	<b>US\$</b>
Japan	81,025,398	56,362,454	24,662,944	
Switzerland	12,843,609	11,081,454		1,762,155
U.S.A.	6,593,179	6,268,179		325,000
The Netherlands	1,695,579	1,695,579		
Australia	634,014	634,014		
United Kingdom	584,438	584,438		
Denmark	338,479	338,479		
Republic of Korea	310,000	310,000		
France	200,029	200,029		
Finland	53,000	53,000		
Canada	50,000	50,000		
Sweden	38,000	38,000		
	<b>\$104,365,725</b>	<b>\$77,615,626</b>	<b>\$24,662,944</b>	<b>\$2,087,155</b>

**ANNEX D**  
**FACT SHEETS ON**  
**13 INTERNATIONAL ORGANIZATIONS AND TREATIES**

1. Food and Agriculture Organization of the UN (FAO)
2. UN Forum of Forests (UNFF)
3. World Bank
4. Global Environment Facility (GEF)
5. Convention on International Trade in Endangered Species (CITES)
6. Convention on Biological Diversity (CBD)
7. UN Convention to Combat Desertification (CCD)
8. UN Framework Convention on Climate Change (UNFCCC)
9. World Trade Organization (WTO)
10. Common Fund for Commodities (CFC)
11. International Cocoa Organization (ICCO)
12. International Coffee Organization (ICO)
13. International Rubber Study Group (IRSG)

## 1. Food and Agriculture Organization of the United Nations (FAO)

(<http://www.fao.org>)

### A. Essential Facts

<b>Established:</b>	1945, following 1943 UN Conference on Food and Agriculture. One of the largest specialized agencies in the UN system and leading international body for food and agriculture, forestry, fisheries and rural development.
<b>Objective:</b>	To raise levels of nutrition and standards of living, improve agricultural productivity, and to better the condition of rural populations through: <ul style="list-style-type: none"> <li>➤ Technical assistance programs to developing member countries</li> <li>➤ Collection, analysis and dissemination of information</li> <li>➤ Advice to members on policy and planning as requested</li> <li>➤ Providing a venue to discuss food and agriculture policy issues (including forestry and fisheries)</li> </ul>
<b>Membership:</b>	183 member countries plus European Community
<b>Location:</b>	Rome
<b>Budget:</b>	US \$653 million for 2002-2003 Regular Program biennium, funded from assessed contributions of all members based on the UN scale of assessments;
<b>Secretariat:</b>	2,285 positions in Rome; 1,723 positions in the field Director-General: Jacques Diouf Deputy Director-General: David Harcharik
<b>FAO Forestry Department:</b>	One of 8 FAO Departments
<b>Mission:</b>	To enhance human well-being through support to member countries in sustainable management of the world's trees and forests
<b>Goals:</b>	<ol style="list-style-type: none"> <li>1. Maximize contribution of trees and forests to sustainable land use, food security and to economic and social development and cultural values at national, regional and global levels</li> <li>2. Promote conservation, sustainable management and improved utilization of trees and forest systems and their genetic resources</li> <li>3. Increase world-wide access to reliable and timely forestry information</li> </ol>
<b>Budget:</b>	Regular Program: US\$31 million for 2002-03 biennium Field program: US\$60 million for 2002-03 biennium (estimated)
<b>Secretariat:</b>	90 professional positions in Rome; 20 in regional/sub-regional offices. Assistant D-G for Forestry: Hosny El-Lakany

## **B. Structure/Mechanisms**

### **Governing body**

- FAO Conference
  - Open to all members
  - Meets every 2 years to review the state of food and agriculture and FAO's work and approve the biennial Regular Program of Work and Budget, including for the Forestry Department
  - Elects a Director-General every 6 years

### **Subsidiary bodies**

- FAO Council
  - Composed of 49 members elected by the Conference for 3-year rotating terms
  - Serves as the main working body of the Conference; primarily attended by Permanent Representatives of members who live in Rome
- Committees on Forestry (COFO), Fisheries (COFI), Agriculture (COAG), Program, Finance, and Food Security
  - Meet every two years
  - Provide recommendations to Council on relevant programs
- Various subcommittees and commissions
  - Provide recommendations to Council on specific programs
  - Examples: Advisory Committee on Paper and Wood Products; Panel of Experts on Forest Genetic Resources

### **Ad hoc bodies**

- Numerous expert groups and consultations convened as needed to provide advice on specific issues (e.g., process on forest-related definitions in collaboration with CIFOR, International Panel on Climate Change, Convention on Biological Diversity)

### **Project Funding Mechanisms**

- Regular program budget funds support field activities
- Voluntary trust funds established under FAO/Government Cooperative Program provide funding for technical assistance projects and FAO field program, including forestry.

## **C. Work of FAO Forestry Department**

### **Priorities/Major Programs:**

- Strengthen information and databases on forest and tree resources and uses (e.g., Global Forest Resources Assessments, Yearbook on Forest Products, criteria and indicators for sustainable forest management)
- Support national forestry policies and programs (e.g. National Forest Program Facility)
- Promote social and economic equity and human well-being through participatory forestry (e.g., programs on sustainable livelihoods; forests and poverty alleviation)
- Promote conservation in forests and fragile ecosystems (e.g., International Year of Mountains, Working Group on Wildlife Management in Africa)
- Facilitate regional and international discussions and cooperation on forest policy and technical issues (e.g., Regional Forestry Commissions)

**Collaborative Work with ITTO:**

- FAO chairs the UNFF Collaborative Partnership on Forests (CPF), of which ITTO is a member
- Collection and analysis of information and statistics on forest production, consumption and trade
- Analysis of impacts of forest products trade on the environment
- Application of criteria and indicators for sustainable forest management
- Cosponsoring international expert groups and conferences, e.g. International Conference on Criteria and Indicators for Sustainable Forest Management: The Way Forward (CICI 2002), November 2002, Guatemala City

