



## ITTC-37 HIGHLIGHTS: THURSDAY, 16 DECEMBER 2004

In the morning, delegates met in Plenary to hear reports on forest law enforcement in Malaysia and Honduras, the Asia Forest Partnership and measures to promote the expansion and diversification of international trade in tropical timber. In the afternoon, delegates reconvened in Plenary to, *inter alia*, hear the annual review and assessment of the international timber situation and adopt revised criteria and indicators. Delegates also met in the Joint Committee to discuss measures to improve the project cycle and in the Committee on Finance and Administration (CFA) to discuss the indicative 2005 Administrative Budget. The Chair's opened ended drafting group began formulating decisions on improving the project cycle and enhancing cooperation between the ITTO and CITES.

### COUNCIL SESSION

**FOREST LAW ENFORCEMENT:** Chen Hin Keong, Traffic International, presented a case study report on forest law enforcement and governance in Malaysia in the context of sustainable forest management (SFM) (ITTC(XXXVII)/9). He reported that comprehensive legislation has been implemented to control illegal imports of roundwood and squared timber from Indonesia. He stated that law enforcement efforts include log tracking systems, increased penalties such as fines, incarceration and customs seizures, and the development of a Malaysian certification scheme on legality. Chen noted that the report recommends the extension of log tracking systems to other timber products, removal of timber products from the barter trade, and the closure of enforcement gaps that allow illegal imports of wood.

MALAYSIA noted awareness of the need for SFM and highlighted efforts it has made in this regard. SWITZERLAND said the report overlooked transboundary conservation projects. Noting that illegal logging should not be the sole responsibility of producing countries, the EUROPEAN COMMUNITY (EC) highlighted its recent developments on the Forest Law Enforcement, Governance and Trade Action Plan. COLOMBIA stressed the importance of stimulating and facilitating legal behavior to discourage illegal logging. PAPUA NEW GUINEA expressed concern that the illegal logging outcry could have negative impacts on tropical timber trade. JAPAN expressed support for continuing compilation of shipping and customs data related to illegal activities.

Danilo Escoto, ITTO consultant, presented a report on illegal logging and forest law enforcement in Honduras (ITTC(XXXVI)/9). He identified factors that encourage illegal logging, including: limited government capacity to

control sustainable management operations; corruption among authorities; and lack of land tenure policies. He described impacts of illegal activities on the forest, economy, society and public finances and highlighted elements of the Action Plan, including a national awareness campaign and actions to modernize forestry techniques and certification schemes. He concluded that the government of Honduras must, *inter alia*, raise public awareness and fight corruption. VENEZUELA asked how Honduras is satisfying the demands of local and indigenous communities to manage their resources. Escoto responded that Honduras aims to increase community forestry.

On the status of the handbook on best practices for improvement of law compliance in the forest sector, the ITTO Secretariat said the handbook is currently being reviewed by the ITTO and Food and Agriculture Organization (FAO) Secretariats and will be launched at the next meeting of the FAO Committee on Forestry. Hikojiro Katsuhisa, FAO, expressed hope that the case studies from the report will provide practical policy guidance on forest law compliance and welcomed ITTO's cooperation in the compilation of FAO's Forest Products Yearbook.

### STRENGTHENING THE ASIA FOREST

**PARTNERSHIP:** Bambang Murdiona, Ministry of Forestry of Indonesia, presented on progress made in strengthening the Asia Forest Partnership (AFP). Noting that a regional workshop was held in Indonesia on formulating and developing the mechanics and structure of the AFP, he said outcomes included agreement that the AFP will collaborate closely with other regional organizations with similar objectives and called for decision making structures for the AFP's work. He noted the Government of Japan's recent commitment to fund an AFP Secretariat. The US said that The Nature Conservancy had proposed a workplan for a transportation meeting, following the Civil Society Advisory Group(CSAG)/Trade Advisory Group's (TAG) and ITTO member's recommendations.

The NETHERLANDS announced their recent accession to and financial commitment for the AFP. Highlighting that it would host an upcoming consultation in Kuala Lumpur on certification, MALAYSIA said it hoped a wide variety of stakeholders would attend the consultation to develop an effective and pragmatic certification scheme on legality. SWITZERLAND drew attention to a decision on forest governance and decentralization in the context of the AFP's priorities to be proposed at ITTC-38.

**MEASURES TO PROMOTE THE EXPANSION AND DIVERSIFICATION OF INTERNATIONAL TRADE IN TROPICAL TIMBER:** R.E. Taylor, ITTO consultant, presented a draft report on measures to promote the expansion and diversification of international trade in tropical timber



(ITTC(XXXVII)/10). Taylor noted recommendations for tropical timber producing countries, including creation of a pro-active intelligence system to disseminate information and improved technology transfer. For consuming markets, he said recommendations include harmonization of standards and greater support for the private sector. He indicated that the ITTO should consider, *inter alia*: increasing market information and intelligence gathering; supporting capacity and infrastructure building in producing countries; and making strategic alliances with organizations with similar agendas.

