

**Statement by Dr. B.C.Y. Freezailah
at ITTO's 25th Anniversary Celebrations;
28th October, 2011; Yokohama, Japan.**

I am most grateful to the Executive Director, Mr. Emmanuel Ze Meka for inviting me to participate in the ITTO's 25th Anniversary celebrations and be accorded an opportunity to make a statement. As the founding Executive Director of the ITTO, this joyous event is both special and significant to me, not only personally but also professionally. It is almost 25 years to the day, when I assumed my tenure of office to work closely with all members of the International Tropical Timber Council, authorities of the host city and country, Yokohama and Japan, all relevant bodies and organisations and several individuals to put the ITTO on its feet and commence operational activities within the framework of the International Tropical Timber Agreement of 1983 and subsequently the Agreement of 1994, which is still in force today. After serving the ITTO for 13 years and saw its growth and development into a respected world body, the organization is indeed dear and near to me. Saying sayonara was painful. But I was comforted and confident in leaving the ITTO in the good hands of my successor, Dr. Manoel Sobral Filho.

The ITTO was born in Geneva after a long gestation period of 6 years under the auspices of UNCTAD with overall long-term objective of saving the world's tropical forests. The ITTO seeks to achieve such an objective by striking a balance between conservation and utilization of tropical forest resources through their sustainable management and a sustainable timber trade. To this end the ITTO functions as a forum for consultation, cooperation and mobilization of resources to assist tropical countries to implement sustainable forest management or SFM.

From the time of its birth the ITTO was a highly coveted child with many of the world's leading capitals and cities wanting to host it, including Amsterdam, Athens, Jakarta, Paris, Rio De Janeiro and of course, Yokohama. Eventually, Yokohama was chosen by Council. Yokohama won largely due to the efforts and dedication of a great and generous man, the late Michikazu Saigo, the then Mayor of Yokohama, who saw ITTO as part of his grand vision for the internationalization of Yokohama to be sited in a brand-new development area, MM-21 or Minato Mirai. I can recall that at its first Council Session in Yokohama, Mayor Saigo called ITTO Hammako or native of Yokohama and lavished it with utmost care and attention. This was followed by his successors. In paying tribute to Mayor Saigo, I must not fail to also mention others for their precious contributions. There are many such individuals for me to enumerate but I must make special mention of Mr. K. Kotari, Mr. T. Imai, the late Mr. A.J. Leslie and Mr. Terence Hpay, Dr. Duncan Poore, Datuk M. Jabil, Ambassador K. Ishikawa, and Ambassador T. Suzuki amongst others.

The first ITTO Council Session held in Yokohama was in March, 1987. Aptly enough, it began with a tree-planting ceremony in Yamashita Park. The tree species chosen to be planted was the Ginkgo tree which was indeed a very thoughtful choice for several reasons.

- Firstly, the Ginkgo is a beautiful ornamental tree which grows well in Yokohama.
- Secondly, it produced useful timber apart from non-timber products such as nuts and leaves with medicinal value which clearly symbolize the value of trees and forests for human welfare and well-being.
- Thirdly, the Ginkgo tree was discovered growing around temples reflecting the spiritual, cultural and social values of trees.
- Fourthly, studies have shown that the Ginkgo tree has survived throughout geological periods reflecting the all-important principle of sustainability which is fundamental to ITTO's core objective.
- Fifthly, studies have shown that the Ginkgo tree is unique in that it has both male and female trees denoting ITTO's global mission for humankind and the support it needs from everyone in both producer and consumer countries including civil society and the timber trade.
- Last but not least, Ginkgo, in Japanese, means, banks and financial institutions. This is an element of vital importance to the ITTO because without the generosity of its members and donors to provide voluntary financial contributions, ITTO could achieve little.

Thus the choice of the Ginkgo for the tree-planting ceremony to commemorate ITTO's inaugural Council Session in Yokohama is full of symbolism reflecting the aims and aspirations of the organization and the support it needs in its mission to save the world's tropical forests.