## 2. UN Forum on Forests

### A. Essential Facts

**Established:** 2002 by the UN Economic and Social Council (ECOSOC) as a subsidiary body

**Objective:** To promote management, conservation and sustainable development of all types of forests and:

- Facilitate/promote implementation of IPF/IFF proposals for action
- Provide a forum for policy development and dialogue
- Enhance cooperation and cooperation of forests among international and regional organizations
- Foster international cooperation
- Monitor and assess progress
- Strengthen political commitment

**Membership:** All State members of the United Nations and all state members of specialized agencies of the UN

**Location:** New York

**Secretariat:** 6 professional positions as of August 2002. 2 additional positions expected by end of 2002. Head: Vacant

**Budget:** US \$770,400 for 2002 from Regular UN biennium budget, plus voluntary contributions of US\$800,000 in 2001 and US\$1.2 million in 2002, primarily from US

### B. Structure/Mechanisms

#### Governing body

- UNFF
  - Meets annually in New York or at other venues. UNFF 2 met in New York February 2002
  - Meetings may include ministerial/high level segments. UNFF 2 included a ministerial segment which produced a declaration and message for WSSD

#### Associated body

- Collaborative Partnership on Forests (CPF)
  - Composed of heads or senior representatives from FAO (chair), ITTO, UNDP, UNEP, CBD, CCD, FCCC, World Bank, CIFOR, UN Commission on Sustainable Development
  - Facilitates and promotes coordinated and cooperative action among agencies with guidance from UNFF
  - Submits coordinated inputs and progress reports to UNFF

**Ad hoc bodies**

- Expert groups of limited duration may be convened to provide scientific and technical advice and consider mechanisms/strategies for finance and technology transfer (none has met to date)
- Country-led intersessional events
  - Nov 2002 - Japan hosted international meeting on forest monitoring, assessment and reporting
  - 2003 - international meetings planned on planted forests (hosted by New Zealand) and forest monitoring, assessing and reporting (hosted by US)

**C. Forest/Trade Related Work**

UNFF 2 adopted a Multi Year Program of Work 2003-2005, and a Plan of Action for Implementation of the IPF/IFF proposals for action, as follows:

**(1) Multi Year Program of Work**

- **UNFF 3 (2003)** - To consider economic aspects of forests; forest health and productivity, maintaining forest cover to meet present and future needs
- **UNFF 4 (2004)** - To consider traditional forest related knowledge; forest-related scientific knowledge; social and cultural aspects of forests; concepts, terminology and definitions; criteria and indicators of sustainable forest management.
- **UNFF 5 (2005)** - To review progress and consider future actions; consider, with a view to recommending to ECOSOC, “parameters of a mandate for developing a legal framework on all types of forests;” review effectiveness of UNFF and CPF; include ministerial segment
- **All UNFF Sessions to consider/include:** Elements of finance, technology transfer and capacity building; trade and enabling environment; multi-stakeholder dialogue; enhanced cooperation and policy/programme coordination (CPF); monitoring, assessment and reporting; implementation of IPF/IFF Plan of Action; emerging issues; country experiences and lessons learned; promoting public participation; national forest programmes

**(2) Plan of Action for Implementation of IPF/IFF Proposals for Action**

- Goal: Show clear progress by 2005
- Countries to establish national focal points; set national priorities, targets and timetables for implementation of country-directed proposals; and assess and analyze relevant proposals in the national context
- Countries, regions, organizations and processes will report on implementation on a voluntary basis
- International, regional and sub-regional actors are invited to implement proposals addressed to them and set targets for so doing
- UNFF will seek to identify ways in which trade and innovative finance can best support domestic resources and international cooperation

### **3. World Bank Group** (<http://www.worldbank.org>)

#### **A. Essential Facts**

**Established:** The World Bank Group was created in 1944 at the Bretton Woods Conference that created the International Monetary Fund- IMF) and includes:

- International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)
- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)
- International Center for Settlement of Investment Disputes (ICSID)

IBRD and IDA are often referred to as the World Bank, with a mandate to lend to sovereign governments and support government policy on a wide range of issues.

**Objective:** The WBG institutions are aligned to the core mission of poverty reduction. The World Bank (IBRD and IDA) also assists sovereign countries, especially the poorest countries, to achieve development goals, with a current focus on education, health, combating HIV/AIDS, biodiversity conservation, eliminating corruption and facilitating debt relief

**Membership:** 184 member countries

**Location:** Washington, DC

**Secretariat:** 8000 positions in Washington, DC; 2000 positions overseas  
President and Chairman of Board of Directors: James D. Wolfensohn

#### **B. Structure/Mechanisms**

##### **Governing Body**

- Board of Governors
  - Consists of all member countries
  - Governs the World Bank Group, including its subsidiary institutions
  - Meets annually in joint sessions with Board of Governors of the IMF

##### **Subsidiary bodies**

- Development Committee (officially the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries)
  - Consists of finance and development ministers from member countries
  - Provides advice and guidance to Board of Governors
  - Monitors and coordinated functions in the development field

**Concessional lending (IBRD and IDA)**

- US\$17 billion in 2001 to more than 100 countries
- US\$1.8 billion in forest loans from 1992 to 1999 due to current Forest Policy prohibiting loans for commercial logging in primary tropical moist forests
- 10% of forest loans went to ITTO producer member countries from 1992 to 1999

**C. Other Forest Related Work**

- Current Forest Policy now under review. The May 2002 draft revised Forest Strategy identifies three pillars: (1) Harnessing the potential of forests to reduce poverty, (2) integrating forests in sustainable economic development, and (3) protecting vital local and global environmental services and values.
- Administers Rain Forest Trust Fund for the Pilot Program to Conserve the Brazilian Rain Forests (PPG-7). US\$58 million contributed to Trust Fund to date plus US\$300 million contracted or committed in associated bilateral projects.
- Consultations with environmental and business CEOs and heads of international organizations, including ITTO