INDONESIA highlighted contradictory trade data relating to Indonesian roundwood exports. The EC said that technical barriers to trade (TBT) definitions in the report do not accord with those in the World Trade Organization (WTO) rules and that collaboration with trade associations could enhance the development of product testing facilities in producer countries. He also said certification is not a trade measure, but a market-based instrument. GHANA said certification is becoming a non-tariff barrier (NTB) due to pressure from environmentalists and, with MALAYSIA, said that the ITTO needs to take account of WTO negotiations on government procurement. The US said the report does not identify the differential effects of specific trade measures on specific regions and products. He noted that the report addresses traditional import markets but not emerged and new markets like China, and overstates ongoing WTO negotiations while understating the existing WTO agreements. MALAYSIA noted the possibility that NTBs may generate perverse effects on producers such as disincentives to domestic timber processing and that the current emphasis on illegal logging may impede trade. NEW ZEALAND said NTBs are not specific to tropical timber and could stimulate trade in substitutes. She also expressed concern that SFM has been identified as a potential trade barrier.

**ANNUAL REVIEW AND ASSESSMENT OF THE INTERNATIONAL TIMBER SITUATION:** The ITTO Secretariat presented elements for the annual review and assessment of the world timber situation, focusing on trends in the production, imports, exports, and prices of tropical timber products (ITTC(XXXVII)/4). He noted the significant growth of consumer imports of secondary processed wood products and said they are approaching the value of imports of primary tropical timber products. He questioned whether the data should only be reported in US dollars and noted that current resources of the Secretariat do not allow for increased data analysis activities. BRAZIL stressed the importance of resolving domestic data discrepancies before submitting reports.

**REVISION OF CRITERIA AND INDICATORS FOR SUSTAINABLE FOREST MANAGEMENT:** Jürgen Blaser, Intercooperation, presented revised criteria and indicators (C&I), saying that the seven criteria would be maintained with some modified language and that indicators would be reduced from 63 to 56 and the reporting requirements from 89 to 56. The NETHERLANDS expressed concern with indicators on the social effects of subsistence and illegal activities. SWITZERLAND urged that the revised C&I be published and a training program pursued. The US offered to host an expert group meeting in 2005 to harmonize C&I definitions. Delegates adopted the revised C&I.

#### **JOINT COMMITTEE**

**MEASURES TO IMPROVE AND STRENGTHEN THE ITTO PROJECT CYCLE:** Chris Ellis (US), CFA Chair, presented the draft decision on strengthening the ITTO project cycle and said the document will further the project appraisal process. Chair Ellis noted the inclusion of a proposal to develop consultant guidelines to ensure institutional capacity building. The NETHERLANDS, on behalf of the EU, supported

by INDIA, said some processes currently referred to expert panels should be instead referred to the Council and the ITTO Secretariat. INDIA said that a proposed national clearinghouse should not be the only screening agency. INDONESIA, supported by MALAYSIA, said that Council rules should not restrict project proposals to three per Council Session.

#### **CFA**

Delegates approved the indicative Administrative Budget for the Year 2005 (CFA(XVI)/2). CFA Chair Ellis said that a proposed line item for statistical work would not be included in the current budget but should be considered for inclusion in the next biennial budget. Delegates also removed from the budget the position for an associate director for monitoring and evaluation. To maintain organizational efficiency, delegates recommended giving the Executive Director the flexibility to recruit or promote organization staff within existing resources of the Administrative Budget. MALAYSIA, supported by the US, NEW ZEALAND and the NETHERLANDS, expressed confidence in the Executive Director's ability to manage the operations of the organization, and MALAYSIA noted that producers want to see increased, stable funding from an expanding donor base. The Committee agreed that the shortfall in the Administrative Account would be funded through existing resources of the Administrative Account. While the NETHERLANDS and CANADA suggested that the Working Capital Account be used to cover the Administrative Budget shortfall, CFA Chair Ellis proposed that US\$500,000 from the Working Capital Account should instead be used to fund expenses associated with the ITTA, 1994 renegotiations in February. Delegates recommended that the Executive Director spend no more than US\$600,000 from the Working Capital Account for financing associated costs of the ITTA, 1994 renegotiation in 2005.

#### **OPEN-ENDED DRAFTING GROUP**

On the decision on enhanced cooperation between the ITTO and CITES on the CITES Appendix II listings of ramin and mahogany, the Chair McAlpine proposed acknowledging, in the chapeau, the CSAG/TAG recommendations made at ITTC-36. SWITZERLAND proposed including civil society and the private sector when pursuing enhanced cooperation among producer and consumer countries to improve mechanisms for CITES implementation and enforcement. The decision was adopted with other minor amendments.

On the draft decision on measures to improve and strengthen the ITTO project cycle, MALAYSIA proposed deleting language urging member countries to limit the submission of project proposals to three per Council session. BRAZIL, with the US, noted that this recommendation is not mandatory and the US noted that expanding the Expert Panel's capacity to evaluate more proposals would cost more. As of 9:30 pm no draft decision had been finalized.

#### **IN THE CORRIDORS**

Members of the CSAG were crestfallen that they had to cancel their scheduled side-event on community forest enterprises. Some speculated about whether this signaled diminishing interest in CSAG activities. It appeared this afternoon that funding would be found for CSAG participation in the ITTA, 1994 renegotiations. What this means for their future participation at Council sessions, however, has yet to be known.