



## ITTC-35 HIGHLIGHTS: THURSDAY, 6 NOVEMBER 2003

On Thursday, delegates to ITTC-35 convened in the Committees on Economic Information and Market Intelligence (CEM), Forest Industry (CFI) and Finance and Administration (CFA). In the afternoon, delegates met in a council session to consider: the annual review and assessment of the international timber situation; listing proposals to the Convention on the International Trade in Endangered Species (CITES); experiences implementing the ITTA, 1994; and ITTO Objective 2000.

### COMMITTEE ON ECONOMIC INFORMATION AND MARKET INTELLIGENCE AND COMMITTEE ON FOREST INDUSTRY

**POLICY WORK:** The US proposed the addition of two projects in the Draft Biennial Work Programme for 2004-2005: a regional capacity building workshop in Peru for major mahogany exporters; and a review and audit of existing tracking systems of producer countries. PERU and AUSTRALIA supported the establishment of the workshop. SWITZERLAND said that regular sessional activities should be given priority in the Draft Work Programme. The US recommended that the market study in China and Japan, the tracking system audit proposal and subsidies work should proceed through the project cycle. AUSTRALIA emphasized that regular sessional work, the market study on plantations and the mahogany workshop should be given priority. BRAZIL noted the need to prioritize work relating to regional offices. MALAYSIA expressed concern about the delays that occur when activities are subject to expert panel review. PERU highlighted the need for guidelines and criteria to determine which activities should undergo expert review.

The CEM/CFI decided to recommend to the Council that: ongoing activities be pursued; priority be given to new activities on the promotion of private investment in natural forests and the promotion of the establishment of efficient and socially sound community-based forest industries; priority be given to the tracking audit proposal; and the study on timber and timber product subsidies be deferred until its terms of reference (ToR) are fully defined.

The CEM/CFI briefly reviewed progress in the areas of: market access; forest and timber certification; life cycle analysis of timber products; proposed listing of timber species in CITES appendices; trade in secondary processed wood products; sustainable forest management (SFM) as addressed by the United Nations Forum on Forests; and the ITTO Work Programme for 2003.

**OTHER BUSINESS:** Announcing its intent to amend its import regulations of solid wood packing material, the US said that the proposed amendment would likely have an effect on international timber trade. He noted that Canada, the Republic of Korea and New Zealand would adopt similar standards.

### COMMITTEE ON FINANCE AND ADMINISTRATION

The CFA considered a proposal to increase programme support by two percent for projects and pre-projects to cover the cost of two regional offices. INDONESIA asked if this increase would be applied to all projects and also to previous projects. The Secretariat said the increase is for all projects but does not apply to prior projects. BRAZIL noted that ITTO project costs are higher than those of other organizations and this may reflect ITTO's project implementation difficulties. The Secretariat and NORWAY explained that the two percent increase was a reasonable figure. BRAZIL, supported by GABON, requested that the role and tasks of regional offices be defined before looking at how they should be funded. INDONESIA questioned the equity of projects that are not supervised by regional offices. JAPAN expressed concern regarding the increase in programme support and said regional offices should not be included in project costs. BRAZIL, on behalf of the Producer Group, said it is ready to share information put together by the caucus group on the responsibilities of regional offices, and that the offices should assume a more institutional function. SWITZERLAND, supported by NEW ZEALAND and INDONESIA, suggested that the CFA revisit the role and funding of regional offices in the next eighteen months, and discuss options at ITTC-39. SWITZERLAND noted that the ITTO has not made a comparison of how other international organizations deal with arrangements for regional offices. Chair Chris Ellis (US) said he would reflect the discussion in the report to the Council, and will provide the ToR for officers in regional offices at the next CFA meeting.

### COUNCIL SESSION

**ANNUAL REVIEW AND ASSESSMENT OF THE INTERNATIONAL TIMBER SITUATION:** The Secretariat presented a report on elements for the annual review and assessment of the world timber situation (ITTC(XXXV)/4), noting that international timber trade data is increasingly important since it informs policy discussions. The Secretariat noted that due to the low amount of country responses it received on timber data, it might consider paying countries for such information in the future. The Secretariat highlighted its cooperation within an inter-secretariat group to improve responses from developed countries. In



response to the Secretariat's point that the EU does not have reliable trade data, the EU said it studies timber market data on a global level, so it is difficult to obtain actual data from member countries. The US suggested that the TAG could play a role in promoting timely data reporting. NEW ZEALAND noted that trade data is essential if member states are to create policies on curbing illegal logging and trade. The Secretariat said it would update its data based on forthcoming data submissions from the Republic of Korea, Malaysia and Brazil. Vice-Chair Jan McAlpine (US) said ITTO is recognized as being among the more substantive sources of timber trade data, and that data is the basis for policy decisions in ITTO, as well as on a national level. Executive Director Sobral explained the ITTO's actions to address data collection and reporting problems. He said that, although data improvement is not included in the Draft Biennial Work Programme for 2004-2005, work could be done in the biennium if additional funds are received from member states.