## 4. Global Environmental Facility (GEF)

### A. Essential Facts

- Established:** Negotiations on the Instrument for the Establishment of the Restructured GEF concluded March 1994 and were adopted by Executive bodies of UNDP, UNEP and World Bank
- Objective:** To provide a mechanism for international cooperation to provide new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits in four areas: (a) Climate change, (b) biological diversity, (c) international waters and (d) ozone layer depletion.
- Participants:** 183 countries
- Location:** Washington, DC, within World Bank-IBRD
- Secretariat:** 48 positions in Washington, DC and dedicated UNDP and UNEP staff  
CEO and Chairman: Mohamed El-Ashry

### B. Structure/Mechanisms

#### Governing bodies:

- GEF Assembly
  - Meets every 3 years
  - Open to all GEF participants grouped in 32 “constituencies”: 18 constituencies composed of recipient countries and 14 composed on non-recipient countries
- GEF Council
  - Consists of 32 members: 16 developing countries, 14 developed countries, 2 central/eastern Europe and former Soviet Union
  - Approves GEF project financing, administrative budget and program of work
  - Monitors and evaluates GEF policies, programs and operational strategies
  - Serves as financial focal point for CBD and UNFCCC COPs
  - Meets semi annually

#### Subsidiary body:

- Science and Technical Advisory Panel (STAP)
  - Advises GEF on scientific and technical matters
  - UNEP provides the STAP secretariat and is the liaison between GEF and STAP

#### Implementing agencies:

- UNDP, UNEP and the World Bank
  - Accountable to Council for their GEF-financed activities
  - Cooperate with Participants, secretariat, parties receiving assistance and interested non-government

**GEF Trust Fund:**

- As Trustee of the Fund, the World Bank mobilizes resources for the fund and is responsible for financial management of the fund
- Total pledges to date total about US\$ 6 billion, of which about US\$ 3.7 billion has been contributed. Third Replenishment 2003-2006 is US\$2.9 billion

**C. Forest-Related Work**

- The GEF is the financial mechanism for the UNFCCC and CBD
- Estimated contributions to forest projects through climate change and biological diversity windows is US\$ 500 million
- GEF Council is considering establishing new focal area for “land degradation,” which may provide additional opportunities for financing sustainable forest management projects

#### **4. Convention on International Trade in Endangered Species of Flora and Fauna (CITES)**

##### **A. Essential Facts**

- Established:** Treaty negotiations concluded in Washington DC in 1973.  
Entered into force in 1975
- Objective:** To monitor international trade in endangered species and in species that may become threatened with extinction due to international trade, maintain those species in ecological balance and assist contracting parties toward sustainable use of species through international trade
- Membership:** 58 contracting parties
- Location:** Geneva
- Secretariat:** 28 positions. Secretary General: Willem Wijnstekers.
- Budget:** About US\$ 15-16 million per triennium supported by voluntary contributions based on a modified UN scale of assessments (not all UN members are CITES parties)

##### **B. Structure/Mechanisms**

###### **Governing body:**

- Conference of Parties (COP)
  - Meets every 2-3 years in a member country. COP 12 will meet in Santiago, Chile, November 2002

###### **Subsidiary bodies:**

- Standing Committee
  - Provides policy guidance to Secretariat on CITES implementation between COPs
  - Oversees budget management
  - Coordinates and oversees work of other committees and working groups
  - Proposes draft resolutions for consideration by the COP
  - Members include Switzerland (Depositary Government), Hosts of previous and upcoming COPs and rotating representation from 6 CITES geographic regions (Africa, Asia, Europe, North America, Central and South America, Caribbean, Oceania), weighted according to number of parties in region
  - Generally meets annually; meets biannually in COP years
- Plants Committee, Animals Committee
  - Provide technical advice on species to COP and Standing Committee
  - Undertake periodic reviews of species to ensure appropriate categorization in CITES Appendices

- Advise on species subject to unsustainable trade and recommend remedial actions (through the "Review of Significant Trade")
- Propose resolutions on animal and plant matters for consideration by COP
- Generally meet annually.
- Comprised of expert representatives from 6 CITES regions

#### **Ad hoc bodies (report to COP):**

- Timber Working Group
  - Discusses timber listing issues, including implementation and CITES relationship with other organizations
  - Members: Brazil, Cameroon, Canada, Costa Rica, Ghana, EU, Japan, Korea, Malaysia, Switzerland, USA; ITTO, IUCN, TRAFFIC, IHPA
  - Met in November 1995 (London) and October 1996 (Panama City)
- Mahogany working group
  - Reviews effectiveness of current and potential Appendix III listings
  - Analyzes legal and illegal trade
  - Reviews studies on status of the species
  - Encourages exchange of information
  - Considers appropriate measures to widen geographic scope of Appendix III listings
  - Members: Range states (Belize, Bolivia, Brazil, Costa Rica, Mexico, Peru, Ecuador, Honduras, Panama, Venezuela, Nicaragua) and importing parties (UK, USA); ITTO, TRAFFIC
  - Met in June 1998 (Brazil) and October 2001 (Bolivia)
- Bushmeat Working Group
  - Established by COP 11 to examine issues raised by trade in bushmeat, with the aim of identifying solutions that can be willingly implemented by range States
  - Members: Case study area comprising Cameroon, Central African Republic, republic of Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon; plus representatives of CBD, UK, USA, FAO, ITTO
  - Met in Douala, Cameroon, in January 2001 and in July 2001.
  - Expected to meet 2-3 times per year in case study region.

#### **Project Financing**

Limited funding available for projects (e.g. training) outside regular budget

#### **CITES Appendices**

- Appendix I:** Listed species are threatened by extinction and are or may be affected by trade. Trade is allowed only in exceptional, non-commercial circumstances and only with permits from both exporting and importing countries.
- Appendix II:** Listed species may become threatened with extinction unless trade is strictly regulated. Trade in species requires issuance of an export permit, and both exporting and importing countries must monitor the use of those permits.
- Appendix III:** Species are listed by a range state. Trade requires a certificate of origin and an export permit based on a finding of legal acquisition and satisfactory preparation and shipping conditions.