With these remarks about the birth and beginnings of the ITTO, I wish now to briefly take stock of the present and offer some glimpses into ITTO's challenging future – where that future lies and what needs to be done. Compared to the beginning of ITTO's operational activities, there has been a quantum leap in awareness, understanding and progress in terms of policies, collaborative efforts and practices in the context of achieving SFM. In the early years, even the word 'monitoring' aroused sensitivities. When Malaysia invited the ITTO to send an independent mission to Sarawak in 1989, some ITTO member countries opposed such an initiative arguing that, this is not something the ITTO should undertake. Likewise, the ITTO Council cannot be proud of its early decisions on forest certification. Some ITTO member countries were quite hostile to the organisation's involvement in forest certification. NGO's and timber trade organisations were mere observers, then. How things have evolved in the world of tropical forestry with the conduct of missions to monitor SFM, projects on forest and timber certification, transparency of the tropical timber economy and the creation of the Civil Society Advisory Group and Trade Advisory Group as part of the consultative and deliberative process in the ITTO forum. And proudly, ITTO has been the agent for these fundamental changes and developments. One of the ITTO's substantive study was to establish a base-line on the state of tropical forest management. It was published in "No Timber Without Trees" in 1989. The study found that barely one million hectares of the world's tropical forests were under sustainable management. This finding was both alarming and compelling. It challenged

the ITTO to urgent action. What followed was a series of guidelines on sustainable management of natural tropical forests, plantations establishment and management and biodiversity conservation, amongst others. The ITTO Year 2000 objective was adopted to give the time-frame and sense of urgency. And a special funding mechanism was established in the International Tropical Timber Agreement of 1994. This is called the Bali Partnership Fund to provide financial resources to assist producer member countries to implement SFM and achieve Objective 2000. Such financial assistance, through project activities, is vitally needed in view of the work of expert panels which estimated the cost of implementing SFM at some \$ 2.2 billion annually for the initial four years.

In the view of the various mechanisms and arrangements adopted by Council in terms of guidelines, funding and additional elements in the International Tropical Timber Agreement of 1994, collectively designed to accelerate the implementation of SFM, what is the situation now? On 6 June 2011, the ITTO released a Report on the state of tropical forest management. When compared to the baseline study of 1989, there has been progress but the findings are less than encouraging. Even though these findings are not strictly comparable, they indicate the extent of the progress and enormity of the challenges facing the ITTO. From less than one million hectares, the area under SFM has increased to 30.6 million hectares out of which 17 million hectares have been certified. Amongst ITTO 33 producer member countries, Brazil, Gabon, Guyana, Malaysia and Peru were reported as making notable progress towards SFM. These statistics however must be viewed and situated within and in the context of the total forest area in ITTO's producer member countries totaling an estimated area of 1.42 billion hectares.

It can be seen that the total area of tropical forests under SFM and certified, is relatively small. Why is this so? Based on my experience chairing the Malaysian Timber Certification Council, I can say that sustainable management of tropical forests, which is a very complex ecosystem, is a most daunting task. It must meet stringent principles and criteria on social, environmental and economic parameters. Implementation of SFM and certification of tropical forests require strong institutions, skills and knowledge apart from financial resources which are all in short supply in most tropical countries. And often, a green premium is meager, if any.

Some of you may know Dr. Hinrich Stoll, the grand old man of the German timber industry, who was actively involved in the work and activities of the ITTO during its formative years. Dr. Stoll's expertise is indeed unique with hands on experience in both the timber and forestry sectors. Through an ITTO-supported project, Dr. Stoll played a key role in the implementation of SFM and certification of a large forest concession, known as "Congolais Industrille de Bois (CIB)" in the Republic of Congo. He overcame huge obstacles and challenges to achieve SFM and certification of the CIB concession. On the 10 Oct 2011, Dr. Stoll was in Kuala Lumpur and gave a talk. His message based on his immense experiences in the CIB concession and involvement in many high-level international initiatives and fora on tropical forests and tropical timber, was loud and clear and I wish the quote the following :

"SFM and certification of tropical forests is most challenging needing both human and financial resources, which currently cannot be financed by exporting countries only.

Also, markets do not pay prices to justify the necessary investments needed for certified timber. The question maybe asked, that whilst SFM and certification of tropical forests is technically feasible, is it financially viable? The lack of a level playing field between those companies which practice SFM and many others which do not care at all, just getting the maximum out of their forest concessions, is yet another big problem”

Obviously we should not ignore these words of wisdom from such a professional who has gone through the whole process of implementing SFM and certification. Can we therefore expect large-scale implementation of sustainable management of tropical forests without adequate assistance and a more supportive market? We need to deeply reflect on these issues.