**CITES LISTING PROPOSALS:** The Secretariat reported that it had not received any proposals to list new species in CITES appendices since ITTC-34. It noted that as of 15 November 2003, mahogany will be listed under CITES Appendix II, implying that each mahogany import will need a CITES permit. The Secretariat also noted that the CITES and ITTO Secretariats convened a second meeting of the Mahogany Working Group in Belém, Brazil in October 2003 to discuss: administrative and scientific requirements for Appendix II listing; the role of mahogany plantations and methods to distinguish between natural forest and plantation imports; and statistical assistance from ITTO to member countries and organizations.

**EXPERIENCE IN THE IMPLEMENTATION OF THE ITTA, 1994:** Shaharuddin Mohamad Ismail presented a background paper on experiences with the implementation of the ITTA, 1994 (ITTC(XXXV)/5), elaborating on: the ITTA's organization and administration; ITTC procedures; finance; operational activities; ITTO's relationship with the Common Fund for Commodities; and different categories of project objectives. Ismail concluded that there have been notable achievements under ITTA, 1994, despite its poor implementation. He said that areas for potential future review under the successor agreement include: the integration of policy and project implementation; balancing project distribution among committees and among geographic regions; and improving the project cycle. He highlighted several remaining technical questions, including whether the ITTA's special vote provisions can be deleted.

**ITTO OBJECTIVE 2000:** David Cassells, World Bank, presented findings of a diagnostic mission to the Philippines, and recommended that the Philippine Government, *inter alia*: develop a comprehensive legislative framework for SFM; examine trade policy impacts; improve environmental impact assessments; create regional SFM committees; and provide improved market information. PAPUA NEW GUINEA suggested that ITTO diagnostic missions focus on project-level implementation instead of national-level policies. The PHILIPPINES supported ITTO analyses carried out at both levels.

ITTC Chair Bin Che Yeom Freezailah (Malaysia) said ITTO also dispatched a similar mission to Suriname, but discussion on this will be postponed until ITTC-36.

The Chair also noted that a number of ITTO-funded national workshops for training on ITTO criteria and indicators for SFM were successfully completed, and upcoming workshops will be conducted in Panama, Ecuador and Peru.

#### **CHAIRPERSON'S OPEN-ENDED DRAFTING GROUP**

The open-ended drafting group made minor revisions to draft decisions on the Executing Agencies Account and the management of the administrative budget. The group considered the Draft Biennial Work Programme for 2004-2005, and debated paragraphs listing several activities to be implemented by the Executive Director.

A major producing country representative declined to endorse the proposed activities and requested time for further consideration. Another questioned why the list groups together diverse proposals on projects, activities and routine work. The group debated decision-making procedures, with some members noting that the Council, not the drafting group, should approve proposed activities, while others suggested that proposed activities should not only be considered by committees. ITTO Executive Director Manoel Sobral Filho clarified that all the proposed activities have been accepted by the committees and have already been funded.

Although a producer country did not support one of the projects as currently written, it was pointed out that the project would be discussed by the caucuses after the CEM drafts the project's ToR. A consumer country indicated that the budget figures should be bracketed. The Chair said that the amounts indicated in the proposed work programme are only estimates and will be finalized by Council decisions. It was also said that the group should discuss whether or not these projects could be met by sufficient funding. A producing country resisted proposing project dates and suggested addressing this at council sessions. The consumer caucus objected and the group assigned approximate dates both in early 2004 and 2005. It was also noted that, as suggested in recent ITTO studies, the Secretariat should have greater control over project decisions.

#### **IN THE CORRIDORS**

Insiders at ITTC-35 are saying that, while the session has had the outward appearance of bordering on the mundane, it has actually been substantively very significant. Accordingly, some have said that for the first time since the issue of forest law enforcement and governance (FLEG) emerged on the forest policy scene, ITTO is beginning to see results in its effort to improve market transparency. Nonetheless, some delegates are concerned that, with so much emphasis being placed on FLEG, other issues, such as environmental services and indigenous peoples' rights, are being overlooked.

#### **THINGS TO LOOK FOR TODAY**

**COMMITTEE SESSIONS:** The CRF and the CEM/CFI will convene from 10:00-11:00 am in the Plenary Hall and Committee Room, respectively. The CFA will meet from 11:00 am - 12:00 pm in the Committee Room.

**CHAIRPERSON'S OPEN-ENDED DRAFTING GROUP:** The Chairperson's Open-Ended Drafting Group will meet from 12:00-1:00 pm in the Informal Meeting Room.

**COUNCIL SESSIONS:** The Council is scheduled to convene from 2:30-4:30 pm in the Plenary Hall to consider the report of the Credentials Committee; dates and venues of future Council sessions; committee reports; and other business.

**SIDE EVENT:** From 12:00-1:00 pm, the United Nations Industrial Development Organization – Tokyo will host a side event on "Innovative Wood Drying: Technology to Improve Wood Quality."