### **C. Commercial Timber Listings**

Listings of commercially traded timber species:

**Appendix I:** Brazilian rosewood, Guatemalan fir, Monkey puzzle

**Appendix II:** Alerce, Afrormosia elata, Lignum vitae, Mexican and Cuban mahogany, African cherry, Agarwood, Ayugue, Cristobal

**Appendix III:** Bigleaf mahogany (by Costa Rica, Bolivia, Mexico, Brazil, Peru, Colombia). Ramin (by Indonesia). Spanish cedar

**Bushmeat species listings:** Primates and cats, elephants, various antelopes and birds

## 6. Convention on Biological Diversity (CBD)

### A. Essential Facts

**Established:** Negotiated under UNEP auspices and opened for signature at UN Conference on Environment and Development (UNCED), Rio de Janeiro, June 1992. Entered into force December 29, 1993.

**Objectives:** Conservation of biological diversity, sustainable use of its components and the fair and equitable sharing of benefits arising from the utilization of genetic resources

**Parties:** 183 countries (as of January 2002)

**Location:** Montreal

**Secretariat:** 62 positions. Executive Secretary: Hamdallah Zedan

**Budget:** About US\$ 24 million per biennium, supported by voluntary contributions from Parties based on the UN scale of assessments

**Protocols:** **Cartagena Protocol on Biosafety**

**Opened for signature:** May 2000. 22 ratifications as of June 2002 (50 needed for entry into force).

**Objective:** To ensure safe transfer, handling and use of living modified organisms that may have adverse effects on the conservation and sustainable use of biological diversity.

**Recent Events:** 3<sup>rd</sup> Session of the Intergovernmental Committee on the Cartagena Protocol (ICCP 3) met in The Hague, April 2002 to finalize recommendation to Parties on implementation of the Protocol following entry into force.

### B. Structure/Mechanisms

#### Governing body:

- Conference of Parties (COP)
  - Meets every 2 years in Montreal or member country (COP 6 met in The Hague, April 2002)

#### Subsidiary bodies:

- Subsidiary Body on Scientific, Technical and Technological Advice (SBSTTA)
  - Makes recommendations to the COP
  - Open to all Parties, meets twice between COPs

#### Other:

- Roster of Experts nominated by governments in relevant fields
- Ad hoc Technical Expert Panels
  - Provide advice to SBSTTA and/or COP on specific technical issues

- Composed of limited number of experts (20-30) selected by the ES from the roster
- 2 expert panels have been convened to date on forest biodiversity
- Ad hoc Open Ended Working Groups
  - Provide advice to the COP on specific issues
  - Open to all Governments
- Clearing House Mechanism
  - Internet based information sharing system to promote and facilitate technical and scientific cooperation
  - Operates under the authority of the COP

**Financial Mechanism:**

- Global Environment Facility (GEF)
  - Each COP submits to GEF Council a list of priority areas for project funding under the GEF focal area on biodiversity
  - Parties submit specific project proposals to the GEF. The GEF Council approves projects and allocates funding.

**C. Forest-Related Work**

COP 6 adopted an **Expanded Program of Work on Forest Biological Diversity**, which includes 3 program elements with associated goals, objectives and actions as follows:

**Program Element 1 – Conservation, Sustainable Use and Benefit Sharing**

- Goal 1 Apply the ecosystem approach to the management of all types of forests; develop practical methods, guidelines, indicators for managed and unmanaged forests
- Goal 2 Reduce threats and mitigate impacts of processes threatening forest biodiversity (invasive alien species, acidification and eutrophication, climate change, fire, fragmentation, land conversion)
- Goal 3 Protect, recover and restore forest biological diversity
  - Restore biodiversity in degraded secondary forests and plantations
  - Promote management practices to conserve endemic and threatened species
  - Ensure adequate and effective protected forest area networks
- Goal 4 Promote sustainable use of forest biological diversity
  - Promote sustainable use to enhance conservation of biodiversity
  - Prevent caused by unsustainable harvesting of timber/non-timber resources
  - Enable indigenous and local communities to develop and implement adaptive community management systems
  - Develop information systems and strategies for in situ and ex situ conservation and sustainable use of forest genetic resources
- Goal 5 Promote fair and equitable sharing of benefits resulting from utilization of forest genetic resources and traditional knowledge

**Program Element 2 – Institutional and Socio-Economic Enabling Environment**

- Goal 1 Enhance the institutional enabling environment
- Improve understanding of causes of forest biological diversity losses
  - Integrate biodiversity conservation and sustainable use into forest sector policies and programs
  - Develop good governance practices

**Program Element 3 – Knowledge, Assessment and Monitoring**

- Goal 1 Improve assessment of status and trends in forest biological diversity at global, regional, nations and, where appropriate ecosystem levels
- Goal 2 Improve knowledge, methods to assess status and trends by advancing development and implementation of criteria and indicators for SFM
- Goal 3 Improve understanding of forest biodiversity and ecosystem functioning by conducting key research programs
- Goal 4 Improve data for assessment and monitoring of global forest biodiversity

## **7. UN Convention to Combat Desertification (CCD) in those Countries Experiencing Serious Drought and/or Desertification Particularly in Africa**

### **A. Essential Facts**

- Established:** Treaty text adopted June 1994; entered into force December 1996
- Objectives:** To combat desertification and mitigate effects the effects of drought in countries experiencing serious drought and/or desertification, especially in Africa, through effective action at all levels, supported by international cooperation and partnership arrangements, and involving long-term integrated strategies that focus on improved productivity of land and the rehabilitation, conservation and sustainable management of land and water resources, leading to improved living conditions in particular at the community level.
- Parties:** 180 countries (as of July 2002)
- Location:** Bonn
- Secretariat:** 57 positions. Executive Secretary: Hama Arba Diallo
- Budget:** About US\$15 million per biennium, supported by voluntary contributions by parties based on the UN scale of assessments