Other important developments and market requirements also affect the tropical timber economy. Major markets now demand legal, if not sustainable timber for public procurement. The US, through the Lacey Act, compels importers of timber to undertake due care to buy only legal timber in compliance with laws of the exporting country. Australia is in the process of enacting legislation with similar objectives. Within the framework of its Forest Law Enforcement Governance and Trade (FLEGT) Action Plan, the EU has concluded bilateral Voluntary Partnership Agreements with some timber exporting countries to establish a Timber Legality Assurance System (TLAS) to ensure the importation of timber which has been verified for legality through an independent Third Party Monitor. Some countries, including Malaysia are in the process of negotiating with the EU to conclude such an agreement. To give effect to the VPA, the EU has passed legislation which will come into force on 1 March 2013. From this date timber imported into the EU without a FLEGT timber license will be subjected to due diligence to ensure its legality. With the implementation of these public procurement policies and enforcement of legislation demanding timber which has been verified for legality or certified for sustainability, what is the future of the international tropical timber trade in the high value timber and timber products markets? I suggest that unintended consequences will be the outcome. These products will be diverted to other less discerning markets with lower prices, with negative impact on the implementation of SFM. But let me also add, that the EU is appreciative of the difficulties tropical countries will face in implementing the Timber Legality Assurance System in the context of the Voluntary Partnership Agreement. Thankfully, assistance to timber exporting countries for capacity building will be provided by the EU under the Voluntary Partnership Agreement.

The world is now facing a serious environmental problem due to global warming caused by large emission of green-house gases. It is estimated that about 17 per cent of such emission is due to deforestation and forest degradation. Reducing deforestation and forest degradation (REDD) and implementation of SFM and other green projects for carbon sequestration (REDD+) through various project activities are therefore high on the international agenda with large financial resources available or pledged. ITTO is well placed to benefit from such funds. To this end ITTO has its own thematic programme called REDDES. With Norway, an ITTO donor country contributing one billion dollars to Brazil and another billion dollars pledged to Indonesia, the possibilities and potential for the ITTO to assist its producer member countries is indeed exciting. But the ITTO needs to clearly and convincingly demonstrate the linkage of its core activities, SFM, forest conservation, reforestation, to not only reduce emission of green-

house gases but also increase carbon sequestration, in order to attract such funding. In such green projects, ITTO has both expertise and comparative advantages.

In my presentation so far I have reviewed the beginnings of the ITTO, the progress made and the challenges member countries are confronted with in order to significantly increase the area under SFM from which sustainable and legal timber may be sourced to meet the market requirements of certain major markets. I have also discussed the lack of financial resources for producer countries to implement SFM and certification. The declining level of voluntary contributions by the ITTO donor community is therefore most worrisome. If this trend is not reversed, it will severely curtail assistance that ITTO can provide to its producer member countries to implement SFM.

In view of the foregoing, ITTO is a crucial juncture in its history. Indeed, the ITTO will need to reinvent itself in order to remain relevant, effective and efficient. And there is nothing, unusual about this, as all organisations must evolve and respond to developments and requirements from time to time. In this context I have every confidence that Mr. Emmanuel Ze Meka and his dedicated members of the Secretariat can closely work with members of the ITTC, the donor community, authorities of the host city and host government to make the necessary changes and arrangements to respond to the changing factors in its external environment some of which I have discussed. May I now think aloud some personal views on measures to sustain the momentum of ITTO's work and activities :

- Firstly, We need to seriously reflect and consider how to attract enhanced level of voluntary contributions from a bigger number in the ITTO donor community which currently is led by Japan from the very beginning. Japan's generosity has been more than exemplary. We must also acknowledge the regular contributions by Switzerland and the United States. But we cannot take for granted the sustained contribution by Japan, Switzerland and the United States. The ITTA, of 1994 calls for "the provision of new and additional financial resources ..." whilst the ITTA, 2006 which has been adopted, give further emphasis with "... the provision of new and additional financial resources with a view to promoting the adequacy and predictability of funding..." in the objectives of both these agreements. In solidarity and in the context of the letter and spirit of the ITTA, let us appeal to other consumer members to join Japan, Switzerland and the United States in making regular voluntary contributions to achieve the objectives of the organization. Without more contributions from more donor countries, a bleak future awaits the ITTO. Indeed, this is already happening.
- Secondly, With the slow progress in the implementation of SFM and a very small area of tropical forests certified, the bulk of tropical timber exported is neither certified for sustainability nor verified for legality. Not being able to comply with requirements of public procurement policy and legislation to combat illegal logging, all such timber and timber products will be denied access into these markets for high value timber and processed products. These products, will be diverted to less lucrative markets which will not be helpful in promoting SFM and combating illegal logging. I consider this a very serious issue. But with consumers and producers of tropical timber and members of CSAG and TAG, ITTO is the ideal forum to discuss these issues and develop a more pragmatic

implementation by stages including adoption of transitional measures. In addition there is a bewildering array of requirements to meet public procurement policy from country to country. So is due diligence and due care to prevent trade in illegal timber. Understanding them is a nightmare let alone meeting these requirements. These markets are all in ITTO member countries. Why not ITTO play a role in coordination and harmonization?

- Thirdly, Production of sustainable and legal timber will increase costs. We need to discuss how these extra costs may be met through a green premium. On this issue also, ITTO is the ideal forum for meaningful discussion and policy development. Discussion on this has often been dismissed on the grounds that prices are governed by market forces. I believe governments can set the pace of price for timber purchased for public procurement. When there is a will, a way can always be found. Left to market forces, operators dealing with illegal timber will always have their way.
- Fourthly, Large financial resources are available for projects to combat global warming. ITTO's programme on REDDES with a sharper focus can benefit from such resources. I suggest that the ITTO develop guidelines for such project to convince donors of their role to reduce green-house emission through SFM and other green projects where the ITTO has expertise and comparative advantage. ITTO needs to establish a clear and convincing linkage between its core activities and the role of these activities in combating global warming by reducing green-house emission and carbon sequestration.
- Fifthly, Although we now have the CSAG and the TAG, I believe the members of civil society and timber trade organisations before were relatively more active with more meaningful inputs in the ITTO decision-making process. Let us enrich the membership of CSAG and TAG for better representativeness. Many developments which impact SFM and market requirements could be influenced by members of civil society and timber trade bodies. Let us therefore review the composition, modalities, supports for their active involvement in the ITTO forum to better benefit from their inputs. I also recall that in the past certain countries include NGO's and the trade in their delegations.

In my statement today, I have reviewed and discussed ITTO's development and progress in the last 25 years. There is much we can be proud of. Policy work and initiatives have enhanced understanding, awareness and urgency on the implementation of SFM which is at the heart of ITTO's mission. Most significantly, solid progress is being achieved in the tropical forests where it really matters. This is clearly evident when we compare the area of tropical forests under sustainable management from the baseline study in 1989 and the recently released report which recorded more than a 30-fold increase. This has been achieved through our collective cooperative efforts of ITTO member countries, all stakeholders and most importantly the generosity of the ITTO donor community in providing voluntary financial contributions. But as we celebrate ITTO's 25th Anniversary, we cannot fail to detect dark clouds over the horizon. Voluntary financial contributions, to assist producer countries to implement SFM, have declined. There is a proliferation of measures to prohibit the importation of timber which has not be certified for sustainability or verified for legality without due consultation or consideration on the capacity of producer countries and the need for transitional measures. There is also growing radicalism amongst certain stakeholders and countries for more and more stringent unrealistic criteria and indicators for sustainability. Timber markets, including for

public procurement, do not seem to provide green premium to meet higher production cost of such timber. Whilst all of us agree on the long-term goal of SFM and trade in sustainable and legal timber, these various initiatives and developments, without considering the capacity of tropical countries to comply and appropriate transitional measures, can only lead to unintended consequences, which will undermine our good intentions.

In view of the foregoing, I have taken liberty to share my personal thoughts on the way forward. I believe the ITTO is in a unique position with expertise and cooperative advantages within the framework of an international instrument, to reinvent itself so that the momentum built and achievement made, will not be lost. From past experience, it is not mission impossible for the ITTO. So let this 25th Anniversary herald a renaissance for the ITTO epitomized by the spirit of the Gingko tree which was ceremoniously planted when ITTO commenced operational activities at its Headquarters in beautiful and hospitable City of Yokohama 25 years ago. It is on this optimistic note that I wish to conclude and for your kind attention, I thank you.

Yokohama, Japan

28 Oct 2011