### **B. Structure/Mechanisms**

#### **Governing body:**

- Conference of Parties (COP)
  - Meets every 2 years in Bonn or a member country. COP 5 met in Geneva, November 2001

#### **Subsidiary bodies:**

- Committee on Science and Technology (CST)
  - Provides information and advice to COP on scientific and technological matters
  - Open to all Parties
  - Meets in conjunction with biennial sessions of the COP
- Committee to Review Implementation of the Convention (CRIC)
  - Reviews parties' activities and programs to implement CCD
  - Open to all parties
  - Will meet for the 1<sup>st</sup> time in November 2002 in Rome

#### **Other:**

- Roster of Independent Experts nominated by governments in relevant fields
- Ad hoc Panels
  - Provide advice to COP on specific issues relevant to desertification
  - Composed of limited number of experts (20-30) drawn by the ES from the roster

**Financial Mechanism:**

- Global *Mechanism*
  - Promotes mobilization of funding for Convention related activities and programs
  
- Global *Environment* Facility
  - Some desertification projects funded under GEF focal areas on water, biodiversity and climate change
  - New focal area on land degradation (including desertification and deforestation) under review by GEF Council

**C. Forest-Related Work**

CCD focuses on agricultural and land-use practices to prevent and mitigate desertification, including efforts to prevent deforestation, through development by parties of “national action programs” within the framework of relevant “regional implementation” Annexes. CCD has no specific programs related to forests or international trade.

## 8. UN Framework Convention on Climate Change (UNFCCC) and Kyoto Protocol

### A. Essential Facts

**Established:** Treaty text negotiated under UN auspices. Opened for signature at the UN Conference on Environment and Development, Rio de Janeiro, June 1992. Entered into force 21 March 1994

**Objectives:** To stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, and to achieve such a level within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.

**Parties:** 186 countries

**Location:** Bonn

**Secretariat:** 150 staff. Executive Secretary: Joke Waller Hunter

**Budget:** Approximately US\$16 million per biennium, supported by voluntary contributions from parties based on the UN scale of assessments

**Protocols:** **Kyoto Protocol**

**Opened for signature** 16 March 1998. 77 countries and European Commission have ratified as of August 2002. Ratifications by countries representing 55% of GHG emissions at 1990 levels (Annex 1 countries) are needed for entry into force.

**Objectives:** To encourage reforms aimed at promoting policies and measures which limit or reduce emissions of greenhouse gases not controlled by Montreal Protocol, including limitation and/or reduction of methane emissions through recovery and use in waste management, as well as in production, transport and distribution of energy.

### B. Structure/Mechanisms

#### Governing Body:

- Conference of Parties (COP)
  - Open to all parties; meets annually

#### Subsidiary Bodies:

- Subsidiary Body on Scientific and Technological Advice (SBSTA)
  - Makes recommendations and provides timely information and advice to COP on scientific and technological matters relating to the Convention
  - Open to all parties

- Subsidiary Body on Implementation (SBI)
  - Assists COP to assess and review of effective implementation of the Convention
  - Open to all parties

#### **Project Financial Mechanism**

- Global Environment Facility (GEF)
  - Each COP submits to GEF Council a list of priority areas for project funding under the GEF focal area on climate change
  - Parties submit specific project proposals to the GEF. The GEF Council approves projects and allocates funding

#### **Associated Bodies:**

- Intergovernmental Panel on Climate Change (IPCC)
  - Established by World Meteorological Organization (WMO) and UNEP (UNEP)
  - Assesses scientific, technical and socio-economic information relevant for understanding the risk of human-induced climate change
  - Provides scientific, technical and socio-economic advice to COP
  - Does not carry out research or monitor climate related data or other relevant parameters

### **C. Forest-related Work**

#### **Kyoto Protocol**

- Considers “land use change and forestry sector” (LUCF) as sources and sinks of green house gases (GHG)
- Commits developed country (Annex 1) parties to reduce net GHG emission to 5% below 1990 levels by 2008-2012.
- Article 3 - Provides that net changes in GHG emissions from sources and sinks (as measured by stocks) due to “afforestation, reforestation and deforestation since 1990” will count (positively or negatively) toward meeting reduction commitments of parties. FAO is coordinating an experts group to look at definitions.
- Articles 6 and 17 - Provide for transfer of emission credits from one an Annex 1 party to another party through joint implementation (JI) activities and emissions trading.
- Article 12 – Establishes the Clean Development Mechanism (CDM) allowing Annex 1 countries to promote GHG mitigation and promotion of sustainable development (e.g. by enhancing tropical forests through reforestation) in non-Annex 1 countries. For example, Annex 1 countries may invest in reforesting tropical forests in developing countries; in return, investors get carbon credits which can sold or counted toward their own net emission reduction targets.

## 9. World Trade Organization (WTO)

(<http://www.wto.org>)

### A. Essential Facts

**Established:** January 1995 as part of the Uruguay Round negotiations (1986-94) and successor to the General Agreement of Trade and Tarriffs (GATT)

**Objectives:** The WTO is the only international organization dealing with the global rules of trade between nations. Its main objective is to ensure trade flows as smoothly, predictably and freely as possible and provide principal contractual obligations determining how governments frame and implement domestic trade legislation and regulations.

**Membership:** 144 countries (as of January 2002)

**Location:** Geneva

**Secretariat:** 550 staff. Director-General: Mike Moore  
As of September 2002: Dr Supachai

**Budget:** 143 million Swiss francs for 2002 (about USD 90 million)

### B. Structure/Mechanisms

#### Governing body

- Ministerial Conference
  - Meets at least every 2 years

#### Subsidiary bodies

- General Council
  - Meets several times a year to conduct day-to-day WTO work
  - Convenes as WTO's Dispute Settlement Body and the Trade Policy Review Body
- Subsidiary Councils providing advice to the General Council
  - Council for Trade in Goods
  - Council for Trade in Services
  - Council for Trade-Related Aspects of Intellectual Property
- Standing Committees of the General Council
  - Committee of Trade and Environment (CTE)
  - Committee on Trade and Development
  - Committee on Regional Trade Agreements
  - Committee on Balance of Payment Restrictions
  - Committee on Budget, Finance and Administration

Note: All WTO members may participate in all councils, committees and other bodies except Appellate Body, Dispute Settlement panels, Textiles Monitoring Body and plurilateral committees

### **Project financing**

WTO provides technical assistance and training to developing country members

## **C. Potentially Relevant Work**

### **ATL for Forest Products.**

In 2000, WTO considered work on an Accelerated Tariff Liberalization (ATL) Initiative for Forest Products to accelerate implementation of tariff reduction agreements agreed in the Uruguay Round and extend tariff reduction agreements to solid wood and pulp and paper. WTO members have yet to act on ATL.

### **Technical Barriers to Trade (TBT)**

WTO has ongoing discussions on technical barriers to trade, including topics such as labeling and activities related to sanitary and phytosanitary concerns. Work on these topics is organized through committees that report to the Council on Trade in Goods

### **Doha Development Agenda**

Current round of trade negotiations was launched in November 2001 at the Doha Ministerial Conference, with the aim of creating conditions for developing countries can maximize the gains they can realize from trade in four areas: Agriculture, textiles and clothing, tariff peaks and tariff escalation. It is unclear whether agriculture will include forests in some way.

## **10. Common Fund for Commodities (CFC)**

### **A. Essential Facts**

**Established:** 1989 as a treaty based organization, through an agreement negotiated under UNCTAD

**Objectives:** To enhance the socio-economic development of commodity producers and contribute to the development of society as a whole, through market-oriented approaches and funding of commodity development projects.

**Membership:** 104 countries plus European Community, Organization of African Unity/African Economic Community, and Common Market for Eastern and Southern Africa.

**Location:** Amsterdam

**Secretariat:** Managing Director and Chairman of Executive Board: Rolf W. Boehnke

### **B. Structure/Mechanisms**

#### **Governing Bodies**

- Governing Council
  - Open to all members, meets once a year
- Executive Board
  - Meets biannually
  - Makes recommendations to Council
  - Takes decisions on matters delegated by Council

#### **Advisory Bodies**

- Consultative Committee
  - Advises Executive Board on technical and economic aspects of project submissions
  - Meets biannually.

#### **Project funding**

- CFC resources derive from subscription of shares of directly contributed capital paid in by members plus voluntary contributions
- As of May 2002, CFC resources available in pledges, promissory notes and net earnings totaled about US\$ 261 million
- Project proposals are submitted through International Commodity Bodies (ICBs), e.g. ITTO and other commodity organizations
- Under Five-Year Action Plan: 1998-2002, CFC funds are directed to least developed countries and to commodities with development potential, as follows: 43% Africa, 27% Latin America and Caribbean, 26% Asia, 4% Other

**C. ITTO Related Work**

CFC has approved the following projects submitted by members through ITTO:

**Completed Projects:**

PD 17/92 Rev.4 (I) Technology Transfer, Commercialization of Selected Cocowood Utilization Technologies (FPRDI/Philippines)

PD 12/93 Rev.3 (F) Integrated Forest Fire Management in Indonesia (Indonesia)

**Operational Projects:**

PD 26/92 Rev.2 (F,I) Development of Methods and Strategies for Sustained Management of Moist Tropical Forest in Cameroon (ONADEF/Cameroon)

PD 39/93 Rev.4 (I) Development, Application and Evaluation of Biomass Energy Technology through Briquetting, Gasification and Combustion of Wood and Agricultural Waste (FRIM/Malaysia and IRGM/Cameroon)

PD 14/98 Rev.1 (F) Sustainable Use and Reforestation of Amazon Forest by Indigenous Communities (Peru)

PD 46/97 Rev.3 (I) Community Forest Products Processing in Porto Dias Extractive Reserve (Brazil)

PD 58/00 Rev.3 (F) Genetic Resistance of Iroko to Phytolymalata Phase II (Côte d'Ivoire)

## 11. International Coffee Organization (ICO)

(<http://www.ico.org>)

### A. Essential Facts

**Established:** 1963 by the International Coffee Agreement (ICA) of 1963 and successor agreements including the ICA of 2001, negotiated under UNCTAD auspices, to administer ICA provisions.

**Objectives:** To bring together coffee producing and consuming countries to address challenges facing the world coffee sector through international cooperation. [Coffee is one of the world's largest traded commodities]

**Membership:** 41 exporting and importing member countries (as of May 2002):

**Exporters:** Angola, Bolivia, Brazil, Burundi, Cameroon, Colombia, Republic of Congo, Côte d'Ivoire, Cuba, Ecuador, El Salvador, Gabon, Ghana, India, Jamaica, Kenya, Madagascar, Mexico, Nigeria, Papua New Guinea, Philippines, Rwanda, Thailand, Uganda, Vietnam

**Importers:** Belgium, Cyprus, Denmark, Germany, Ireland, Japan Luxembourg, Norway, Spain, Sweden, Switzerland, UK, European Community

**Location:** London

**Secretariat:** 33 permanent staff (down from 93 in 1989)  
Executive Director: Néstor Osorio

**Budget:** About 2.5 million pounds sterling annually supported by contributions from members based on relative annual coffee production or consumption.

### B. Structure/Mechanisms

#### Governing bodies

- International Coffee Council
  - Open to all members, meets biannually
- Executive Board (16 members)
  - Composed of 8 exporting and 8 importing members elected by Council annually
  - Reviews draft Administrative Budget and submits it to Council for approval
  - Elaborates annual work plan
  - Decides other administrative and financial matters delegated by Council
  - Reviews projects and programmes submitted to Council for approval
  - Establishes subsidiary committees or working groups as needed
  - Board decisions enter into force if no objection from a Council member is received within 5 working days of the Board's report to Council or circulation of the decision to Council members

**Advisory bodies**

- Private Sector Consultative Board (16 members)
  - Acts in a consultative and advisory capacity to the Board and Council on such issues as food safety
- Specialist committees (e.g. Promotion and Statistics Committees)
  - Meet on regular basis to advise Board and Council on key areas of work

**Ad hoc bodies:**

- Expert panels comprised of exporters and importers advise Council and Board on specific issues

**Project funding mechanism:**

- Common Fund for Commodities
  - ICO submits coffee development projects to the Fund to improve coffee quality and marketing and combat diseases
  - Since 1963, the Common Fund has financed projects totaling over US \$60 million

**C. Commodity Related Work**

The ICO undertakes the following activities

- Brings governments together to exchange views, coordinate policies and cooperate on coffee matters
- Seeks to improve coffee quality through a coffee quality-improvement program
- Maintains a global research network on coffee linking members to findings of research projects around the world
- Produces market reports, econometric models, economic studies and country coffee profiles
- Collects statistics to promote market transparency (200,000 records processed each year)
- Works closely with the private sector through Private Sector Consultative Board
- Undertakes studies and convenes expert panels to encourage a sustainable coffee economy and environmental standards
- Works closely with relevant organizations (UNEP, CABI Bioscience, FAO and ITC/WTO/UNCTAD)
- Sponsors a World Coffee Conference on regular basis.

## 12. International Cocoa Organization (ICCO) (<http://www.icco.org>)

### A. Essential Facts

**Established:** 1973 under the International Cocoa Agreement (ICCA) of 1972 and its successor agreements of 1975, 1980, 1986 and 1993 (negotiated under the auspices of UNCTAD) to administer ICCA provisions

**Objectives:** To ensure the production of adequate supplies of cocoa at prices remunerative to producers and fair to consumers, prevent excessive price fluctuations, and secure a balance between supply and demand

**Membership:** 42 cocoa exporting and importing member countries:

**Exporters:** Benin, Brazil, Cameroon, Côte d'Ivoire, Dominican Republic, Ecuador, Gabon, Ghana, Grenada, Jamaica, Malaysia, Nigeria, Papua New Guinea, Peru, São Tomé and Príncipe, Sierra Leone, Togo, Trinidad and Tobago, Venezuela

**Importers:** Austria, Belgium/Luxembourg, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Netherlands, Norway, Portugal, Russian Federation, Slovak Republic, Spain, Sweden, Switzerland, UK, European Union

**Location:** London

**Secretariat:** 22 positions. Officer in Charge: Dr. Jan Vingerhoets

**Budget:** About 1.8 million pounds sterling for 1999/2000 supported by contributions from members based on relative annual cocoa production or consumption

### B. Structure/Mechanisms

#### Governing Body

- International Cocoa Council
  - Consists of all members, meets biannually
- Executive Committee
  - Makes recommendations to Council
  - Takes decisions on matters delegated to by Council

#### Subsidiary bodies

- Production Committee and Consumption Committee
  - Advise Council and Executive Committee
- Advisory Group on the World Cocoa Economy
  - Advises Council on all aspects of the world cocoa economy

- Examines specific matters referred by the Council
- Reports through its Chairman to the Council or Executive Committee

**Ad hoc bodies**

- Expert Working Group on Quality
- Expert Working Group on Stocks.

**Project funding mechanism:**

- ICCO prepares, submits and supervises projects financed or co-financed through CFC, other donor organizations and countries
- To date, ICCO has received about \$US 10 million in project funding from CFC
- Projects deal with cocoa diseases, generic promotion of cocoa and market improvement

**C. Commodity Related Work**

The ICO undertakes the following activities:

- Supports the establishment of production-management plans and programs and measures to increase consumption in the medium to long-term
- Supports and promotes scientific research and development in the field of cocoa, including improvement of cocoa quality
- Promotes international cooperation in all sectors of the world cocoa economy
- Provides a forum for discussion of matters related to the world cocoa economy
- Collects and disseminates statistical and other data to promote market transparency

### **13. International Rubber Study Group (IRSG)** (<http://www.rubberstudy.com>)

#### **A. Essential Facts**

- Established:** 1944
- Objectives:** To provide a forum for discussing all aspects of the world rubber industry, including, production, consumption, marketing, shipping, distribution, manufacture, sale and trade in natural and synthetic rubber, and to collect and provide statistics on these aspects of the industry.
- Membership:** 17 countries as of April 2002: Belgium, Cameroon, France, Germany, Indonesia, Italy, Japan, Malaysia, Netherlands, Nigeria, Russian Federation, Singapore, Spain, Sri Lanka, Thailand, UK, US
- Location:** Wembley, England
- Secretariat:** 9 positions. Secretary-General: A.F.S. Budiman
- Budget:** 650,000 pounds sterling annually supported by contributions from Members based on a formula that takes into account relative annual rubber production or consumption

#### **B. Structure/Mechanisms**

##### **Governing bodies**

- Study Group
  - Meets annually in Wembley or a member country
- Executive Committee
  - Composed of # members elected annually by the Study Group
  - Exercises functions delegated by the Study Group

##### **Subsidiary/advisory bodies**

- Statistical Committee and Economic Committee
  - Provide advice and recommendations to Study Group and Executive Committee
- Committee of Expert Rubber Statisticians
  - Advises the Statistical and Economic Committees
- Industry Advisory Panel
  - Composed of invited industry experts
  - Advises the Statistical and Economic Committees

##### **Other**

- International Rubber Forum is held as part of annual Group meetings
- Panel of Associates provide free access to Group's publications and information data bases

**Project financing mechanism**

Submits projects to CFC for financing consideration. IRSG has received about US\$ 7.5 million in CFC funding to date

**C. Commodity related work**

The Study Group is the authoritative source of statistical data supplied by Members, other countries and organizations on production, consumption and trade in rubber and rubber products by under. The Group:

- Prepares estimates and forecasts future trends on production and consumption
- Undertakes and publishes statistical, economic and techno-economic studies on specific aspects of the industry.
- Publishes the “Rubber Statistical Bulletin” and “Rubber Industry Report” monthly
- Prepares annual reports on supply and demand statistics

As follows, there is a matrix synthesizing facts about the creation, governance, mandate and ITTO related work for the most relevant organizations and Conventions described in this document. This is going to facilitate the analysis of similar facts in association with ITTO, and the convenience of revising them in light of the re-negotiation of the ITTC.

## ANNEX E

### COMPARATIVE MATRIX ON MANDATES, STRUCTURE AND OTHER ATTRIBUTES OF ITTO AND THREE COMMODITY AGREEMENTS (AS OF AUGUST 2002)

Attributes*		ITTO	ICO	ICCO	IRSG
Creation	Mechanism	UNCTAD	UNCTAD	UNCTAD	Members
	Year	1983	1963	1973	1944
Governance	HDMB**	ITTC	ICC	ICCC	Study Group
	Frequency of meetings	Biannually	Biennially	Biannually	Annually
	Standing Committees; Expert Panels	4: CRF, CEM, CFI, CFA; One Expert Panel	Specialist Committee (Promotion Statistics, etc.); Expert Panel	Production, and Consumption Committee	Statistics, Economic Committee
	Executive Board	No	Sixteen members, 8 exporting and 8 importing	Executive Committee	Executive Committee
	Ad hoc Committees or other bodies	3 Committees and 2 Caucuses	Private Sector Consultative Board (16 members);	Two Expert Panels: Adv. Group – World Cocoa Economy	Industry Advisory Panel; Int'l Rubber Forum
	Secretariat	Yes	Yes	Yes	Yes
Members (countries)		57	33	42	17
Mandate		Timber trade and related issues; SFM of tropical forests	Bring together coffee producing and consuming countries to address challenges facing the world coffee sector through international cooperation	Cacao trade and related issues	Forum for discussing all aspects of the world rubber industry
ITTO Related work			None	None	None

\*ITTO International Tropical Timber Organization

ICO International Coffee Organization

ICCO International Cocoa Organization

IRSG International Rubber Study Group

\*\* Highest Decision-making Body

## ANNEX F

### COMPARATIVE MATRIX ON MANDATES, STRUCTURE AND OTHER ATTRIBUTES OF ITTO AND SELECTED FOREST-RELATED ORGANIZATIONS AND AGREEMENTS (AS OF AUGUST 2002)

Attributes*		ITTO	FAO	CITES	CBD
Creation	Mechanism	UNCTAD	Conference	Treaty	Convention
	Year	1983	1943	1975	1993
Governance	HDMB**	ITTC	FAO Conference	COP	COP
	Frequency of meetings	Biannually	Biennially	Biennially Triennially	Biennially
	Standing Committees; Expert Panels	4: CRF, CEM, CFI, CFA; yes, One	Four Com: COFO; Several Commissions and Sub-Committees	Committee on Plants; Committee on Animals	Subsidiary Body on Sc., Technol., and Technical Advice
	Executive Board	No	FAO Council	Standing Committee;	No
	Ad hoc Committees or other bodies	3 Committees and 2 Caucuses	Expert Groups, Consultations	Timber Working Group; Mahogany Working Group; etc.	Tech. Expert Panels; Working Groups; Roster of Experts
	Secretariat	Yes	No	Yes	Yes
Members (countries)		57	183	58 Parties	183 Parties
Mandate		Timber trade and related issues; SFM of tropical forests	Food and agriculture including forestry	Monitor and regulate trade in endangered species of fauna and flora	
ITTO Related work			Permanent Observer of ITTC; working together on C&I in SFM	ITTO is a member of the Timber Working Group and Mahogany Working Group	Could work together within CBD's Expanded Work Program on Forest Biodiversity

\*ITTO International Tropical Timber Organization

FAO Food and Agriculture Organizations of the United Nations

CITES Convention on International Trade in Endangered Species of Fauna and Flora

CBD Convention on Biological Diversity

\*\* Highest Decision-making Body

<b>Attributes*</b>		<b>ITTO</b>	<b>UNFCCC</b>	<b>CCD</b>	<b>UNFF</b>
<b>Creation</b>	<b>Mechanism</b>	<b>UNCTAD</b>	<b>Convention</b>	<b>Convention</b>	<b>ECOSOC</b>
	<b>Year</b>	1983	1994	1996	2002
<b>Governance</b>	<b>HDMB</b>	ITTC	<b>COP</b>	COP	Ministerial Sessions
	<b>Frequency of meetings</b>	Biannually	Annually	Biennially	Annually
	<b>Standing Committees; Expert Panels</b>	4: CRF, CEM, CFI, CFA; One Expert Panel	Subsidiary Body on Scientific and Technological Advice; Subsidiary Body on Implementation	Committee on Science and Technology	Collaborative Partnership on Forests (CPF)
	<b>Executive Board</b>	No	No	No	No
	<b>Ad hoc Committees or other bodies</b>	3 Committees and 2 Caucuses	Intergovernmental Panel on Climate Change (IPCC)	Committee to Review Implementation of the Convention; Roster of Independent Experts	None
	<b>Secretariat</b>	Yes	Yes	Yes	Yes
<b>Members (Countries or Parties)</b>		57	186 Parties	180 Parties	All UN Members
<b>Mandate</b>		Timber trade and related issues; SFM of tropical forests	Stabilize green house gas (GHG) concentrations in the atmosphere	Combating desertification and mitigating the effects of drought and/or desertification	Promote sustainable forest management and enhanced cooperation and coordination among several important forest-related international organizations
<b>ITTO Related work</b>			Maybe in the future under Kyoto Protocol	None	ITTO is a member of CPF

\*ITTO International Tropical Timber Organization  
 UNFCCC United Nations Convention on Climate Change  
 CCD Convention to Combat Desertification  
 UNFF United Nations Forum on Forests